



## City of Sand Point, Alaska

Basic Financial Statements, Required  
Supplementary Information, Supplementary  
Information and Single Audit Reports  
Year Ended June 30, 2014

## City of Sand Point, Alaska

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Basic Financial Statements, Required Supplementary Information,  
Supplementary Information and Single Audit Reports  
Year Ended June 30, 2014

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## Independent Auditor's Report

Honorable Mayor and City Council  
City of Sand Point, Alaska

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sand Point, Alaska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Sand Point's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements.*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sand Point, Alaska, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Supplementary Information*

Our audit for the year ended June 30, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Sand Point's basic financial statements. The accompanying Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of State Financial Assistance is required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole for the year ended June 30, 2014.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Sand Point as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated February 20, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2013 financial statements. The information has been subjected to the auditing procedures applied in the audit of the June 30, 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014, on our consideration of City of Sand Point's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sand Point's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
December 3, 2014

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## Basic Financial Statements

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**City of Sand Point, Alaska**  
**Statement of Net Position**

<i>June 30, 2014</i>	Govern- mental Activities	Business- type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 2,245,221	\$ 605,527	\$ 2,850,748
Accounts receivable, net	252,322	540,145	792,467
Prepays	29,731	-	29,731
Restricted cash	-	100,000	100,000
Internal balances	1,200,108	(1,200,108)	-
Investment in Southwest Governments, LLC	271,525	-	271,525
Capital assets not being depreciated	-	10,095,929	10,095,929
Other capital assets, net of accumulated depreciation	7,065,211	3,889,386	10,954,597
<b>Total Assets</b>	<b>\$ 11,064,118</b>	<b>\$ 14,030,879</b>	<b>\$ 25,094,997</b>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Accounts payable	\$ 55,727	\$ 158,362	\$ 214,089
Accrued liabilities	10,569	95	10,664
Unearned revenue	1,950	-	1,950
Accrued interest payable	-	40,193	40,193
<b>Noncurrent Liabilities</b>			
Due within one year:			
Accrued leave	31,374	23,358	54,732
Bonds payable	-	60,000	60,000
Due in more than one year:			
Landfill closure costs payable	-	93,100	93,100
Bonds payable, net of current portion	-	2,500,000	2,500,000
Bond premium, net of accumulated amortization	-	397,748	397,748
<b>Total Liabilities</b>	<b>99,620</b>	<b>3,272,856</b>	<b>3,372,476</b>
<b>Net Position</b>			
Net investment in capital assets	7,065,211	11,027,567	18,092,778
Unrestricted (deficit)	3,899,287	(269,544)	3,629,743
<b>Total Net Position</b>	<b>10,964,498</b>	<b>10,758,023</b>	<b>21,722,521</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 11,064,118</b>	<b>\$ 14,030,879</b>	<b>\$ 25,094,997</b>

*See accompanying notes to basic financial statements.*

## City of Sand Point, Alaska

## Statement of Activities

Year Ended June 30, 2014	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	Total
<b>Functions</b>							
<b>Governmental activities:</b>							
General government	\$ 1,280,220	\$ 67,006	\$ 53,774	\$ -	\$ (1,159,440)	\$ -	\$ (1,159,440)
Parks and recreation	36,193	-	3,074	-	(33,119)	-	(33,119)
Public safety	590,900	-	36,203	-	(554,697)	-	(554,697)
Public works	862,872	172,678	33,102	51,628	(605,464)	-	(605,464)
Health clinic	24,271	33,654	-	-	9,383	-	9,383
Community development	43,223	22,040	-	-	(21,183)	-	(21,183)
<b>Total governmental activities</b>	<b>2,837,679</b>	<b>295,378</b>	<b>126,153</b>	<b>51,628</b>	<b>(2,364,520)</b>	<b>-</b>	<b>(2,364,520)</b>
<b>Business-type activities:</b>							
Bingo	563,391	594,418	5,506	-	-	36,533	36,533
Boat harbor	783,949	603,938	32,531	5,862,722	-	5,715,242	5,715,242
Refuse collection	285,011	142,950	9,855	-	-	(132,206)	(132,206)
Water and sewer	447,115	197,012	10,803	-	-	(239,300)	(239,300)
<b>Total business-type activities</b>	<b>2,079,466</b>	<b>1,538,318</b>	<b>58,695</b>	<b>5,862,722</b>	<b>-</b>	<b>5,380,269</b>	<b>5,380,269</b>
<b>Total</b>	<b>\$ 4,917,145</b>	<b>\$ 1,833,696</b>	<b>\$ 184,848</b>	<b>\$ 5,914,350</b>	<b>(2,364,520)</b>	<b>5,380,269</b>	<b>3,015,749</b>
<b>General Revenues</b>							
Taxes:							
Sales taxes					953,363	-	953,363
Local raw fish taxes					715,745	-	715,745
Accommodation taxes					21,509	-	21,509
Payment in lieu of taxes					150,000	-	150,000
Grants and entitlements not restricted to a specific purpose					499,757	-	499,757
Transfers					(253,839)	253,839	-
<b>Total General Revenues and Transfers</b>					<b>2,086,535</b>	<b>253,839</b>	<b>2,340,374</b>
Change in net position					(277,985)	5,634,108	5,356,123
<b>Beginning net position</b>					<b>11,242,483</b>	<b>5,123,915</b>	<b>16,366,398</b>
<b>Ending net position</b>					<b>\$ 10,964,498</b>	<b>\$ 10,758,023</b>	<b>\$ 21,722,521</b>

See accompanying notes to basic financial statements.

## City of Sand Point, Alaska

## Governmental Funds

## Balance Sheet

<i>June 30, 2014</i>	<u>Major Fund</u> General	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 1,698,445	\$ 546,776	\$ 2,245,221
Receivables:			
Sales tax	104,812	-	104,812
Fish tax	64,463	-	64,463
Other	28,688	54,359	83,047
Prepays	29,731	-	29,731
Investment in Southwest Governments, LLC	271,525	-	271,525
Advance to other funds	1,200,108	-	1,200,108
<b>Total Assets</b>	<b>\$ 3,397,772</b>	<b>\$ 601,135</b>	<b>\$ 3,998,907</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 23,756	\$ 31,971	\$ 55,727
Unearned revenue	1,950	-	1,950
Accrued liabilities	10,569	-	10,569
<b>Total Liabilities</b>	<b>36,275</b>	<b>31,971</b>	<b>68,246</b>
<b>Fund Balances</b>			
Nonspendable:			
Prepaid items	29,731	-	29,731
Investment in Southwest Governments, LLC	271,525	-	271,525
Advance to other funds	1,200,108	-	1,200,108
Assigned:			
Next year's budget	490,267	-	490,267
Silver Salmon Derby	-	14,120	14,120
Clinic	-	85,929	85,929
Capital projects	-	469,115	469,115
Unassigned	1,369,866	-	1,369,866
<b>Total Fund Balances</b>	<b>3,361,497</b>	<b>569,164</b>	<b>3,930,661</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,397,772</b>	<b>\$ 601,135</b>	<b>\$ 3,998,907</b>

*See accompanying notes to basic financial statements.*

## City of Sand Point, Alaska

### Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

*June 30, 2014*

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Total fund balances for governmental funds		\$ 3,930,661
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of:		
Buildings	\$ 8,590,637	
Improvements other than buildings	1,535,736	
Equipment and vehicles	1,973,301	
<hr/>		
Total capital assets	12,099,674	
Accumulated depreciation	(5,034,463)	
<hr/>		
Total capital assets, net		7,065,211
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities.		
This liability consists of accrued leave.		(31,374)
<hr/>		
<b>Total Net Position of Governmental Activities</b>		<b>\$ 10,964,498</b>

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*See accompanying notes to basic financial statements.*

## City of Sand Point, Alaska

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year Ended June 30, 2014</i>	<u>Major Fund</u>	Nonmajor Funds	Total Governmental Funds
	General		
<b>Revenues</b>			
Taxes	\$ 1,690,617	\$ -	\$ 1,690,617
State of Alaska	590,498	51,628	642,126
Federal government	6,212	33,654	39,866
Other revenues	418,884	22,040	440,924
<b>Total Revenues</b>	<b>2,706,211</b>	<b>107,322</b>	<b>2,813,533</b>
<b>Expenditures</b>			
Current:			
General government	976,785	-	976,785
Parks and recreation	32,515	-	32,515
Public safety	547,941	-	547,941
Public works	866,453	-	866,453
Health clinic	-	24,271	24,271
Community development	-	30,994	30,994
Capital outlay	-	51,628	51,628
<b>Total Expenditures</b>	<b>2,423,694</b>	<b>106,893</b>	<b>2,530,587</b>
Excess of revenues over expenditures	282,517	429	282,946
Other financing uses - transfers out	(253,839)	-	(253,839)
Net change in fund balances	28,678	429	29,107
<b>Beginning fund balances</b>	<b>3,332,819</b>	<b>568,735</b>	<b>3,901,554</b>
<b>Ending fund balances</b>	<b>\$ 3,361,497</b>	<b>\$ 569,164</b>	<b>\$ 3,930,661</b>

*See accompanying notes to basic financial statements.*

## City of Sand Point, Alaska

### Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities

*Year Ended June 30, 2014*

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Net change in fund balances - total governmental funds	\$	29,107
<p>The change in net position reported for governmental activities in the Statement of Activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$581,293) and loss on disposal of capital assets (\$1,169) exceeded capital outlays (\$224,108) in the current year.</p>		
		(358,354)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.</p>		
Decrease in accrued leave		51,262
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(277,985)</b>

*See accompanying notes to basic financial statements.*

## City of Sand Point, Alaska

Enterprise Funds  
Statement of Net Position

June 30, 2014	Major Funds				Total Enterprise Funds
	Bingo	Boat Harbor	Refuse Collection	Water and Sewer	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and investments	\$ 146,499	\$ 50,649	\$ 408,379	\$ -	\$ 605,527
Accounts receivable, net	-	496,705	23,051	20,389	540,145
<b>Total Current Assets</b>	146,499	547,354	431,430	20,389	1,145,672
Restricted Cash - capital projects	-	100,000	-	-	100,000
<b>Capital Assets</b>					
Buildings and improvements	-	321,752	19,400	4,572,242	4,913,394
Equipment and vehicles	14,541	613,642	498,629	177,509	1,304,321
Sanitary landfill	-	-	1,996,889	-	1,996,889
Construction in progress	-	10,095,929	-	-	10,095,929
Less accumulated depreciation	(13,548)	(497,710)	(1,547,630)	(2,266,330)	(4,325,218)
<b>Net Capital Assets</b>	993	10,533,613	967,288	2,483,421	13,985,315
<b>Total Assets</b>	\$ 147,492	\$ 11,180,967	\$ 1,398,718	\$ 2,503,810	\$ 15,230,987
<b>Liabilities and Net Position</b>					
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 479	\$ 146,642	\$ 1,046	\$ 10,195	\$ 158,362
Accrued leave	-	18,549	4,085	724	23,358
Accrued payroll	95	-	-	-	95
Accrued interest payable	-	40,193	-	-	40,193
Current portion of bonds payable	-	60,000	-	-	60,000
<b>Total Current Liabilities</b>	574	265,384	5,131	10,919	282,008
<b>Long Term Liabilities</b>					
Advance from other funds	312,340	-	-	887,768	1,200,108
Bonds payable, net of current portion	-	2,500,000	-	-	2,500,000
Bond premium, net	-	397,748	-	-	397,748
Landfill closure costs payable	-	-	93,100	-	93,100
<b>Total Liabilities</b>	312,914	3,163,132	98,231	898,687	4,472,964
<b>Net Position</b>					
Net investment in capital assets	993	7,575,865	967,288	2,483,421	11,027,567
Unrestricted (deficit)	(166,415)	441,970	333,199	(878,298)	(269,544)
<b>Total Net Position (Deficit)</b>	(165,422)	8,017,835	1,300,487	1,605,123	10,758,023
<b>Total Liabilities and Net Position</b>	\$ 147,492	\$ 11,180,967	\$ 1,398,718	\$ 2,503,810	\$ 15,230,987

See accompanying notes to basic financial statements.



## City of Sand Point, Alaska

## Enterprise Funds

## Statement of Revenues, Expenses and Changes in Net Position (Deficit)

Year Ended June 30, 2014	Major Funds				Total Enterprise Funds
	Bingo	Boat Harbor	Refuse Collection	Water and Sewer	
<b>Operating Revenues - charges for services</b>	\$ 594,418	\$ 603,938	\$ 142,950	\$ 197,012	\$ 1,538,318
<b>Operating Expenses</b>					
Salaries and benefits	60,046	462,175	142,795	132,632	797,648
Services and supplies	502,261	153,800	45,808	171,553	873,422
Depreciation	1,084	66,929	96,408	142,930	307,351
<b>Total Operating Expenses</b>	563,391	682,904	285,011	447,115	1,978,421
Operating income (loss)	31,027	(78,966)	(142,061)	(250,103)	(440,103)
<b>Nonoperating Revenues (Expenses)</b>					
State PERS relief	5,506	32,531	9,855	10,803	58,695
Loss on disposal of capital asset	-	(101,045)	-	-	(101,045)
<b>Net Nonoperating Revenues (Expenses)</b>	5,506	(68,514)	9,855	10,803	(42,350)
Income (loss) before capital contributions and transfers	36,533	(147,480)	(132,206)	(239,300)	(482,453)
Capital contributions	-	5,862,722	-	-	5,862,722
Transfers in	-	-	50,431	203,408	253,839
Change in net position	36,533	5,715,242	(81,775)	(35,892)	5,634,108
<b>Beginning net position (deficit)</b>	(201,955)	2,302,593	1,382,262	1,641,015	5,123,915
<b>Ending net position (deficit)</b>	\$ (165,422)	\$ 8,017,835	\$ 1,300,487	\$ 1,605,123	\$ 10,758,023

See accompanying notes to basic financial statements.

## City of Sand Point, Alaska

Enterprise Funds  
Statement of Cash Flows

Year Ended June 30, 2014	Major Funds				Total Enterprise Funds
	Bingo	Boat Harbor	Refuse Collection	Water and Sewer	
<b>Cash Flows from (for) Operating Activities</b>					
Receipts from customers	\$ 594,418	\$ 669,401	\$ 152,429	\$ 202,980	\$ 1,619,228
Payments for goods and services	(501,782)	(388,566)	(36,198)	(169,060)	(1,095,606)
Payments for salaries and benefits	(56,180)	(422,212)	(130,134)	(125,463)	(733,989)
<b>Net cash flows from (for) operating activities</b>	<b>36,456</b>	<b>(141,377)</b>	<b>(13,903)</b>	<b>(91,543)</b>	<b>(210,367)</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>					
Transfer from General Fund	-	-	50,431	203,408	253,839
Decrease in advances from other funds	(24,579)	-	-	(101,046)	(125,625)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(24,579)</b>	<b>-</b>	<b>50,431</b>	<b>102,362</b>	<b>128,214</b>
<b>Cash Flows for Capital and Related Financing Activities</b>					
Additions to capital assets	-	(6,730,073)	(7,400)	(10,819)	(6,748,292)
Principal paid on long-term debt	-	(55,000)	-	-	(55,000)
Interest paid on long-term debt	-	(124,396)	-	-	(124,396)
Capital contributions received	-	4,949,457	-	-	4,949,457
<b>Net cash flows for capital and related financing activities</b>	<b>-</b>	<b>(1,960,012)</b>	<b>(7,400)</b>	<b>(10,819)</b>	<b>(1,978,231)</b>
<b>Net increase (decrease) in cash and investments</b>	<b>11,877</b>	<b>(2,101,389)</b>	<b>29,128</b>	<b>-</b>	<b>(2,060,384)</b>
<b>Beginning cash and investments</b>	<b>134,622</b>	<b>2,252,038</b>	<b>379,251</b>	<b>-</b>	<b>2,765,911</b>
<b>Ending cash and investments</b>	<b>\$ 146,499</b>	<b>\$ 150,649</b>	<b>\$ 408,379</b>	<b>\$ -</b>	<b>\$ 705,527</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from (for) Operating Activities</b>					
Operating loss	\$ 31,027	\$ (78,966)	\$ (142,061)	\$ (250,103)	\$ (440,103)
Adjustments to reconcile operating income (loss) to net cash flows from (for) operating activities:					
Depreciation	1,084	66,929	96,408	142,930	307,351
Noncash expense - PERS relief	5,506	32,531	9,855	10,803	58,695
(Increase) decrease in assets -					
Accounts receivable (net)	-	65,463	9,479	5,968	80,910
Increase (decrease) in liabilities:					
Accounts payable	479	(234,766)	300	2,493	(231,494)
Accrued leave	(616)	7,432	2,806	(3,634)	5,988
Accrued payroll	(1,024)	-	-	-	(1,024)
Landfill closure costs payable	-	-	9,310	-	9,310
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 36,456</b>	<b>\$ (141,377)</b>	<b>\$ (13,903)</b>	<b>\$ (91,543)</b>	<b>\$ (210,367)</b>

See accompanying notes to basic financial statements.

# City of Sand Point, Alaska

## Notes to Basic Financial Statements

June 30, 2014

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### 1. Summary of Significant Accounting Policies

#### *Reporting Entity*

The City of Sand Point was incorporated in 1966 and has operated as a first-class city since 1978 under a council/mayor form of government. The City provides a full range of services to its citizens including, but not limited to, public safety, streets, health and social services, water and sewer, refuse collection, boat harbor, and general administration.

The basic principle used in determining the scope of the entity for financial reporting purposes is the exercise of oversight responsibility over other governmental units by the City's elected officials. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. No other entities exist for which the City has oversight responsibility.

The accounting policies of City of Sand Point conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

#### *Government-Wide and Fund Financial Statements*

Government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed, but statements distinguish governmental activities from business-type activities which are generally financed in whole or in part with fees charged to external customers. The statement of activities reports expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported in separate columns with composite columns for nonmajor funds.

#### *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide and proprietary fund financial statements report using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

# City of Sand Point, Alaska

## Notes to Basic Financial Statements

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Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only to the extent they have matured.

Major revenue sources susceptible to accrual include charges for services, intergovernmental revenues and investment income. In general, other revenues are recognized when received.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State and federal entitlement revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### *Major Funds*

The City reports the following major governmental funds:

*General Fund* - Reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

The City reports the following major proprietary funds:

*Bingo Enterprise Fund* - to account for gaming activities.

*Boat Harbor Enterprise Fund* - to account for activities of the boat harbor.

*Refuse Collection Enterprise Fund* - to account for refuse collection.

*Water and Sewer Enterprise Fund* - to account for water and sewer utilities.

### *Cash and Cash Equivalents*

For purposes of the statements of cash flows, the City considers all cash and investments to be cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

### *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

# City of Sand Point, Alaska

## Notes to Basic Financial Statements

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### *Receivables and Payables*

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." Long-term loans between funds are classified as "advances to/from other funds." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

At the governmental fund financial reporting level, an "advance receivable" is offset by nonspendable fund balance to indicate that it is not available for general appropriation.

### *Capital Assets*

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded.

Estimated useful lives in years for depreciable assets are as follows:

	Years
Buildings	20-40
Machinery	5-10
Vehicles	5-10
Infrastructure assets	50

### *Compensated Absences*

It is the City's policy to allow employees to accumulate earned but unused annual leave. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### *Unearned Revenue*

Amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met are recorded as unearned revenue.

### *Long-term Debt*

In government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Governmental fund financial statements recognize proceeds of debt and premiums as other financing sources of the current period.

# City of Sand Point, Alaska

## Notes to Basic Financial Statements

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### *Fund Balances*

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources:

*Nonspendable fund balance* - This classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council—the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance* - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance* - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

### *Use of Estimates*

Preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect amounts reported in these financial statements. Accordingly, actual results could differ from those estimates.

### *Budgetary Accounting*

The annual City operating budget is prepared by management in the spring preceding the fiscal year to which it relates. The budget is submitted to the City Council for review and approval. Legal enactment of the budget is obtained through passage of a City ordinance. Amendments to the budget can occur any time during the fiscal year through City Council action.

# City of Sand Point, Alaska

## Notes to Basic Financial Statements

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### *Grants and Other Intergovernmental Revenues*

In applying the measurable and available concept to grants and intergovernmental revenues, legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered "earned"; therefore, revenues are recognized based on expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

## 2. Cash and Investments

### *Reconciliation of Deposit and Investment Balances*

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of June 30, 2014.

	Totals
Deposit accounts and cash on hand	\$ 612,963
Pooled investment	2,337,785
	<hr/> \$ 2,950,748 <hr/>
	Totals
Cash and investments	\$ 2,850,748
Restricted cash	100,000
	<hr/> \$ 2,950,748 <hr/>

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. At June 30, 2014, \$250,000 of the City's bank deposits were insured by the Federal Deposit Insurance Corporation. The remaining balance of deposits were uninsured and uncollateralized. The Pooled Investment (AMLIP, see below) is not subject to custodial credit risk.

### *Investments*

Municipal code allows the City to invest in the following items:

- a) Cash reserves of other public entities
- b) Alaska Municipal League Investment Pool

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAM for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. The share value of investments in the AMLIP is approximately equal to fair value.

# City of Sand Point, Alaska

## Notes to Basic Financial Statements

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### *Southwest Governments, LLC*

The City holds a 20% interest in Southwest Governments, LLC, a company that owns and rents an office building in Anchorage, Alaska. At June 30, 2014, the City's investment in the LLC was \$271,525. This investment is considered noncurrent, and accordingly, an equal amount of fund balance of the General Fund is shown as nonspendable. In 2014, the City recorded \$47,619 in dividend and investment earnings related to this item, which is included in other revenue.

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# City of Sand Point, Alaska

## Notes to Basic Financial Statements

### 3. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Governmental Activities</b>				
<i>Capital assets not being depreciated -</i>				
Construction in progress	\$ -	\$ 51,628	\$ 51,628	\$ -
<i>Capital assets being depreciated:</i>				
Buildings	8,590,637	-	-	8,590,637
Improvements other than buildings	1,403,041	132,695	-	1,535,736
Equipment and vehicles	1,894,397	91,413	12,509	1,973,301
<b>Total assets being depreciated</b>	<b>11,888,075</b>	<b>224,108</b>	<b>12,509</b>	<b>12,099,674</b>
Less accumulated depreciation for:				
Buildings	3,051,236	429,532	-	3,480,768
Improvement other than buildings	61,326	14,403	-	75,729
Equipment and vehicles	1,351,948	137,358	11,340	1,477,966
<b>Total accumulated depreciation</b>	<b>4,464,510</b>	<b>581,293</b>	<b>11,340</b>	<b>5,034,463</b>
<b>Total capital assets being depreciated, net</b>	<b>7,423,565</b>	<b>(357,185)</b>	<b>1,169</b>	<b>7,065,211</b>
<b>Governmental Activity Capital Assets, Net</b>				
	<b>\$ 7,423,565</b>	<b>\$ (305,557)</b>	<b>\$ 52,797</b>	<b>\$ 7,065,211</b>
<b>Business-Type Activities</b>				
<i>Capital assets not being depreciated -</i>				
Construction in progress	\$ 3,215,740	\$ 6,880,189	\$ -	\$ 10,095,929
<i>Capital assets being depreciated</i>				
Buildings and improvements	5,082,688	7,400	176,694	4,913,394
Equipment and vehicles	1,355,294	26,942	77,915	1,304,321
Landfill	1,996,889	-	-	1,996,889
<b>Total assets being depreciated</b>	<b>8,434,871</b>	<b>34,342</b>	<b>254,609</b>	<b>8,214,604</b>
Less accumulated depreciation for:				
Buildings and improvements	2,147,089	144,232	57,426	2,233,895
Equipment and vehicles	945,269	100,716	77,914	968,071
Landfill	1,060,849	62,403	-	1,123,252
<b>Total accumulated depreciation</b>	<b>4,153,207</b>	<b>307,351</b>	<b>135,340</b>	<b>4,325,218</b>
<b>Total capital assets being depreciated, net</b>	<b>4,281,664</b>	<b>(273,009)</b>	<b>119,269</b>	<b>3,889,386</b>
<b>Business-Type Activity Capital Assets, Net</b>				
	<b>\$ 7,497,404</b>	<b>\$ 6,607,180</b>	<b>\$ 119,269</b>	<b>\$ 13,985,315</b>

# City of Sand Point, Alaska

## Notes to Basic Financial Statements

In 2014, the Harbor fund capitalized \$148,015 in construction period interest.

Depreciation expense was charged to the functions as follows for the year ended June 30, 2014:

<b>Governmental Activities</b>	
General government	\$ 413,560
Parks and recreation	5,540
Public safety	75,565
Public works	74,399
Community development	12,229
<hr/>	
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 581,293</b>
<hr/>	
<b>Business Type Activities</b>	
Bingo	\$ 1,084
Boat harbor	66,929
Refuse collection	96,408
Water and sewer	142,930
<hr/>	
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 307,351</b>

### 4. Long-Term Debt

#### *General Obligation Bonds*

The City of Sand Point issued general obligation bonds for the expansion of the Small Boat Harbor. The general obligation bonds pledge the full faith and credit of the City. Bonds in the amount of \$2,615,000 were issued on March 12, 2013.

All of the bonds outstanding are held by the Alaska Municipal Bond Bank Authority. This State of Alaska agency purchases bonds from municipalities within the State, while simultaneously selling its own bonds to third parties in order to fund the bond purchases.

Bonds currently outstanding are as follows:

<b>Business-Type Activities</b>	<b>Interest Rates</b>	<b>Outstanding Balance</b>
<hr/>		
Small boat harbor - \$2,615,000, 2013 Series One general obligation bonds, due in annual principal payments of \$60,000 to \$175,000 through 2038	2%-5%	\$ 2,560,000
<hr/>		

# City of Sand Point, Alaska

## Notes to Basic Financial Statements

Debt service requirements to maturity for the general obligation bonds are as follows:

**Business-Type Activities**

<i>Fiscal Year</i>	Principal	Interest
2015	\$ 60,000	\$ 120,580
2016	65,000	118,180
2017	65,000	115,580
2018	70,000	112,980
2019	70,000	110,180
2020-2024	410,000	502,000
2025-2029	525,000	396,900
2030-2034	650,000	254,770
2034-2038	645,000	82,750
<b>Total</b>	<b>\$ 2,560,000</b>	<b>\$ 1,813,920</b>

Changes in long term liabilities for the year ended June 30, 2014 follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
<b>Governmental Activities</b>					
Compensated absences	\$ 82,636	\$ 39,477	\$ 90,739	\$ 31,374	\$ 31,374

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
<b>Business-type Activities</b>					
General obligation bonds	\$ 2,615,000	\$ -	\$ 55,000	\$ 2,560,000	\$ 60,000
Bond premium	414,322	-	16,574	397,748	16,573
Landfill closure liability	83,790	9,310	-	93,100	-
Accrued leave	17,370	17,518	11,530	23,358	23,358
<b>Total Business-Type Activities</b>	<b>\$ 3,130,482</b>	<b>\$ 26,828</b>	<b>\$ 83,104</b>	<b>\$ 3,074,206</b>	<b>\$ 99,931</b>

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# City of Sand Point, Alaska

## Notes to Basic Financial Statements

### 5. Fund Balances

Fund balances, reported for the individual major fund, and nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints at June 30, 2014:

	General Fund	Nonmajor Funds	Totals
<b>Nonspendable:</b>			
Prepaid items	\$ 29,731	\$ -	\$ 29,731
Investment in Southwest Governments, LLC	271,525	-	271,525
Advance to other funds	1,200,108	-	1,200,108
<b>Total nonspendable</b>	<b>1,501,364</b>	<b>-</b>	<b>1,501,364</b>
<b>Assigned:</b>			
Next year's budget	490,267	-	490,267
Silver Salmon Derby	-	14,120	14,120
Clinic	-	85,929	85,929
Capital projects	-	469,115	469,115
<b>Total assigned</b>	<b>490,267</b>	<b>569,164</b>	<b>1,059,431</b>
<b>Unassigned</b>	<b>1,369,866</b>	<b>-</b>	<b>1,369,866</b>
<b>Total Fund Balances</b>	<b>\$ 3,361,497</b>	<b>\$ 569,164</b>	<b>\$ 3,930,661</b>

### 6. Interfund Balances

A schedule of interfund balances and transfers for the year ended June 30, 2014, follows:

#### Advance to Other Funds

Advances from the General Fund to the	
Water and Sewer Enterprise Fund for capital and operating costs	\$ 887,768
Bingo Enterprise Fund for operations	312,340
<b>Total Advances to Other Funds</b>	<b>\$ 1,200,108</b>

#### Transfers

Transfer from the General Fund to the	
Refuse Collection Enterprise Fund for operating expenses	\$ 50,431
Water and Sewer Enterprise Fund for operating expenses	203,408
<b>Total Transfers to Other Funds</b>	<b>\$ 253,839</b>

# City of Sand Point, Alaska

## Notes to Basic Financial Statements

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### 7. Defined Benefit Pension Plan

The City participates in the Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

Department of Administration  
Division of Retirement and Benefits  
P.O. Box 110203  
Juneau, Alaska 99811-0203

#### *Conversion to Cost Sharing*

In April 2008, the Alaska Legislature passed legislation which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers.

That same year, the State of Alaska passed additional legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

#### *Employee Contribution Rates*

Regular employees are required to contribute 6.75% of their annual covered salary (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

#### *Employer and Other Contribution Rates*

There are three contribution rates associated with the pension and healthcare contributions and related liabilities:

*Contractual Rate:* This is the required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate includes all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

*ARM Board Adopted Rate:* This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap. There are no constraints or restrictions on the actuarial cost method or other assumptions used in this valuation, other than those established and agreed to by the ARM Board.

# City of Sand Point, Alaska

## Notes to Basic Financial Statements

Current legislation provides that the State of Alaska will contribute the difference between the ARM Board adopted rate and the contractual (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditures within the financial statements.

*GASB 43 Rate:* This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For FY14, the rate uses an 8.00% pension discount rate and a 5.41% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of differences in the actuarial valuation methodology and assumptions.

Contribution rates for the year ended June 30, 2014 were determined as part of the June 30, 2011 actuarial valuation and are as follows:

	Contractual Rate	ARM Board Adopted Rate	GASB 43 Rate
Pension	10.64%	18.38%	27.94%
Postemployment healthcare	11.36%	17.30%	52.55%
<b>Total contribution rate</b>	<b>22.00%</b>	<b>35.68%</b>	<b>80.49%</b>

### *Annual Pension and Postemployment Healthcare Cost*

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.68% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, this contribution is considered an on-behalf payment and is recorded as revenue and expense/expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, the State's contributions, in the amounts of \$169,637, 168,475, and 123,389 for 2014, 2013, and 2012, respectively, have been excluded from pension and OPEB cost as shown below.

<i>Year ended June 30,</i>	Required Pension Contribution	Required OPEB Contribution	Total Required Contribution	City Contributions	Required Contribution Percentage
2014	\$ 197,626	\$ 58,581	\$ 256,207	\$ 256,207	100%
2013	87,826	111,986	199,812	199,812	100%
2012	57,211	69,668	126,879	126,879	100%

# City of Sand Point, Alaska

## Notes to Basic Financial Statements

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### 8. Defined Contribution Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. The Plan is administered by the State of Alaska, Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan.

#### *Employee Contribution Rates*

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

#### *Employer Contribution Rates*

For the year ended June 30, 2014, the City was required to contribute the following amounts based on covered salary:

<i>June 30, 2014</i>	Other Tier IV	Police/Fire Tier IV
Individual account	5.00%	5.00%
Retiree medical plan	0.48%	0.48%
Occupational death and disability benefits	0.20%	1.14%
	5.68%	6.62%

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2013, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,897 per year for each full-time employee, and \$1.22 per hour for part-time employees.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2014 were \$58,581 and \$47,351, respectively.

### 9. Landfill Closure and Postclosure Liability

The City operates a local landfill. State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, generally accepted accounting principles require that the City report a portion of these closure and postclosure care costs each period based on landfill capacity used as of each balance sheet date.

# City of Sand Point, Alaska

## Notes to Basic Financial Statements

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The City has estimated the closure and post closure costs to be \$242,060 with an estimated remaining life through 2030. At June 30, 2014, the City has recognized \$93,100 of this liability on the statement of net position, an increase of \$9,310 from the prior year. The City will recognize the remaining estimated cost of closure and post closure care of \$148,960 as the remaining expected usage is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2014. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The remaining life of the landfill is estimated to be approximately 16 years.

At June 30, 2014 the City has not committed or assigned any fund balance to fund the cost of closure and post closure monitoring, nor have any assets been restricted for this purpose.

### 10. Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees.

The City is a member of Alaska Public Entity Insurance (APEI), a governmental insurance pool. APEI provides the City coverage for property, including building and contents, automobiles, mobile equipment, data processing equipment and boiler and machinery; casualty, including general liability, public officials and employees liability, law enforcement professional liability, auto liability and employee benefit liability; workers' compensation, including employers liability; and commercial blanket bond. The City maintains supplemental marine insurance and firefighters group accident coverage with insurance companies placed through APEI. The City has no coverage for potential losses from environmental damages.

APEI is a public entity risk pool organized to share risks among its members. Its bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's deposit contribution in comparison to the aggregate deposit contributions of all members. There were no supplemental assessments made during the year ended June 30, 2014.

### 11. Contingencies

#### *Grants*

The City has received grants which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement for expenditures disallowed under the terms of the grant. Management believes that such disallowances for grants, if any, would not be material.



# City of Sand Point, Alaska

## Notes to Basic Financial Statements

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### 12. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 68 will result in the biggest reporting change. Actual impacts have not yet been determined:

*GASB 68 - Accounting and Financial Reporting for Pensions* - Effective for year-end June 30, 2015 - This statement changes the reporting and disclosure requirements for governments that participate in pension plans. This statement modifies the participating employer side reporting in connection with the Plan side reporting at GASB 67.

*GASB 69 - Government Combinations and Disposals of Government Operations* - Effective for year-end June 30, 2015 - This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

*GASB 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date* - Effective for year-end June 30, 2015 - This statement is a companion to GASB Statement 68 and clarifies treatment of contributions made by a contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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## Required Supplementary Information

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**City of Sand Point, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**

<i>Year Ended June 30, 2014</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 1,569,500	\$ 1,602,000	\$ 1,690,617	\$ 88,617
State of Alaska	478,977	484,194	590,498	106,304
Federal government	7,500	10,293	6,212	(4,081)
Other revenues	205,000	371,000	418,884	47,884
<b>Total Revenues</b>	<b>2,260,977</b>	<b>2,467,487</b>	<b>2,706,211</b>	<b>238,724</b>
<b>Expenditures - Current</b>				
General government	791,919	838,266	976,785	(138,519)
Parks and recreation	39,659	39,659	32,515	7,144
Public safety	595,369	578,783	547,941	30,842
Public works	1,033,123	1,023,623	866,453	157,170
<b>Total Expenditures</b>	<b>2,460,070</b>	<b>2,480,331</b>	<b>2,423,694</b>	<b>56,637</b>
Excess of revenues over (under) expenditures	(199,093)	(12,844)	282,517	295,361
Other financing uses - transfers out	-	(253,839)	(253,839)	-
Net change in fund balance	<u>\$ (199,093)</u>	<u>\$ (266,683)</u>	28,678	<u>\$ 295,361</u>
Beginning fund balance			<u>3,332,819</u>	
Ending fund balance			<u>\$ 3,361,497</u>	

## Supplementary Information

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## City of Sand Point, Alaska

General Fund  
Balance Sheet

<i>June 30,</i>	2014	2013
<b>Assets</b>		
Cash and investments	\$ 1,698,445	\$ 1,654,874
Receivables:		
Sales tax	104,812	85,023
Fish tax	64,463	116,735
Other	28,688	13,611
Prepays	29,731	-
Investment in Southwest Governments, LLC	271,525	280,063
Due from other funds	-	336,919
Advance to other funds	1,200,108	988,814
<b>Total Assets</b>	<b>\$ 3,397,772</b>	<b>\$ 3,476,039</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 23,756	\$ 94,468
Unearned revenue	1,950	1,950
Accrued liabilities	10,569	46,802
<b>Total Liabilities</b>	<b>36,275</b>	<b>143,220</b>
<b>Fund Balance</b>		
Nonspendable:		
Prepaid items	29,731	-
Investment in Southwest Governments, LLC	271,525	280,063
Advance to other funds	1,200,108	988,814
Assigned - next year's budget	490,267	-
Unassigned	1,369,866	2,063,942
<b>Total Fund Balance</b>	<b>3,361,497</b>	<b>3,332,819</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,397,772</b>	<b>\$ 3,476,039</b>

**City of Sand Point, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**

<i>Year Ended June 30,</i>	2014			2013
	Final Budget	Actual	Variance	Actual
<b>Revenues</b>				
Taxes:				
Sales taxes	\$ 787,000	\$ 953,363	\$ 166,363	\$ 1,110,351
Local raw fish taxes	800,000	715,745	(84,255)	570,554
Accommodation taxes	15,000	21,509	6,509	7,216
<b>Total taxes</b>	<b>1,602,000</b>	<b>1,690,617</b>	<b>88,617</b>	<b>1,688,121</b>
State of Alaska:				
Shared fisheries and raw fish tax	-	-	-	337,198
Fish resource landing tax	328,918	326,324	(2,594)	76,195
Library grants	7,799	7,799	-	6,500
State revenue sharing	142,477	142,933	456	210,829
State PERS relief	-	110,942	110,942	186,294
State liquor licenses	5,000	2,500	(2,500)	-
<b>Total State of Alaska</b>	<b>484,194</b>	<b>590,498</b>	<b>106,304</b>	<b>817,016</b>
Federal Government:				
Public library assistance passed through State	2,793	2,793	-	-
Emergency management grants	7,500	3,419	(4,081)	8,695
<b>Total Federal Government</b>	<b>10,293</b>	<b>6,212</b>	<b>(4,081)</b>	<b>8,695</b>
Investment income	-	-	-	18,590
Other Revenues:				
Payment in lieu of taxes - local sources	150,000	150,000	-	-
Building rental	125,000	150,168	25,168	139,526
Equipment rental	25,000	22,510	(2,490)	20,446
Business licenses	2,000	2,475	475	2,375
EMS fund	2,000	2,000	-	7,690
Sweatshirt sales	-	25	25	1,105
Anchorage office	20,000	28,000	8,000	-
Local donation	-	1,200	1,200	5,350
Other	47,000	62,506	15,506	65,142
<b>Total other revenues</b>	<b>371,000</b>	<b>418,884</b>	<b>47,884</b>	<b>241,634</b>
<b>Total Revenues</b>	<b>2,467,487</b>	<b>2,706,211</b>	<b>238,724</b>	<b>2,774,056</b>

**City of Sand Point, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended June 30,</i>	2014			2013
	Final Budget	Actual	Variance	Actual
<b>Expenditures</b>				
General government:				
Legislative:				
Salaries	\$ 36,000	\$ 36,125	\$ (125)	\$ 37,600
Fringe benefits	95,749	92,072	3,677	81,245
Travel and per diem	10,000	9,356	644	15,547
Dues and fees	3,000	3,957	(957)	7,287
<b>Total legislative</b>	<b>144,749</b>	<b>141,510</b>	<b>3,239</b>	<b>141,679</b>
Administration:				
Salaries	267,032	338,704	(71,672)	255,410
Contractual services	10,000	18,625	(8,625)	18,657
Fringe benefits	78,938	126,434	(47,496)	119,712
Travel and per diem	25,000	27,012	(2,012)	30,045
Telephone	14,000	14,932	(932)	12,556
Postage	6,000	6,513	(513)	6,764
Supplies	7,500	10,068	(2,568)	16,000
Equipment	15,000	19,174	(4,174)	23,029
Equipment maintenance	4,000	6,805	(2,805)	-
Dues and fees	3,000	13,831	(10,831)	5,548
Anchorage office	7,500	9,368	(1,868)	-
Sales tax audit	10,000	-	10,000	-
Audit	40,000	36,086	3,914	36,036
Legal	15,000	16,399	(1,399)	23,815
Insurance	137,500	137,545	(45)	17,086
Bank service charges	12,000	11,381	619	7,610
Fuel	500	1,408	(908)	564
Freight/speed paks	3,000	2,879	121	3,747
Elections	2,000	976	1,024	1,688
Employee expense	500	-	500	-
Donations	20,000	13,408	6,592	13,097
Hospitality	3,000	3,159	(159)	3,881
Library	4,047	5,962	(1,915)	2,716
Event costs	8,000	10,780	(2,780)	-
Other	-	3,826	(3,826)	17,695
<b>Total administration</b>	<b>693,517</b>	<b>835,275</b>	<b>(141,758)</b>	<b>615,656</b>
<b>Total general government</b>	<b>838,266</b>	<b>976,785</b>	<b>(138,519)</b>	<b>757,335</b>



**City of Sand Point, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended June 30,</i>	2014			2013
	Final Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
Parks and recreation:				
Salaries	\$ 36,346	\$ 27,018	\$ 9,328	\$ 27,034
Fringe benefits	3,313	5,497	(2,184)	7,541
Supplies	-	-	-	43,749
Donations	-	-	-	5,000
<b>Total parks and recreation</b>	<b>39,659</b>	<b>32,515</b>	<b>7,144</b>	<b>83,324</b>
Public safety:				
Police:				
Salaries	277,973	267,208	10,765	292,036
911 dispatchers	20,000	23,236	(3,236)	25,694
Fringe benefits	98,180	113,543	(15,363)	139,835
Travel and per diem	15,000	6,113	8,887	17,354
Telephone	8,500	8,724	(224)	7,925
Supplies	5,000	3,428	1,572	5,054
Police dog	2,500	413	2,087	965
Equipment	35,000	33,344	1,656	5,368
Equipment maintenance	8,500	6,021	2,479	6,475
Dues and fees	2,500	1,181	1,319	2,816
Fuel	20,000	10,928	9,072	20,044
Freight/speed paks	500	715	(215)	2,289
Relocation costs	4,000	1,602	2,398	11,244
<b>Total police</b>	<b>497,653</b>	<b>476,456</b>	<b>21,197</b>	<b>537,099</b>
Emergency services:				
Volunteer stipend	7,500	6,650	850	8,550
Contractual	5,000	6,225	(1,225)	6,000
Travel and per diem	500	365	135	-
Telephone	3,000	3,439	(439)	-
Supplies	2,000	489	1,511	-
Equipment	4,000	3,502	498	-
Equipment maintenance	2,500	645	1,855	-
Equipment fuel	1,000	186	814	-
Dues and fees	750	-	750	-
Utilities	500	-	500	-
Freight	500	200	300	-
<b>Total emergency services</b>	<b>27,250</b>	<b>21,701</b>	<b>5,549</b>	<b>14,550</b>

**City of Sand Point, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended June 30,</i>	2014			2013
	Final Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
Public safety, continued:				
Fire:				
Salaries	\$ 21,362	\$ 20,980	\$ 382	\$ -
Fringe	3,018	7,971	(4,953)	-
Telephone	1,000	677	323	3,862
Fireboat	1,500	269	1,231	-
Supplies	2,500	297	2,203	2,244
Equipment	2,500	1,425	1,075	2,563
Equipment maintenance	2,500	275	2,225	-
Equipment fuel	1,000	363	637	272
Dues and fees	500	-	500	-
Utilities	3,500	3,671	(171)	5,553
Freight	500	676	(176)	-
<b>Total fire</b>	<b>39,880</b>	<b>36,604</b>	<b>3,276</b>	<b>14,494</b>
Animal control:				
Salaries	10,000	9,375	625	14,255
Fringe benefits	1,000	1,921	(921)	4,678
Travel and per diem	500	-	500	2,952
Supplies	500	13	487	2,581
Equipment	500	-	500	396
Equipment maintenance	500	135	365	-
Utilities	500	-	500	-
Fuel	-	1,736	(1,736)	1,209
Freight	500	-	500	185
<b>Total animal control</b>	<b>14,000</b>	<b>13,180</b>	<b>820</b>	<b>26,256</b>
<b>Total public safety</b>	<b>578,783</b>	<b>547,941</b>	<b>30,842</b>	<b>592,399</b>
Public works:				
General:				
Salaries	266,861	206,456	60,405	292,742
Contractual	10,000	-	10,000	-
Fringe benefits	126,104	141,880	(15,776)	176,924
Travel and per diem	2,500	4,095	(1,595)	2,302
Telephone	2,000	2,868	(868)	2,749
Supplies	20,000	12,717	7,283	16,306
Equipment	55,000	24,612	30,388	32,913
Equipment maintenance	50,000	66,603	(16,603)	56,923
Equipment fuel	15,000	20,045	(5,045)	21,951
Dues and fees	1,000	84	916	570
Street lights	15,000	12,407	2,593	15,167
Utilities	1,500	-	1,500	-
Fuel	15,000	27,037	(12,037)	18,949
Repairs	5,000	-	5,000	-
Freight/speed paks	10,000	7,028	2,972	14,114
<b>Total general</b>	<b>594,965</b>	<b>525,832</b>	<b>69,133</b>	<b>651,610</b>

**City of Sand Point, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended June 30,</i>	2014			2013
	Final Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
Public works, continued:				
Facilities:				
Salaries	\$ 116,268	\$ 79,223	\$ 37,045	\$ 87,331
Fringe benefits	47,890	44,584	3,306	58,205
Municipal building:				
Supplies	8,000	11,164	(3,164)	8,088
Equipment	1,000	833	167	6,453
Equipment maintenance	2,500	3,270	(770)	-
Dues and fees	1,500	94	1,406	1,140
Utilities	10,000	7,845	2,155	9,329
Fuel	50,000	43,289	6,711	58,253
Repairs	75,000	44,865	30,135	88,891
Boardwalk repairs	10,000	-	10,000	-
Freight/speed paks	15,000	7,211	7,789	14,567
City houses:				
Supplies	3,500	450	3,050	19
Equipment	1,500	2,310	(810)	4,081
Hamik rental	10,000	6,000	4,000	-
Fuel	15,000	14,083	917	15,306
Repairs	13,000	3,755	9,245	8,766
Freight/speed paks	3,500	78	3,422	-
Utilities	5,000	597	4,403	-
RATNET building - utilities	500	412	88	607
Clinic facility:				
Supplies	1,000	222	778	180
Repairs	7,500	38,257	(30,757)	3,351
Fuel	-	-	-	7,276
Freight	1,000	76	924	53
4-plex:				
Supplies	1,000	151	849	190
Equipment	1,000	1,260	(260)	-
Utilities	3,000	2,071	929	2,608
Fuel	15,000	11,866	3,134	13,505
Repairs	1,000	1,784	(784)	364
Teen center:				
Utilities	2,500	3,955	(1,455)	3,737
Fuel	4,000	4,701	(701)	4,543
Repairs	2,500	6,215	(3,715)	-
<hr/>				
Total facilities	428,658	340,621	88,037	396,843
<hr/>				
Total public works	1,023,623	866,453	157,170	1,048,453

**City of Sand Point, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended June 30,</i>	2014			2013
	Final Budget	Actual	Variance	Actual
<b>Expenditures, continued</b>				
<b>Total Expenditures</b>	\$ 2,480,331	\$ 2,423,694	\$ 56,637	\$ 2,481,511
Excess of revenues over (under) expenditures	(12,844)	282,517	295,361	292,545
Other financing uses - transfers out	(253,839)	(253,839)	-	(100,000)
Net change in fund balance	<u>\$ (266,683)</u>	28,678	<u>\$ 295,361</u>	192,545
Beginning fund balance		<u>3,332,819</u>		<u>3,140,274</u>
Ending fund balance		<u>\$ 3,361,497</u>		<u>\$ 3,332,819</u>

**City of Sand Point, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	Total Nonmajor Governmental Funds
	Silver Salmon Derby	Clinic Operations	School Loop	
<i>June 30, 2014</i>				
<b>Assets</b>				
Cash and investments	\$ 14,120	\$ 115,169	\$ 417,487	\$ 546,776
Accounts receivable	-	2,731	51,628	54,359
<b>Total Assets</b>	<b>\$ 14,120</b>	<b>\$ 117,900</b>	<b>\$ 469,115</b>	<b>\$ 601,135</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities - accounts payable</b>	<b>\$ -</b>	<b>\$ 31,971</b>	<b>\$ -</b>	<b>\$ 31,971</b>
<b>Fund Balances</b>				
Assigned:				
Silver Salmon Derby	14,120	-	-	14,120
School Loop	-	-	469,115	469,115
Clinic	-	85,929	-	85,929
<b>Total Fund Balances</b>	<b>14,120</b>	<b>85,929</b>	<b>469,115</b>	<b>569,164</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 14,120</b>	<b>\$ 117,900</b>	<b>\$ 469,115</b>	<b>\$ 601,135</b>

**City of Sand Point, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

	Special Revenue Funds		Capital Project Fund	Total Nonmajor Govern- mental Funds
	Silver		School Loop	
	Salmon Derby	Clinic Operations		
<i>Year Ended June 30, 2014</i>				
<b>Revenues</b>				
Federal government	\$ -	\$ 33,654	\$ -	\$ 33,654
State of Alaska	-	-	51,628	51,628
Other revenues	22,040	-	-	22,040
<b>Total Revenues</b>	22,040	33,654	51,628	107,322
<b>Expenditures</b>				
Health clinic	-	24,271	-	24,271
Community development	30,994	-	-	30,994
Capital outlay	-	-	51,628	51,628
<b>Total Expenditures</b>	30,994	24,271	51,628	106,893
Net change in fund balances	(8,954)	9,383	-	429
Beginning fund balances	23,074	76,546	469,115	568,735
<b>Ending fund balances</b>	<b>\$ 14,120</b>	<b>\$ 85,929</b>	<b>\$ 469,115</b>	<b>\$ 569,164</b>

**City of Sand Point, Alaska**  
**Bingo Enterprise Fund**  
**Statement of Net Position**

<i>June 30,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets - cash and investments</b>	\$ 146,499	\$ 134,622
<b>Capital Assets</b>		
Equipment and vehicles	14,541	14,541
Less accumulated depreciation	(13,548)	(12,464)
<b>Net Capital Assets</b>	993	2,077
<b>Total Assets</b>	\$ 147,492	\$ 136,699
<b>Liabilities and Net Position (Deficit)</b>		
<b>Liabilities</b>		
Accrued leave	\$ -	\$ 616
Accrued payroll	95	1,119
Accounts payable	479	-
Advances from other funds	312,340	336,919
<b>Total Liabilities</b>	312,914	338,654
<b>Net Position (Deficit)</b>		
Investment in capital assets	993	2,077
Unrestricted (deficit)	(166,415)	(204,032)
<b>Total Net Position (Deficit)</b>	(165,422)	(201,955)
<b>Total Liabilities and Net Position (Deficit)</b>	\$ 147,492	\$ 136,699

**City of Sand Point, Alaska**  
**Bingo Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Deficit**

<i>Year Ended June 30,</i>	2014	2013
<b>Operating Revenues</b>		
Pull tab revenue	\$ 551,647	\$ 530,253
Bingo revenue	41,899	55,270
Concessions	641	1,782
Other	231	-
<b>Total Operating Revenues</b>	<b>594,418</b>	<b>587,305</b>
<b>Operating Expenses</b>		
Salaries and benefits	60,046	100,774
Travel and per diem	2,942	-
Telephone	1,217	1,238
Supplies	1,426	458
Depreciation	1,084	2,908
Concessions	-	1,552
Dues and fees	3,500	808
Bank service charges	2,383	3,521
Freight/speed paks	226	125
Pizes and payouts	474,963	473,908
Pull tab tax	4,596	3,331
Pull tab purchases	11,008	10,455
<b>Total Operating Expenses</b>	<b>563,391</b>	<b>599,078</b>
Operating income (loss)	31,027	(11,773)
<b>Nonoperating Revenues - State PERS relief</b>	<b>5,506</b>	<b>12,154</b>
Change in net position	36,533	381
<b>Beginning deficit</b>	<b>(201,955)</b>	<b>(202,336)</b>
<b>Ending deficit</b>	<b>\$ (165,422)</b>	<b>\$ (201,955)</b>



## City of Sand Point, Alaska

Bingo Enterprise Fund  
Statement of Cash Flows

<i>Year Ended June 30,</i>	2014	2013
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 594,418	\$ 587,305
Payments for goods and services	(501,782)	(495,396)
Payments for salaries and benefits	(56,180)	(88,004)
<b>Net cash flows from operating activities</b>	<b>36,456</b>	<b>3,905</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Decrease in advances from other funds	(24,579)	(4,023)
<b>Net increase (decrease) in cash and investments</b>	<b>11,877</b>	<b>(118)</b>
<b>Beginning cash and investments</b>	<b>134,622</b>	<b>134,740</b>
<b>Ending cash and investments</b>	<b>\$ 146,499</b>	<b>\$ 134,622</b>
<b>Reconciliation of Operating Loss to Net Cash Flows from Operating Activities</b>		
Operating income (loss)	\$ 31,027	\$ (11,773)
Adjustments to reconcile operating income (loss) to net cash flows from (for) operating activities:		
Depreciation	1,084	2,908
Noncash expense - PERS relief	5,506	12,154
Increase (decrease) in liabilities:		
Accrued leave	(616)	(503)
Accrued payroll	(1,024)	1,119
Accounts payable	479	-
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 36,456</b>	<b>\$ 3,905</b>

## City of Sand Point, Alaska

Boat Harbor Enterprise Fund  
Statement of Net Position

<i>June 30,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 50,649	\$ 1,282,586
Grants and contracts receivable	459,233	1,000,000
Accounts receivable, net of allowance of \$96,822 (\$78,091 in 2013)	37,472	102,935
<b>Total Current Assets</b>	<b>547,354</b>	<b>2,385,521</b>
<b>Restricted Cash - capital projects</b>	<b>100,000</b>	<b>969,452</b>
<b>Capital Assets</b>		
Building and floats	321,752	498,446
Equipment and vehicles	613,642	636,262
Construction in progress	10,095,929	3,215,740
Less accumulated depreciation	(497,710)	(526,949)
<b>Net Capital Assets</b>	<b>10,533,613</b>	<b>3,823,499</b>
<b>Total Assets</b>	<b>\$ 11,180,967</b>	<b>\$ 7,178,472</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 146,642	\$ 1,381,408
Accrued leave	18,549	11,117
Accrued interest payable	40,193	-
Current portion of bonds payable	60,000	55,000
Unearned revenue	-	454,032
<b>Total Current Liabilities</b>	<b>265,384</b>	<b>1,901,557</b>
<b>Long-term Liabilities</b>		
Bonds payable, net of current portion	2,500,000	2,560,000
Bond premium, net of accumulated amortization	397,748	414,322
<b>Total Liabilities</b>	<b>3,163,132</b>	<b>4,875,879</b>
<b>Net Position</b>		
Net investment in capital assets	7,575,865	1,763,629
Unrestricted	441,970	538,964
<b>Total Net Position</b>	<b>8,017,835</b>	<b>2,302,593</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 11,180,967</b>	<b>\$ 7,178,472</b>

**City of Sand Point, Alaska**  
**Boat Harbor Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Position**

<i>Year Ended June 30,</i>	2014	2013
<b>Operating Revenues</b>		
Moorage	\$ 172,199	\$ 253,901
Travel lift	82,444	84,725
Wharfage	75,608	49,318
Van storage	19,512	17,548
Electricity	5,525	4,451
Penalties and interest	5,352	4,131
Rents	109,815	123,572
Other	133,483	9,372
<b>Total Operating Revenues</b>	<b>603,938</b>	<b>547,018</b>
<b>Operating Expenses</b>		
Salaries and benefits	462,175	439,556
Contractual	33,280	5,236
Travel and per diem	3,125	2,633
Telephone	3,437	3,046
Supplies	9,878	7,574
Depreciation	66,929	66,526
Equipment and equipment maintenance	18,835	26,207
Dues and fees	249	240
Utilities	40,176	16,491
Fuel	17,624	15,936
Repairs	18,387	2,820
Freight/speed paks	4,040	2,294
Other	4,769	-
<b>Total Operating Expenses</b>	<b>682,904</b>	<b>588,559</b>
Operating loss	(78,966)	(41,541)
<b>Nonoperating Revenues (Expenses)</b>		
State PERS relief	32,531	48,459
Loss on disposal of capital asset	(101,045)	-
Interest expense	-	(7,940)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(68,514)</b>	<b>40,519</b>
Loss before capital contributions and transfers	(147,480)	(1,022)
Capital contributions	5,862,722	1,000,000
Transfer in	-	100,000
Change in net position	5,715,242	1,098,978
<b>Beginning net position</b>	<b>2,302,593</b>	<b>1,203,615</b>
<b>Ending net position</b>	<b>\$ 8,017,835</b>	<b>\$ 2,302,593</b>

**City of Sand Point, Alaska**  
**Boat Harbor Enterprise Fund**  
**Statement of Cash Flows**

<i>Year Ended June 30,</i>	2014	2013
<b>Cash Flows for Operating Activities</b>		
Receipts from customers	\$ 669,401	\$ 413,849
Payments for goods and services	(388,566)	(68,353)
Payments for salaries and benefits	(422,212)	(390,483)
<b>Net cash flows for operating activities</b>	<b>(141,377)</b>	<b>(44,987)</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Proceeds from bond issuance	-	3,021,382
Transfers In	-	100,000
Principal paid on long-term debt	(55,000)	-
Interest paid on long-term debt (capitalized)	(124,396)	-
Additions to capital assets	(6,730,073)	(1,804,415)
Capital contributions received	4,949,457	454,032
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(1,960,012)</b>	<b>1,770,999</b>
<b>Net increase (decrease) in cash and investments</b>	<b>(2,101,389)</b>	<b>1,726,012</b>
<b>Beginning cash and investments</b>	<b>2,252,038</b>	<b>526,026</b>
<b>Ending cash and investments</b>	<b>\$ 150,649</b>	<b>\$ 2,252,038</b>
<b>Reconciliation of Operating Loss to Net Cash Flows for Operating Activities:</b>		
Operating loss	\$ (78,966)	\$ (41,541)
Adjustments to reconcile operating loss to net cash flows form (for) by operating activities:		
Depreciation	66,929	66,526
Noncash expense - PERS relief	32,531	48,459
Increase in assets -		
accounts receivable (net)	65,463	(52,638)
Increase (decrease) in liabilities		
Accounts payable	(234,766)	14,124
Accrued leave	7,432	614
Unearned revenue	-	(80,531)
<b>Net Cash Flows for Operating Activities</b>	<b>\$ (141,377)</b>	<b>\$ (44,987)</b>

**City of Sand Point, Alaska**  
**Refuse Collection Enterprise Fund**  
**Statement of Net Position**

<i>June 30,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 408,379	\$ 379,251
Accounts receivable, net of allowance of \$21,233 (\$9,245 in 2013)	23,051	32,530
<b>Total Current Assets</b>	<b>431,430</b>	<b>411,781</b>
<b>Capital Assets</b>		
Buildings	19,400	12,000
Equipment and vehicles	498,629	502,610
Sanitary landfill	1,996,889	1,996,889
Less accumulated depreciation	(1,547,630)	(1,455,203)
<b>Net Capital Assets</b>	<b>967,288</b>	<b>1,056,296</b>
<b>Total Assets</b>	<b>\$ 1,398,718</b>	<b>\$ 1,468,077</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,046	\$ 746
Accrued leave	4,085	1,279
<b>Total Current Liabilities</b>	<b>5,131</b>	<b>2,025</b>
Landfill closure costs payable	93,100	83,790
<b>Total Liabilities</b>	<b>98,231</b>	<b>85,815</b>
<b>Net Position</b>		
Investment in capital assets	967,288	1,056,296
Unrestricted	333,199	325,966
<b>Total Net Position</b>	<b>1,300,487</b>	<b>1,382,262</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,398,718</b>	<b>\$ 1,468,077</b>

**City of Sand Point, Alaska**  
**Refuse Collection Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Position**

<i>Year Ended June 30,</i>	2014	2013
<b>Operating Revenues - user charges</b>	<b>\$ 142,950</b>	<b>\$ 148,112</b>
<b>Operating Expenses</b>		
Salaries and benefits	142,795	145,534
Supplies	2,042	2,231
Equipment and equipment maintenance	12,407	29,315
Dues and fees	11,739	1,185
Utilities	4,033	4,909
Fuel	4,353	3,623
Repairs	-	499
Freight/speed paks	1,924	5,407
Landfill closure expense	9,310	9,310
Depreciation	96,408	96,408
<b>Total Operating Expenses</b>	<b>285,011</b>	<b>298,421</b>
Operating loss	(142,061)	(150,309)
<b>Nonoperating Revenues - State PERS relief</b>	<b>9,855</b>	<b>16,437</b>
Loss before transfers	(132,206)	(133,872)
Transfers in	50,431	-
Change in net position	(81,775)	(133,872)
<b>Beginning net position</b>	<b>1,382,262</b>	<b>1,516,134</b>
<b>Ending net position</b>	<b>\$ 1,300,487</b>	<b>\$ 1,382,262</b>

**City of Sand Point, Alaska**  
**Refuse Collection Enterprise Fund**  
**Statement of Cash Flows**

<i>Year Ended June 30,</i>	2014	2013
<b>Cash Flows for Operating Activities</b>		
Receipts from customers	\$ 152,429	\$ 145,314
Payments for goods and services	(36,198)	(47,248)
Payments for salaries and benefits	(130,134)	(131,410)
<b>Net cash flows for operating activities</b>	<b>(13,903)</b>	<b>(33,344)</b>
<b>Cash Flows from Noncapital investing Activities</b>		
Transfers in	50,431	-
<b>Cash Flows for Capital and Related Financing Activities</b>		
Additions to capital assets	(7,400)	(9,227)
<b>Net increase (decrease) in cash and investments</b>	<b>29,128</b>	<b>(42,571)</b>
<b>Beginning cash and investments</b>	<b>379,251</b>	<b>421,822</b>
<b>Ending cash and investments</b>	<b>\$ 408,379</b>	<b>\$ 379,251</b>
<b>Reconciliation of Operating Loss to Net Cash Flows for Operating Activities</b>		
Operating loss	\$ (142,061)	\$ (150,309)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	96,408	96,408
Noncash expense - PERS relief	9,855	16,437
(Increase) decrease in assets -		
Accounts receivable (net)	9,479	(2,798)
Increase (decrease) in liabilities		
Accounts payable	300	(79)
Accrued leave	2,806	(2,313)
Landfill closure costs payable	9,310	9,310
<b>Net Cash Flows for Operating Activities</b>	<b>\$ (13,903)</b>	<b>\$ (33,344)</b>

**City of Sand Point, Alaska**  
**Water and Sewer Enterprise Fund**  
**Statement of Net Position**

<i>June 30,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Accounts receivable, net of allowance of \$24,932 (\$15,813 in 2013)	\$ 20,389	\$ 26,357
<b>Capital Assets</b>		
Buildings and improvements	4,572,242	4,572,242
Equipment and vehicles	177,509	201,881
Less accumulated depreciation	(2,266,330)	(2,158,591)
<b>Net Capital Assets</b>	<b>2,483,421</b>	<b>2,615,532</b>
<b>Total Assets</b>	<b>\$ 2,503,810</b>	<b>\$ 2,641,889</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 10,195	\$ 7,702
Accrued leave	724	4,358
<b>Total Current Liabilities</b>	<b>10,919</b>	<b>12,060</b>
Advance from other funds	887,768	988,814
<b>Total Liabilities</b>	<b>898,687</b>	<b>1,000,874</b>
<b>Net Position</b>		
Investment in capital assets	2,483,421	2,615,532
Unrestricted (deficit)	(878,298)	(974,517)
<b>Total Net Position</b>	<b>1,605,123</b>	<b>1,641,015</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 2,503,810</b>	<b>\$ 2,641,889</b>



**City of Sand Point, Alaska**  
**Water and Sewer Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Position**

<i>Year Ended June 30,</i>	2014	2013
<b>Operating Revenues - user charges</b>	\$ 197,012	\$ 182,498
<b>Operating Expenses</b>		
Salaries and benefits	132,632	152,920
Travel and per diem	2,780	12,665
Telephone	4,550	4,413
Supplies	15,976	20,758
Equipment and equipment maintenance	29,802	39,643
Dues and fees	6,214	7,050
Utilities	71,165	133,688
Fuel	29,562	36,515
Repairs	2,543	3,464
Freight/speed paks	8,961	10,760
Depreciation	142,930	141,667
<b>Total Operating Expenses</b>	447,115	563,543
Operating loss	(250,103)	(381,045)
<b>Nonoperating Revenues - State PERS relief</b>	10,803	17,312
Loss before transfer	(239,300)	(363,733)
Transfers in	203,408	-
Change in net position	(35,892)	(363,733)
<b>Beginning net position</b>	1,641,015	2,004,748
<b>Ending net position</b>	\$ 1,605,123	\$ 1,641,015

**City of Sand Point, Alaska**  
**Water and Sewer Enterprise Fund**  
**Statement of Cash Flows**

<i>Year Ended June 30,</i>	2014	2013
<b>Cash Flows for Operating Activities</b>		
Receipts from customers	\$ 202,980	\$ 190,161
Payments for goods and services	(169,060)	(270,469)
Payments for salaries and benefits	(125,463)	(134,040)
<b>Net cash flows for operating activities</b>	<b>(91,543)</b>	<b>(214,348)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfer from General Fund	203,408	-
Increase (decrease) in advance from other funds	(101,046)	253,586
<b>Net cash flows from noncapital financing activities</b>	<b>102,362</b>	<b>253,586</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Additions to capital assets	(10,819)	(39,238)
<b>Net increase in cash and investments</b>	<b>-</b>	<b>-</b>
<b>Beginning cash and investments</b>	<b>-</b>	<b>-</b>
<b>Ending cash and investments</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of Operating Loss to Net Cash Flows for Operating Activities</b>		
Operating loss	\$ (250,103)	\$ (381,045)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	142,930	141,667
Noncash expense - PERS relief	10,803	17,312
(Increase) decrease in assets -		
Accounts receivable (net)	5,968	7,663
Increase (decrease) in liabilities:		
Accounts payable	2,493	(1,513)
Accrued leave	(3,634)	1,568
<b>Net Cash Flows for Operating Activities</b>	<b>\$ (91,543)</b>	<b>\$ (214,348)</b>

**City of Sand Point, Alaska**  
**Schedule of State Financial Assistance**  
*Year Ended June 30, 2014*

Name of Grant	Grant Number	Grant Award	State Expenditures
<b>Department of Transportation and Public Facilities</b>			
*Sand Point Small Boat Harbor Renovation Project	12-HG-002	\$ 5,000,000	<u>\$ 4,862,722</u>
<b>Department of Commerce, Community, and Economic Development</b>			
*FY14 State Revenue Sharing	N/A	142,933	142,933
School Loop Road Reconstruction Phase I	09-DC-525	1,000,000	51,628
Fisheries Resource Landing Tax	2013	28,636	28,636
Fisheries Resource Landing Tax	2014	42,405	<u>42,405</u>
<b>Total Department of Commerce, Community, and Economic Development</b>			<u>265,602</u>
<b>Department of Education and Early Development</b>			
Public Library Assistance grant	N/A	6,600	6,600
Early Literacy grant	N/A	1,199	<u>1,199</u>
<b>Total Department of Education and Early Development</b>			<u>7,799</u>
<b>Department of Revenue</b>			
*Raw fish tax	2013	255,282	255,282
Liquor license refunds	N/A	2,500	<u>2,500</u>
<b>Total Department of Revenue</b>			<u>257,782</u>
<b>Department of Administration</b>			
*PERS on behalf	N/A	169,637	<u>169,637</u>
<b>Total State Financial Assistance</b>			<u>\$ 5,563,542</u>

\*Major Program

Note 1: Basis of Presentation

The Schedule of State Financial Assistance includes the state grant activity of City of Sand Point and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

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**Single Audit Section**

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## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and City Council  
City of Sand Point, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sand Point, Alaska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Sand Point's basic financial statements, and have issued our report thereon dated December 3, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sand Point's internal control over financial reporting (internal control) of the financial statement to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Sand Point's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sand Point's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sand Point's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska  
December 3, 2014



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## **Independent Auditor's Report on Compliance For Each Major State Program and Report on Internal Control Over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

Honorable Mayor and City Council  
City of Sand Point, Alaska

### **Report on Compliance for Each Major State Program**

We have audited the City of Sand Point's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the City of Sand Point's major state programs for the year ended June 30, 2014. The City of Sand Point's major state programs are identified in the accompanying schedule of state financial assistance.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Sand Point's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Sand Point's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City of Sand Point's compliance.



### *Opinion on Each Major State Program*

In our opinion, City of Sand Point complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major state program is not modified with respect to this matter.

City of Sand Point's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Sand Point's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the City of Sand Point is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Sand Point's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sand Point's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiency in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of finding and questioned costs as item 2014-001 that we consider to be a significant deficiency.

City of Sand Point's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Sand Point's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska  
December 3, 2014

**City of Sand Point, Alaska**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2014**

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<b>Section I - Summary of Auditor's Results</b>
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*Financial Statements*

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>    </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>    </u> yes	<u>  X  </u> (none reported)
Noncompliance material to financial statements noted?	<u>    </u> yes	<u>  X  </u> no

*State Financial Assistance*

Internal control over major programs:		
Material weakness(es) identified?	<u>    </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>  X  </u> yes	<u>    </u> (none reported)

Type of auditor's report issued on compliance for major programs:	Unmodified
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Dollar threshold used to distinguish a state major program:	\$ 75,000
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**City of Sand Point, Alaska**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2014**

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**Section II - Financial Statement Findings Required to be Reported in Accordance with  
*Government Auditing Standards***

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

**Section III - State Award Findings and Questioned Costs**

Finding 2014-001 State revenue sharing disclosure - significant deficiency in internal control over compliance and noncompliance

Agency: Department of Commerce, Community, and Economic Development

Program: Community Revenue Sharing Program

Award Year: FY 14

Criteria: If the municipality levies and collects only a sales and use tax, the assembly shall provide a notice substantially in the form set out in AS 29.45.020. In providing this notice, the municipality shall substitute for the millage equivalency its estimate of the equivalent sales tax rate. If there is no newspaper of general circulation, the notice may be posted in at least two public places in the municipality for at least 20 days, with posting to occur not later than 45 days after the final adoption of the municipality's budget (AS 29.45.660).

Condition: The City posted the required notice of the amount of state revenue sharing, but did not post its estimate of the equivalent sales tax rate.

Questioned Costs: None noted.

Context: The City was not compliant with the relevant statutory requirements regarding taxpayer notice.

Effect: Compliance with the provisions of AS 29.45.660 is a prerequisite to receipt of municipal revenue tax resource equalization and priority revenue sharing (AS 29.45.660). Annual revenue sharing allocations could be withheld until municipal officials demonstrate that requirements are met.

Cause: Insufficiently detailed knowledge of statutory requirements related to receipt of state revenue sharing monies.

Recommendation: Post required notice as prescribed in AS 29.45.660.

Views of responsible officials and planned corrective actions: See the corrective action plan.

**City of Sand Point, Alaska**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2014**

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**Federal Award Findings and Questioned Costs**

There was no federal single audit in FY13.

**State of Alaska Award Findings and Questioned Costs**

There was no state single audit in FY13.

**City of Sand Point, Alaska**  
**Corrective Action Plan**  
**Year Ended June 30, 2014**

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Contact: Andrew Varner  
City Administrator  
907-274-7561  
avarner@sandpointak.org

<b>State Award Findings and Questioned Costs</b>
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Finding 2014-001	State revenue sharing disclosure - significant deficiency in internal control over compliance and noncompliance
Corrective Action	Management is aware of the regulatory disclosure and will implement a calendar reminder in conjunction with the CRS application to perform the taxpayer notice.
Expected Completion	Between the time of the CRS application and expected payment, Spring 2015.