

CITY OF SELDOVIA, ALASKA

Basic Financial Statements, Required Supplementary Information,
Additional Supplementary Information,
and Compliance Report

(With Independent Auditor's Report Thereon)

Year Ended June 30, 2018

CITY OF SELDOVIA, ALASKA

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CITY OF SELDOVIA, ALASKA

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor’s Report		1-3
Basic Financial Statements:		
Government – Wide Financial Statements:		
Statement of Net Position	A-1	4
Statement of Activities	B-1	5
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C-1	6
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	C-2	7
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) – Governmental Funds	D-1	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities	D-2	9
Notes to Basic Financial Statements		10-35
Required Supplementary Information:		
Public Employees’ Retirement System:		
Schedule of City’s Proportionate Share of the Net Pension Liability	E-1	36
Schedule of City’s Proportionate Share of the Net OPEB Liability	E-2	37
Schedule of City’s Contributions (Pensions)	E-3	38
Schedule of City’s Contributions (OPEB)	E-4	39
Additional Supplementary Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit) –Budget and Actual –		
General Fund	F-1	40-44
Boat Harbor Special Revenue Fund	F-2	45
Water Special Revenue Fund	F-3	46
Dock Special Revenue Fund	F-4	47
Boat Haul Out Special Revenue Fund	F-5	48

CITY OF SELDOVIA, ALASKA

Table of Contents, Continued

	<u>Exhibit</u>	<u>Page</u>
Additional Supplementary Information, Continued:		
Other Governmental Funds: Combining Balance Sheet	G-1	49
Other Governmental Funds: Combining Statement of Revenues, Expenditures and Changes in Fund Balances	G-2	50
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit) – Budget to Actual (Where Applicable): Special Revenue Funds:		
Volunteer Fire and EMS	H-1	51
Senior Meals	H-2	52
Wastewater	H-3	53
Compliance Reports:		
Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements performed In Accordance with <i>Government Auditing Standards</i>		54-55
Schedule of Findings and Responses		56-58
Schedule of Prior Year Findings		59-60
Corrective Action Plan		61

Independent Auditor's Report

Honorable Mayor and City Council
City of Seldovia
Seldovia, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Seldovia, Alaska, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Seldovia, Alaska'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 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, each major fund, and the aggregate remaining fund information of the City of Seldovia, Alaska, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note IV - H to the financial statements, in 2018 the City of Seldovia, Alaska, adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of the City's Proportionate Share of the Net Pension and OPEB Liabilities and City's Contributions for the Public Employees' Retirement System on pages 36-39 and the budgetary schedules on pages 40-48, 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Honorable Mayor and City Council
City of Seldovia

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seldovia, Alaska's basic financial statements. The information listed in the table of contents as "Additional Supplementary Information", which includes Other Governmental Funds: Combining Balance Sheet, and the Combining Statement of Revenues, Expenditures and Changes in Fund Balances, the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual (where applicable) – Nonmajor Special Revenue Funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The "Additional Supplementary Information," listed above, 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 "Additional Supplementary Information" is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019, on our consideration of the City of Seldovia, Alaska'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 solely 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 the effectiveness of the City of Seldovia, Alaska's 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 the City of Seldovia, Alaska's internal control over financial reporting and compliance.



Anchorage, Alaska
September 19, 2019

CITY OF SELDOVIA, ALASKA

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>
<u>Assets and Deferred Outflows of Resources</u>	
Current:	
Cash and cash equivalents	\$ 876,313
Accounts receivable, net	174,161
Other	1,894
Total current	<u>1,052,368</u>
Long-term:	
Capital assets	22,082,588
Accumulated depreciation	<u>(9,783,398)</u>
Total long-term	<u>12,299,190</u>
Deferred outflows of resources-	
Pension and OPEB deferrals	<u>17,040</u>
Total assets and deferred outflows of resources	<u>13,368,598</u>
<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>	
Current:	
Accounts payable	67,633
Payroll and related liabilities	37,063
Unearned revenue	276,235
Noncurrent liabilities due within one year - accrued leave	<u>27,772</u>
Total current	<u>408,703</u>
Long-term:	
Net pension and OPEB liabilities	<u>187,178</u>
Deferred inflows of resources -	
Pension and OPEB deferrals	<u>38,332</u>
Total liabilities and deferred inflows of resources	<u>634,213</u>
<u>Net Position</u>	
Net investment in capital assets	12,299,190
Unrestricted	435,195
Total net position	<u>\$ 12,734,385</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SELDOVIA, ALASKA

Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 280,725	57,288	3,027	-	(220,410)
Water	218,143	165,742	787	-	(51,614)
Wastewater	99,317	68,892	726	-	(29,699)
Municipal dock	53,861	87,587	242	-	33,968
Boat harbor	443,703	171,349	302	-	(272,052)
Boat haul out facility	32,869	44,193	61	-	11,385
Public safety	253,760	-	16,267	-	(237,493)
Public works	380,845	-	302	-	(380,543)
Public service	27,613	13,965	47,452	14,056	47,860
Total governmental activities	\$ <u>1,790,836</u>	<u>609,016</u>	<u>69,166</u>	<u>14,056</u>	<u>(1,098,598)</u>
General revenues:					
Taxes					433,552
Grants and entitlements not restricted to a specific purpose					83,471
Investment income					9,492
Miscellaneous					<u>128,234</u>
Total general revenues					<u>654,749</u>
Change in net position					<u>(443,849)</u>
Net position, beginning of year, as previously stated					13,217,232
Change in accounting principle					<u>(38,998)</u>
Net position, beginning of year, as restated					<u>13,178,234</u>
Net position, end of year					\$ <u><u>12,734,385</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF SELDOVIA, ALASKA
Balance Sheet - Governmental Funds
June 30, 2018

	Special Revenue Funds					Harbor Improvements Capital Project Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	Boat Harbor	Water	Dock	Boat Haul Out			
<u>Assets</u>								
Assets:								
Cash and cash equivalents	\$ 855,996	-	-	-	-	-	20,317	876,313
Receivables, net of allowances:								
Grants	-	-	-	-	-	-	11,757	11,757
Trade	4,695	11,148	42,909	48,217	41,479	-	2,750	151,198
Other	3,211	224	1,841	3,700	-	-	2,230	11,206
Other	-	-	-	-	-	-	1,894	1,894
Due from other funds	131,487	-	44,379	159,252	156,383	336,893	117,947	946,341
Total assets	\$ <u>995,389</u>	<u>11,372</u>	<u>89,129</u>	<u>211,169</u>	<u>197,862</u>	<u>336,893</u>	<u>156,895</u>	<u>1,998,709</u>
<u>Liabilities and Fund Balances (Deficits)</u>								
Liabilities:								
Accounts payable	56,480	7,470	2,829	-	77	-	777	67,633
Payroll related liabilities	28,568	1,734	5,387	1,298	-	-	76	37,063
Unearned revenue	-	-	-	-	-	276,235	-	276,235
Due to other funds	814,854	123,125	-	-	-	-	8,362	946,341
Total liabilities	<u>899,902</u>	<u>132,329</u>	<u>8,216</u>	<u>1,298</u>	<u>77</u>	<u>276,235</u>	<u>9,215</u>	<u>1,327,272</u>
Deferred inflows of resources:								
Unavailable revenues	<u>2,157</u>	<u>9,154</u>	<u>7,387</u>	<u>38,000</u>	<u>30,973</u>	<u>-</u>	<u>1,388</u>	<u>89,059</u>
Total liabilities and deferred inflows of resources	<u>902,059</u>	<u>141,483</u>	<u>15,603</u>	<u>39,298</u>	<u>31,050</u>	<u>276,235</u>	<u>10,603</u>	<u>1,416,331</u>
Fund balances (deficit):								
Committed - Permanent Fund	93,330	-	-	-	-	-	-	93,330
Assigned	-	-	73,526	171,871	166,812	60,658	146,292	619,159
Unassigned (deficit)	-	(130,111)	-	-	-	-	-	(130,111)
Total fund balances (deficit)	<u>93,330</u>	<u>(130,111)</u>	<u>73,526</u>	<u>171,871</u>	<u>166,812</u>	<u>60,658</u>	<u>146,292</u>	<u>582,378</u>
Total liabilities and fund balance (deficit)	\$ <u>995,389</u>	<u>11,372</u>	<u>89,129</u>	<u>211,169</u>	<u>197,862</u>	<u>336,893</u>	<u>156,895</u>	<u>1,998,709</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SELDOVIA, ALASKA

Reconciliation of Governmental Funds
Balance Sheet to Statement of Net Position

June 30, 2018

Amount reported as fund balances on the governmental funds balance sheet	\$ 582,378
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Pension and OPEB related assets in the current fiscal year are presented as deferred outflows of resources:	
PERS	17,040
Pension and OPEB related liabilities in the current fiscal year are presented as deferred inflows of resources:	
PERS	(38,332)
Proportionate share of the collective net pension and OPEB liabilities:	
PERS	(187,178)
Long-term accounts receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds	89,059
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	12,299,190
Accrued leave is a long-term liability and is not due and payable in the current period and therefore is not reported as a fund liability.	<u>(27,772)</u>
Net position of governmental activities	<u>\$ 12,734,385</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SELDOVIA, ALASKA

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) -
Governmental Funds

Year Ended June 30, 2018

	Special Revenue Funds					Capital Project Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Boat Harbor	Water	Dock	Boat Haul Out	Denali Commission Harbor Improvements	Harbor Improvements		
Revenues:									
Intergovernmental:									
Federal sources	\$ -	-	-	-	-	-	-	2,041	2,041
State of Alaska	107,340	-	-	-	-	-	-	48,395	155,735
Kenai Peninsula Borough	-	-	-	-	-	-	-	10,770	10,770
Local sources:									
Taxes	433,552	-	-	-	-	-	-	-	433,552
Charges for services	55,131	162,195	158,355	49,587	13,220	-	-	81,469	519,957
Donation	-	-	-	-	-	-	-	965	965
Other	72,684	35,865	16,889	-	-	-	-	12,288	137,726
Total revenues	<u>668,707</u>	<u>198,060</u>	<u>175,244</u>	<u>49,587</u>	<u>13,220</u>	<u>-</u>	<u>-</u>	<u>155,928</u>	<u>1,260,746</u>
Expenditures:									
Current:									
General government	257,603	-	-	-	-	-	-	-	257,603
Water	-	-	171,853	-	-	-	-	-	171,853
Wastewater	-	-	-	-	-	-	-	74,637	74,637
Municipal dock	-	-	-	54,405	-	-	-	-	54,405
Boat harbor	-	221,602	-	-	-	-	-	-	221,602
Boat haul out facility	-	-	-	-	33,005	-	-	-	33,005
Public safety	206,827	-	-	-	-	-	-	28,069	234,896
Public works	168,499	-	-	-	-	-	-	44,348	212,847
Public service	22,460	-	-	-	-	-	-	-	22,460
Capital outlay	-	-	-	-	-	-	-	14,056	14,056
Total expenditures	<u>655,389</u>	<u>221,602</u>	<u>171,853</u>	<u>54,405</u>	<u>33,005</u>	<u>-</u>	<u>-</u>	<u>161,110</u>	<u>1,297,364</u>
Excess (deficiency) of revenues over expenditures	<u>13,318</u>	<u>(23,542)</u>	<u>3,391</u>	<u>(4,818)</u>	<u>(19,785)</u>	<u>-</u>	<u>-</u>	<u>(5,182)</u>	<u>(36,618)</u>
Other financing sources (uses):									
Transfers in	886,656	-	-	-	-	-	-	-	886,656
Transfers out	-	(40,211)	(13,791)	(116,291)	(229)	(299,198)	-	(416,936)	(886,656)
Net financing sources (uses):	<u>886,656</u>	<u>(40,211)</u>	<u>(13,791)</u>	<u>(116,291)</u>	<u>(229)</u>	<u>(299,198)</u>	<u>-</u>	<u>(416,936)</u>	<u>-</u>
Net change in fund balance	899,974	(63,753)	(10,400)	(121,109)	(20,014)	(299,198)	-	(422,118)	(36,618)
Fund balances (deficits), beginning of year	<u>(806,644)</u>	<u>(66,358)</u>	<u>83,926</u>	<u>292,980</u>	<u>186,826</u>	<u>299,198</u>	<u>60,658</u>	<u>568,410</u>	<u>618,996</u>
Fund balances (deficit), end of year	<u>\$ 93,330</u>	<u>(130,111)</u>	<u>73,526</u>	<u>171,871</u>	<u>166,812</u>	<u>-</u>	<u>60,658</u>	<u>146,292</u>	<u>582,378</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SELDOVIA, ALASKA

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances (Deficits)
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2018

Net change in fund balance - total governmental funds	\$	(36,618)
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:</p>		
<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>		
Change in accrued leave		(9,747)
<p>Change in the unfunded net pension and OPEB liabilities:</p>		
PERS		74,181
<p>Changes in deferred inflows and outflows of resources are the result of timing differences in the actuarial report and adjustments to reflect employer and non-employer contributions based on the measurement date of the liabilities</p>		
PERS		(63,402)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in:</p>		
Unavailable revenues		89,059
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives.</p>		
<p>This is the amount by which capital outlay exceeded depreciation in the current period:</p>		
Capital outlays	31,019	
Depreciation expense	(528,341)	(497,322)
Change in net position of governmental activities	\$	(443,849)

The notes to the financial statements are an integral part of this statement.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Seldovia, Alaska was incorporated in 1964 under the laws of the State of Alaska as a first class city. The City operates under a council-manager form of government and provides a full range of services to its citizens including public safety, streets, water and sewer, boat harbor, dock and general administration.

The financial statements in this report are for the City of Seldovia, Alaska. There are no component units for which the City of Seldovia, Alaska is financially accountable, nor do any special financial relationships exist between the City and any other entity. The City Council is the governing body of the City of Seldovia, Alaska.

The financial statements of the City of Seldovia, Alaska have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been eliminated from the total columns in the statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Deferred inflows of resources are the acquisition of Fund Balance/Net Position by the City that are applicable to a future reporting period. Deferred outflows of resources are the consumption of Fund Balance/Net Position by the City that are applicable to a future reporting period.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Government-Wide Financial Statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City. It accounts for all financial resources of the City, except those reported to be accounted for in another fund.

The *Harbor Improvement Capital Project Funds* account for improvements to the harbor.

The *Water and Boat Harbor Special Revenue Funds* account for the City's water utility and harbor activity.

The *Municipal Dock Special Revenue Funds* accounts for the City's dock activities.

The *Boat Haul Out Special Revenue Funds* account for the City's activities related to removing boats from the water.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use for governmental activities, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures and expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Short-term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the Fund Financial Statements and are eliminated in the preparation of the government-wide financial statements.

3. Inventories and Prepaid Items

Certain payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid items. Inventory consists primarily of firefighting supplies and is valued based on costs. The prepaid assets and inventory do not reflect current available resources and, thus, an equivalent portion of fund balance is classified as nonspendable in the fund financial statements.

4. Grants and Other Intergovernmental Revenues

In applying the measurable and available concepts to grants and intergovernmental revenues, the 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 on project before any amounts are considered "earned"; therefore, revenues are recognized based upon expenditures recorded. In 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.

5. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of the calendar year in which they are levied. Taxes are levied on July 1 and are payable in two installments in August and November. Kenai Peninsula Borough collects the taxes for the City. Property tax revenues are recognized in the fiscal year for which they are levied and in which they become both measurable and available to finance expenditures of the fiscal year.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure are reported in the Government-Wide Financial Statements at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets are defined by the City as assets costing greater than \$5,000 and are depreciated on the straight-line method in the Government-Wide Financial Statements. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives or are not individually greater than \$5,000 are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

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

Buildings and Infrastructure	30 years
Improvements other than buildings	20-100 years
Vehicles and equipment	5 to 20 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

7. Unearned Revenue and Unavailable Revenues

Unearned revenue arises when resources are received before the City has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when there is a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Governmental Funds report deferred inflows in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

8. Compensated Absences

The City allows employees to accumulate earned but unused vacation leave benefits. All vacation pay is accrued when earned in the government-wide statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

9. Pensions

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value

10. Net Position

In the Government-Wide Financial Statements, net position is divided into three components:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consists of assets that are restricted by the City's creditors (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

11. Fund Balance

In the Fund Financial Statements, fund balance includes five classifications as follows:

Nonspendable Fund Balance – amounts that are legally or contractually required to be maintained intact (such as the corpus of an endowment fund) or amounts that are not in a spendable form (such as inventory, prepaid expenses, supplies, long-term receivables). Such constraint is binding until the legal or contractual requirement is repealed or the amounts become spendable.

Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation. Such constraint is binding unless modified or rescinded by external body, laws, or regulation.

Committed Fund Balance – amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted by the Council taking the same formal action that imposed the constraint originally.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

Assigned Fund Balance – amounts intended to be used by the City for specific purposes. Intent can be expressed by the Council or Council designee. Such constraint is binding unless modified or eliminated by the Council or Council designee. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed.

Unassigned Fund Balance – amounts not contained in the other classifications and available for any purpose. Positive unassigned amounts will be reported only in the General Fund. If another governmental fund, other than the General Fund, has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund.

The order of spending, regarding the restricted and unrestricted fund balance when an expenditure is incurred for which both restricted and unrestricted fund balance is available should first reduce restricted fund balance and then unrestricted fund balance. The order of spending regarding unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

12. Pension Plan

Certain employees participate in a Deferred Comp 457 Plan through ICMA. The City's required contribution is 13%. For the year ended June 30, 2018, the City contributed \$25,478.

13. Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable, and (5) other current liabilities. The carrying amounts reported in the balance sheet and Statement of Net Position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An operating budget is adopted each fiscal year for the General Fund and most Special Revenue Funds on the same modified accrual basis used to reflect actual revenues and expenditures. Appropriations for these funds lapse at year end to the extent that they have not been expended or encumbered. Budgetary control is exercised at the department level. The City Manager is authorized to transfer budget amounts between line items within any department; however, any supplemental appropriations that amend the total expenditures of any department or fund require Council approval. The budgeted financial statements presented in this report reflect the final budget authorization, including any Council amendments made during the year.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except capital project funds, which normally adopt project-length budgets. An annual budget was not approved for the Volunteer Fire and EMS Special Revenue Fund. All annual appropriations lapse at fiscal year-end, except capital project funds, which adopt project-length budgets. Unexpended grant Special Revenue Funds are re-appropriated at the beginning of the year for any unexpended prior year appropriations.

Budgetary control is exercised at the department level. The City administrator is authorized to transfer budget amounts within a fund; however, any supplemental appropriations that amend the total expenditures of any fund require a City Council resolution. Reported budgeted amounts are as originally adopted or as amended by a City Council resolution. All amendments during the year were not considered significant.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations in the General Fund under the following function:

General Fund:	
Council	\$ 24,206
Administration	88,863
Police	20,812
Clinic	6,921
Parks	1,374

Expenditures exceeded appropriations for the following special revenue funds:

Volunteer Fire and EMS	\$ 28,069
Water	34,994
Waste Water	3,852
Boat Harbor	29,556
Senior Meals	156

Excess of expenditures over appropriations were funded through current year revenues and available fund balance for all funds except the Boat Harbor. The Boat Harbor will be funded with future operating transfers from other funds.

C. Deficit Fund Balance

The Boat Harbor Special Revenue fund, has a deficit fund balance of \$130,111 at June 30, 2018. The deficit will be funded through future operating transfers from other funds.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

The City participates in the Alaska Municipal League Investment Pool (AMLIP). The Alaska Municipal League Investment Pool, Inc., (AMLIP), represents the City's share of ownership in the pool rather than ownership of specific securities. AMLIP is considered to be an external investment pool as defined by Generally Accepted Accounting Principles. AMLIP is rated AAA for credit purposes. Regulatory oversight of the pool is established by Alaska Statute 37.23. The law sets forth numerous requirements regarding authorized investments and reporting. The pool is incorporated in the State of Alaska as a nonprofit corporation and reports to a board of directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

Investment Policy

The City's investment policy, with respect to the principal of the Permanent Fund, authorizes investments in the following:

1. Bonds or other evidences of indebtedness of the United States or an agency or an instrumentality of the United States;
2. Bonds and other evidences of indebtedness issued by the State of Alaska;
3. Bonds or other evidences of indebtedness issued by the municipalities of the State of Alaska;
4. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which are secured as to payment of principal and interest in accordance with Alaska law and which is a member of the Federal Deposit Insurance Corporation, or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation, or a credit union which is insured by the National Credit Union Administration; and
5. Bankers acceptances (bills of exchange or time drafts), if such obligations are eligible for purchase by the Federal Reserve System, and mature no more than two hundred seventy days from date of purchase.

At June 30, 2018, the City had the following cash and cash equivalents with financial institutions:

	Carrying Balance
Cash and cash equivalents:	
AML Investment Pool	\$ 708,859
Demand Deposits	167,131
Petty cash	323
Total	\$ 876,313

Of the \$708,859 investment pool \$570,144 belongs to the Board Permanent Fund. At June 30, 2018, only \$93,330 could be committed based upon available fund balance.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

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 deposit policy for custodial credit risk. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 or through the Securities Investor Protection Corporation (SIPC) up to \$500,000. At times the City's cash balances may have exceeded insured limits.

B. Accounts Receivables and Valuation Allowances

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful receivables. At June 30, 2018, receivables for the City's individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Special Revenue Funds				Other Governmental Funds	Total
		Boat Harbor	Water	Dock	Boat Haul Out		
Receivables:							
Grants	\$ -	-	-	-	-	11,757	11,757
Trade	4,695	22,715	48,002	48,217	53,361	7,843	184,833
Other	3,211	224	1,841	3,700	-	2,230	11,206
Total	7,906	22,939	49,843	51,917	53,361	21,830	207,796
Less: Allowance	-	(11,567)	(5,093)	-	(11,882)	(5,093)	(33,635)
Net receivables	\$ <u>7,906</u>	<u>11,372</u>	<u>44,750</u>	<u>51,917</u>	<u>41,479</u>	<u>16,737</u>	<u>174,161</u>

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CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

C. Capital Assets – Governmental activities

A summary of changes in capital assets for the year ended June 30, 2018 follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,600,930	-	-	2,600,930
Construction in progress	309,496	14,055	323,551	-
Total capital assets, not being depreciated	<u>2,910,426</u>	<u>-</u>	<u>-</u>	<u>2,600,930</u>
Capital assets, being depreciated:				
Buildings and infrastructure	2,200,132	323,551	55,000	2,468,683
Machinery and equipment	1,125,647	55,000	-	1,180,647
Improvements other than buildings	15,815,364	16,964	-	15,832,328
Total capital assets, being depreciated	<u>19,141,143</u>	<u>395,515</u>	<u>55,000</u>	<u>19,481,658</u>
Less accumulated depreciation for:				
Buildings and infrastructure	1,377,271	40,752	-	1,418,023
Machinery and equipment	713,928	45,270	-	759,198
Improvements other than buildings	7,163,858	442,319	-	7,606,177
Total accumulated depreciation	<u>9,255,057</u>	<u>528,341</u>	<u>-</u>	<u>9,783,398</u>
Net capital assets, being depreciated	<u>9,886,086</u>	<u>(132,826)</u>	<u>(55,000)</u>	<u>9,698,260</u>
Total net governmental activities, capital assets	<u>\$ 12,796,512</u>	<u>(118,771)</u>	<u>(378,551)</u>	<u>12,299,190</u>

Depreciation expense was charged to functions of the City as follows:

General	\$ 20,172
Public safety	19,544
Public service	5,833
Public works	168,678
Water	48,058
Wastewater	26,312
Boat harbor	<u>239,744</u>
Total	<u>\$ 528,341</u>

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

D. Interfund Receivables/Payables and Transfers

Interfund receivables and payables are shown as “Due To” and “Due From” in each of the individual funds. These balances for the primary government at June 30, 2018 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Boat Harbor Special Revenue Fund	\$ 123,125
General Fund	Other Governmental Funds	8,362
Water Special Revenue Fund	General Fund	44,379
Dock Special Revenue Fund	General Fund	159,252
Boat Haul Out Special Revenue Fund	General Fund	156,383
Harbor Improvements Capital Project Fund	General Fund	336,893
Other Governmental Funds	General Fund	117,947
Total		<u>\$ 946,341</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund receivables and payables were for short-term borrowings of cash at year end due to receivables. Interfund transfers are shown below.

<u>Transfers in</u>	<u>Amount</u>
General Fund	\$ <u>886,656</u>
<u>Transfer out</u>	
Boat Harbor Special Revenue Fund	\$ 40,211
Water Special Revenue Fund	13,791
Dock Special Revenue Fund	116,291
Boat Haul Out Special Revenue Fund	229
Denali Commission Harbor Improvements Capital Project Fund	299,198
Other Governmental Funds	416,936
Total	<u>\$ 886,656</u>

Transfers were made to re-allocate fund balance to match fund balances in Caselle Software.

E. Long-Term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2018 follows:

	Balance			Balance
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Governmental activities:				
Accrued leave	\$ <u>18,025</u>	<u>27,772</u>	<u>18,025</u>	<u>27,772</u>

IV. OTHER INFORMATION

A. Permanent Fund

In March 1996, Ordinance 96-13 was passed by the City Council establishing the City of Seldovia, Alaska Permanent Fund. The Permanent Fund was established to preserve in trust, assets of the City for the benefit of present and future generations of Seldovia residents. The first deposit to the Permanent Fund was made from the ANCSA 14-C (3) settlement. The Council may, from time to time, make deposits to the Fund in the same manner as it makes other appropriations. Principal of the Permanent Fund may only be appropriated for land acquisition and through passage of an ordinance. The Permanent Fund activity is included in the General Fund.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the General Fund.

The City, from time to time, may be a participant in legal proceedings related to the conduct of business. In the normal course of business, it also has various commitments and contingent liabilities, which are not reflected in the accompanying financial statements. In the opinion of management, the financial position of the City will not be materially affected by any current legal proceedings, commitments or contingent liabilities.

C. Related Party Transactions

Due to the nature and size of the community, it is inevitable that transactions will occur between related entities, City Council members, and/or employees of these entities. The services provided are not considered significant for individual disclosure.

D. Employee Retirement Systems and Plans

The City of Seldovia follows *Governmental Accounting Standards Board (GASB) Codification P20, Accounting for Pensions by State and Local Governmental Employees* and *GASB Codification P50, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. *GASB Codification P20* and *GASB Codification P50* establish uniform standards for the measurement, recognition and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

All full-time employees and certain permanent part-time employees of the City of Seldovia participates in the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan, PERS also administers other post-employment benefit (OPEB) plans.

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee.

Summary of Significant Accounting Policies. The financial statements for PERS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City of Seldovia's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

PERS acts as the common investment and administrative agencies for the following multiple-employer plans:

<u>Plan Name</u>	<u>Type of Plan</u>
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (OPEB)	
Healthcare Reimbursement Arrangement Plan	Defined Benefit OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Occupational Death and Disability Plan	Cost-sharing, Defined Contribution OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Contribution OPEB
Retiree Medical Plan	Cost-sharing, Defined Contribution OPEB

Other Postemployment Benefit Plans (OPEB)

Occupational Death and Disability Plan (ODD)

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. Membership in the plan consisted of the following at June 30, 2017 (latest available report):

<u>Membership</u>	<u>PERS</u>	<u>TRS</u>
Active plan members	19,442	4,937
Participating employers	155	57

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

Alaska Retiree Healthcare Trust Plan (ARHCT)

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF). Membership in the plan consisted of the following at June 30, 2017 (latest report available):

Membership	PERS	TRS
Inactive plan members or beneficiaries currently receiving benefits	34,310	12,701
Inactive plan members entitled to but not yet receiving benefits	5,799	2,846
Active plan members	14,956	4,937
Total plan membership	55,065	20,484

Retiree Medical Plan (RMP)

The retiree medical plan provides major medical coverage to retirees of the DC plan. The plan is self-insured. Members are not eligible to use this plan until they have at least 10 years of service and are Medicare age eligible. Membership in the plan consists of the following at June 30, 2017 (latest available report):

Membership	PERS	TRS
Inactive plan members or beneficiaries currently receiving benefits	5	4
Inactive plan members entitled to but not yet receiving benefits	831	443
Inactive plan members not entitled to benefits	10,466	2,011
Active plan members	19,442	4,937
Total plan membership	30,744	7,395

Healthcare Reimbursement Arrangement Plan

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. Membership in the plan consists of the following at June 30, 2017 (latest available report):

Membership	PERS	TRS
Inactive plan members or beneficiaries currently receiving benefits	7	3
Inactive plan members entitled to but not yet receiving benefits	829	444
Inactive plan members not entitled to benefits	10,466	2,011
Active plan members	19,442	4,937
Total plan membership	30,744	7,395

Investments

The Board is the investment oversight authority of the system's investments. As the fiduciary, the Board has the statutory authority to invest the assets under the Prudent Investor Rule. Fiduciary responsibility for the Board's invested assets is pursuant to AS 37.10.210.390.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the DC Participant-directed Pension plans under the Board's fiduciary responsibility.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual weighted rate of return, net of investment expense for the year ended June 30, 2017 (latest available report) for the DB Plan for PERS and TRS is 12.99% and 13.04%, for the ARHCT is 12.69% and 12.58%, for the Occupational Death and Disability Plan is 11.97% and 12.03%, and for the Retiree Medical Plan is 11.93% and 11.80%, respectively.

For additional information on securities lending, interest rates, credit risks, foreign exchange, derivatives, fair value, and counterparty credit risks, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at:

<http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx>.

Alaska Public Employee Retirement System (PERS) – Defined Benefit Plan (DB)

Plan Description. The City of Seldovia participates in the Alaska Public Employees' Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Plan was established and is administered by the State of Alaska, Department of Administration. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at <http://doa.alaska.gov/drb/pers>.

Pension Benefits. All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 155 employers participating in PERS, including the State of Alaska and 154 political subdivisions and public organizations.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

The DB Plan's membership consisted of the following at June 30, 2017 (latest available report):

Inactive plan members or beneficiaries currently receiving benefits	34,310
Inactive plan members entitled to but not receiving benefits	5,799
Active plan members	<u>14,956</u>
Total DB plan membership	<u>55,065</u>

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006 and who have not reached age 60 may elect to pay for major medical benefits.

Post Retirement Pension Adjustments. Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

Funding Policy. In April 2008 the Alaska Legislature passed 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 paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

Salary Floor. During the 25th legislation session, Senate Bill 125 passed, which established a June 30, 2008 salary floor under AS 39.35.255(a)(2). The salary floor is the total base salaries paid by an employer to active employees of the system as of the fiscal year ending June 30, 2008. The statute requires the Division of Retirement and Benefits (Division) to collect employer contributions at a minimum based on FY 2008 base salaries.

Termination Costs. If the City of Seldovia decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City of Seldovia function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City of Seldovia must pay to have a termination study completed. The purpose of the study is to calculate the City of Seldovia's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City of Seldovia must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2018 the past service rate is 15.28%.

Employee Contribution Rate. The City of Seldovia PERS active members are required to contribute 6.75% (5.25% pension costs and 1.50% OPEB) and if elected, non-teacher school City of Seldovia employees are required to contribute 9.60% (7.47% pension and 2.13% OPEB) of their annual covered salary.

Employer and Other Contribution Rates. There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (17.12% pension costs and 4.88% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined benefit plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 25.01% (19.46% pension and 5.55% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. As a result, the On-behalf Contribution Rate for 2018 is 3.01% (100% pension and 0% OPEB). On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board* (GASB). Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate.

Employer contributions for the year ended June 30, 2018, were:

	Pensions	Other Post-Employment Benefits	Total
2018	\$ <u>8,334</u>	<u>3,488</u>	<u>11,822</u>

Public Employees Retirement Plans

For the year ended June 30, 2018 the State of Alaska contributed \$3,073 (100% pension cost and 0% OPEB cost) on-behalf of the City of Seldovia, which has been recorded in the fund financial statements under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2017 to a total of \$6,051, to represent the pension/OPEB expense attributable to the State under the full accrual basis of accounting.

Pension and OPEB Liabilities, Pension and OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and OPEB: At June 30, 2018, the City of Seldovia reported liabilities that reflected a reduction for State pension and OPEB support provided to the City of Seldovia. The amount recognized by the City of Seldovia as its proportionate share of net pension and OPEB liabilities, the related State support, and the total portion of the net pension and OPEB liabilities that was associated with the City of Seldovia were as follows:

Defined Benefit:		Pension
City of Seldovia's proportionate share of the net pension liability	\$	<u>161,561</u>
State's proportionate share of the net pension liability		<u>58,315</u>
Total	\$	<u>219,876</u>
		OPEB
City of Seldovia's proportionate share of the ARHCT OPEB liability	\$	<u>26,606</u>
State's proportionate share of the ARHCT OPEB liability		<u>9,052</u>
Total	\$	<u>35,658</u>
Defined Contribution:		
City of Seldovia's proportionate share of the ODD OPEB liability (asset)	\$	(1,564)
City of Seldovia's proportionate share of the RMP OPEB liability		<u>575</u>
Total	\$	<u>(989)</u>
Total City of Seldovia's share of net pension and OPEB liabilities	\$	<u>187,178</u>

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

The net pension and OPEB liabilities were measured as of June 30, 2017, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation as of that date. The City of Seldovia's proportion of the net pension and OPEB liabilities were based on the present value of contributions for FY2019 through FY2039, as determined by projections based on the June 30, 2017 valuation. At June 30, 2018, the City of Seldovia's proportion of the pension liability was 0.0031%, which is a decrease of 0.0008% from June 30, 2017. At June 30, 2018, the City of Seldovia's proportion of the OPEB ARCHT, ODD and RMP OPEB liabilities were 0.0032%, 0.0110%, and 0.0110%, respectively, which represent an increase (decrease) of (0.0007%), 0.0030%, and 0.0030%, respectively, from June 30, 2017.

Based on the measurement date of June 30, 2017, the City of Seldovia recognized pension and OPEB expense of \$3,978 and \$4,084 for the year ended June 30, 2018. At June 30, 2018, the City of Seldovia reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Benefit:		
Differences between expected and actual experience	\$ -	(2,905)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	4,334	-
Changes in proportion and differences between City of Seldovia contributions and proportionate share of contributions	639	(19,530)
City of Seldovia contributions subsequent to the measurement date	8,334	-
Total	<u>\$ 13,307</u>	<u>(22,435)</u>
	OPEB ARCHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(1,435)
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(8,332)
Changes in proportion and differences between City of Seldovia contributions and proportionate share of contributions	-	(5,313)
City of Seldovia contributions subsequent to the measurement date	2,375	-
Total	<u>\$ 2,375</u>	<u>(15,080)</u>

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

	OPEB ODD	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Contribution:		
Differences between expected and actual experience	\$ -	(46)
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(98)
Changes in proportion and differences between City of Seldovia contributions and proportionate share of contributions	-	(389)
City of Seldovia contributions subsequent to the measurement date	150	-
Total	<u>\$ 150</u>	<u>(533)</u>

	OPEB RMP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(5)
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(279)
Changes in proportion and differences between City of Seldovia contributions and proportionate share of contributions	245	-
City of Seldovia contributions subsequent to the measurement date	963	-
Total	<u>\$ 1,208</u>	<u>(284)</u>

\$8,334 and \$3,448 are reported as deferred outflows of resources related to pension and OPEB resulting from City of Seldovia contributions subsequent to the measurement date and will be recognized as a reduction of the net pension and OPEB liabilities in the year ended June 30, 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

Year Ended		OPEB	OPEB	OPEB
June 30,	Pension	ARHCT	ODD	RMP
2019	\$ (21,493)	(5,832)	(78)	(40)
2020	4,513	(5,082)	(78)	(40)
2021	2,026	(2,083)	(78)	(40)
2022	(2,508)	(2,083)	(78)	(40)
2023	-	-	(54)	30
Thereafter	-	-	(167)	91
Total	<u>\$ (17,462)</u>	<u>(15,080)</u>	<u>(533)</u>	<u>(39)</u>

For the year ended June 30, 2018, the City of Seldovia recognized \$(13,474) and \$(2,970) of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

Actuarial Assumptions: The total pension and OPEB liabilities in the June 30, 2017 (latest available) actuarial valuation was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. These assumptions were the result of an experience study performed as of June 30, 2013.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)
Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience, 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers / firefighters, 50% of the time for others.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

Healthcare cost trend rates	Pre-65 medical: 8.8% grading down to 4.4%
	Post-65 Medical: 5.8% grading down to 4.0%
	Prescription drugs: 5.4% grading down to 4.0%

The long-term expected rate of return on pension and OPEB plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	8.83%
Global Ex- U.S. Equity	7.79%
Intermediate Treasuries	1.29%
Opportunistic	4.76%
Real Assets	4.94%
Absolute Return	4.76%
Private Equity	12.02%
Cash Equivalents	0.63%

Discount Rate: The discount rate used to measure the total pension and OPEB liabilities is 8.00%. The projection of the cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension and OPEB plans fiduciary net pension and OPEB were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments were applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of the Net Pension and OPEB Liabilities to Changes in the Discount Rate: The following presents the net pension liability of the plan calculated using the discount rate of 8%, as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Rate (8%)</u>	<u>1% Increase (9%)</u>
Net pension liability	\$ <u>212,225</u>	<u>161,561</u>	<u>118,777</u>
Net OPEB ARHCT liability	\$ <u>56,941</u>	<u>26,606</u>	<u>1,091</u>
Net OPEB ODD liability	\$ <u>(1,411)</u>	<u>(1,564)</u>	<u>(1,688)</u>
Net OPEB RMP liability	\$ <u>2,692</u>	<u>575</u>	<u>(1,079)</u>

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

Sensitivity of the City of Seldovia's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following present the City of Seldovia's proportionate share of the net OPEB liability, as well as what the City of Seldovia's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB ARHCT liability	\$ <u>(2,951)</u>	<u>26,606</u>	<u>62,142</u>
Net OPEB ODD liability	\$ <u>N/A</u>	<u>(1,564)</u>	<u>N/A</u>
Net OPEB RMP liability	\$ <u>(1,422)</u>	<u>575</u>	<u>3,251</u>

Alaska Public Employee Retirement System (PERS) – Defined Contribution Plan (DC)

Plan Description and Funding Requirements. City of Seldovias and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.03% for the retiree medical plan (DB), 0.16% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%.

Currently there are 155 employers participating in the defined contribution plan, including the State of Alaska. At June 30, 2017 (latest available report), membership in the DC plan consisted of 1,735 peace officers and firefighters and 19,532 of other members.

Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

- 2 years of service – 25%
- 3 years of service – 50%
- 4 years of service – 75%
- 5 years of service – 100%

The School City of Seldovia contributed \$10,289 for the year ended June 30, 2018.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

E. 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' compensations; i.e., employee injuries, and (f) medical insurance costs for employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for damage to and loss of property and contents, general liability, errors and omissions, and student accidents. Worker's compensation is also purchased as required by statute. The City has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. No settlements in excess of insurance coverage have been realized over the past three years.

F. Contingencies

A civil litigation case arose out of a dispute between the City and Precious Earth, Inc. relating to the obstruction of Rocky Street Road within the City, a violation of City Code. The City's general liability insurer, Alaska Municipal League Joint Insurance Association (AMLJIA) has retained counsel to defend against those counterclaims covered by the City's insurance policy and will pay any ultimate judgment that may be entered for any covered claims up to its policy limits. An evaluation of the likelihood of an outcome unfavorable to the City is neither probable nor remote.

G. Assigned Fund Balance

Assigned fund balance as of June 30, 2018 are as follows:

	Water Special Revenue Fund	Dock Special Revenue Fund	Boat Haul Out Special Revenue Fund	Harbor Improvements Capital Project Fund	Other Governmental Funds	Total
Assigned for:						
Water operations	\$ 73,526	-	-	-	-	73,526
Dock Operations	-	171,871	-	-	-	171,871
Boat Haul Out	-	-	166,812	-	-	166,812
Harbor Improvements	-	-	-	60,658	-	60,658
Fire EMS services	-	-	-	-	22,335	22,335
Senior Meals	-	-	-	-	29,774	29,774
Wastewater services	-	-	-	-	94,183	94,183
Total assigned	\$ 73,526	171,871	166,812	60,658	146,292	619,159

The General Fund has committed \$93,330 for the Permanent Fund.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

H. Change in Accounting Principle

As discussed in Note I-D-9 to the financial statements, the City of Seldovia participates in the Alaska Public Employees' Retirement System (PERS). In 2018, the City of Seldovia adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the City of Seldovia to recognize its proportional share of the net other postemployment benefit (OPEB) plans liability (and related deferred inflow/outflow accounts), as of the beginning of the City of Seldovia's fiscal year. As a result of the implementation of these statements, the City of Seldovia has recorded an opening balance adjustment to increase liabilities and to decrease opening net position as follows:

Governmental Activities:	
Opening net position, as originally presented	\$ 13,217,232
Change in accounting principle adjustment	<u>(38,998)</u>
Opening net position, as restated	\$ <u>13,178,234</u>

I. Subsequent Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 83 *Certain Retirement Obligations*. Effective for fiscal years beginning after June 15, 2018.
- GASB 84 *Fiduciary Activities*. Effective for fiscal years beginning after December 15, 2018.
- GASB 87 *Leases*. Effective for fiscal years beginning after December 15, 2019.
- GASB 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Effective for fiscal years beginning after June 15, 2018.

Statements 83, and 84 are not expected to have any significant impact on the financial statements of the City of Seldovia.

GASB Statement No. 87, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

CITY OF SELDOVIA, ALASKA

Notes to Financial Statements, Continued

GASB Statement No. 88, the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct payments. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt and requires enhanced footnote disclosures.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF SELDOVIA

Schedule of the City of Seldovia's Proportionate Share of the Net Pension Liability

Public Employees' Retirement System (PERS)

June 30, 2018

Year	City of Seldovia's Proportion of the Net Pension Liability	City of Seldovia's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City of Seldovia's Covered Payroll	City of Seldovia's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.00210%	\$ 97,018	\$ 88,825	\$ 185,843	\$ 14,318	678%	62.37%
2016	0.00347%	\$ 168,135	\$ 46,704	\$ 214,839	\$ 65,100	258%	63.96%
2017	0.00388%	\$ 217,057	\$ 26,094	\$ 243,151	\$ 54,528	398%	59.55%
2018	0.00313%	\$ 161,561	\$ 58,315	\$ 219,876	\$ 102,481	158%	63.37%

Notes to Schedule:

1. Information presented for 2018 is based upon Plan measurement date June 30, 2017.
2. Measurement is one year prior to fiscal year end for all years presented.
3. In fiscal year 2017 the City of Seldovia implemented GASB 82, which required a retroactive change in covered payroll.
4. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF SELDOVIA

Schedule of the City of Seldovia's Proportionate Share of the Net OPEB Liability

Public Employees' Retirement System (PERS)

June 30, 2018

Year	City of Seldovia's Proportion of the Net OPEB Liability (Asset)	City of Seldovia's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	City of Seldovia's Covered Payroll	City of Seldovia's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
Alaska Retiree Healthcare Trust Plan (ARHCT):							
2018	0.00315%	\$ 26,606	\$ 9,052	\$ 35,658	\$ 102,481	25.96%	89.68%
Occupational Death and Disability (ODD):							
2018	0.01102%	\$ (1,564)	\$ -	\$ (1,564)	\$ 102,481	-1.53%	212.97%
Retiree Medical Plan (RMP):							
2018	0.01102%	\$ 575	\$ -	\$ 575	\$ 102,481	0.56%	93.98%

Notes to Schedule:

1. Information presented for 2018 is based upon Plan measurement date June 30, 2017.
2. Measurement is one year prior to fiscal year end for all years presented.
3. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF SELDOVIA
 Schedule of the City of Seldovia's Contributions (Pensions)
 Public Employees' Retirement System (PERS)
 June 30, 2018

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City of Seldovia's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 8,161	\$ (8,161)	\$ -	\$ 65,100	12.54%
2016	\$ 7,225	\$ (7,225)	\$ -	\$ 54,528	13.25%
2017	\$ 8,003	\$ (8,003)	\$ -	\$ 102,481	7.81%
2018	\$ 8,334	\$ (8,334)	\$ -	\$ 95,444	8.73%

Notes to schedule

1. Valuation date: June 30, 2017, which was rolled forward to June 30, 2018.
2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

3. Actuarial cost method: Entry Age Normal - level percentage of payroll.
4. Amortization method: Level dollar, closed.
5. Amortization period: 25 years, as a level of percentage of payroll.
6. Equivalent single amortization period: 17 years.
7. Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
8. Inflation: 3.12% per annum.
9. Salary increases: Ranges from 9.66% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.55% to 4.34% based on age and service for All Others.
10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
11. Retirement age: An age-related assumption is used for participants not yet receiving payments.
12. Mortality: Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 50% of the time for Others, 96% of all rates of the RP - 2000 Table Base Year projected to 2018 with projected scale BB.
13. In fiscal year 2017 the City of Seldovia implemented GASB 82, which required a retroactive change in covered payroll.
14. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.
15. In fiscal year 2018 the City of Seldovia included pension DBUL into the contractually required contribution. This will be a prospective change.

CITY OF SELDOVIA

Schedule of the City of Seldovia's Contributions (OPEB)

Public Employees' Retirement System (PERS)

June 30, 2018

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City of Seldovia's Covered Payroll	Contributions as a Percentage of Covered Payroll
Alaska Retiree Healthcare Trust Plan (ARHCT):					
2018	\$ 2,375	\$ (2,375)	\$ -	\$ 95,444	2.49% DB
Occupational Death and Disability (ODD):					
2018	\$ 150	\$ (150)	\$ -	\$ 95,444	0.16% DCR
Retiree Medical Plan (RMP):					
2018	\$ 963	\$ (963)	\$ -	\$ 95,444	1.01% DCR

Notes to schedule

- Valuation date: June 30, 2017, which was rolled forward to June 30, 2018.
- Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Equivalent single amortization period: 17 years.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 3.12% per annum.
- Salary increases: Ranges from 9.66% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.55% to 4.34% based on age and service for All Others.
- Investment rate of return: 8%, net of OPEB plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Mortality: Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 50% of the time for Others, 96% of all rates of the RP - 2000 Table Base Year projected to 2018 with projected scale BB.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF SELDOVIA, ALASKA

Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Original and Final Budget and Actual - General Fund

Year Ended June 30, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
State revenue sharing	\$ 77,774	80,104	2,330
State PERS	-	3,073	3,073
Public safety assistance contract	20,000	20,000	-
Liquor license	4,000	1,500	(2,500)
Electric and telephone share	1,100	1,209	109
Miscellaneous	-	1,454	1,454
Total State of Alaska	<u>102,874</u>	<u>107,340</u>	<u>4,466</u>
Local sources:			
Taxes:			
Personal property taxes	15,000	16,299	1,299
Real property taxes	265,699	267,274	1,575
Sales tax revenue	130,000	134,165	4,165
Penalties and interest	1,500	1,838	338
Motor vehicle tax	2,500	2,992	492
Sales tax penalty	100	2,741	2,641
Tax revenue other	-	8,243	8,243
Total taxes	<u>414,799</u>	<u>433,552</u>	<u>18,753</u>
Charges for services:			
Serving papers	150	442	292
Administration fees	1,575	7,888	6,313
Rents and leases	10,992	28,273	17,281
RV revenues	1,000	688	(312)
Equipment rental	2,000	3,680	1,680
Garbage services	14,000	13,337	(663)
Licenses, permits and fines	910	823	(87)
Total charges for services	<u>30,627</u>	<u>55,131</u>	<u>24,504</u>
Other:			
Miscellaneous	2,000	63,192	61,192
Investment income	2,500	9,492	6,992
Total other	<u>4,500</u>	<u>72,684</u>	<u>68,184</u>
Total local revenue	<u>449,926</u>	<u>561,367</u>	<u>111,441</u>
Total revenues	<u>552,800</u>	<u>668,707</u>	<u>115,907</u>

(Continued)

CITY OF SELDOVIA, ALASKA

Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Original and Final Budget and Actual - General Fund, Continued

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Expenditures:			
General government:			
Council:			
Salaries and wages	\$ 48,654	55,432	(6,778)
Employee benefits	27,852	29,645	(1,793)
Travel	2,500	1,784	716
Supplies	500	780	(280)
Equipment	200	102	98
Utilities	1,950	1,948	2
Insurance	-	813	(813)
Professional services	3,500	19,520	(16,020)
Postage	-	103	(103)
Dues and fees	3,121	2,337	784
Other	50	69	(19)
Total council	<u>88,327</u>	<u>112,533</u>	<u>(24,206)</u>
Administration:			
Salaries and wages	18,485	14,271	4,214
Employee benefits	6,749	31,787	(25,038)
Travel	1,700	823	877
Supplies	1,500	9,353	(7,853)
Contract services	4,486	3,474	1,012
Equipment	750	1,340	(590)
Utilities	12,500	22,836	(10,336)
Insurance	1,016	2,845	(1,829)
Professional services	1,500	36,486	(34,986)
Postage	450	130	320
Dues and fees	5,221	12,211	(6,990)
Other	1,850	9,514	(7,664)
Total administration	<u>56,207</u>	<u>145,070</u>	<u>(88,863)</u>
Total general government	<u>144,534</u>	<u>257,603</u>	<u>(113,069)</u>

(Continued)

CITY OF SELDOVIA, ALASKA

Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Original and Final Budget and Actual - General Fund, Continued

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Expenditures, continued:			
Public safety:			
Fire:			
Salaries and wages	\$ 10,067	8,325	1,742
Employee benefits	6,872	7,257	(385)
Supplies	150	628	(478)
Contract services	1,000	205	795
Repairs and maintenance	1,400	89	1,311
Equipment	750	-	750
Utilities	6,400	4,911	1,489
Insurance	5,589	3,658	1,931
Postage	150	-	150
Dues and fees	1,921	1,807	114
Other	100	57	43
Total fire	<u>34,399</u>	<u>26,937</u>	<u>7,462</u>
Emergency medical services:			
Salaries and wages	4,288	3,658	630
Employee benefits	3,585	4,536	(951)
Supplies	50	397	(347)
Contract services	100	-	100
Repairs and maintenance	850	89	761
Utilities	2,500	2,178	322
Insurance	5,589	4,065	1,524
Professional services	-	97	(97)
Postage	50	-	50
Dues and fees	1,921	1,807	114
Other	-	34	(34)
Total emergency medical services	<u>18,933</u>	<u>16,861</u>	<u>2,072</u>

(Continued)

CITY OF SELDOVIA, ALASKA

Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Original and Final Budget and Actual - General Fund, Continued

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Expenditures, continued:			
Public safety, continued:			
Police:			
Salaries and wages	74,019	77,869	(3,850)
Employee benefits	34,007	20,627	13,380
Travel	1,700	638	1,062
Supplies	1,100	567	533
Contract services	150	-	150
Repairs and maintenance	2,950	2,470	480
Equipment	1,000	-	1,000
Utilities	5,460	2,257	3,203
Insurance	16,370	28,500	(12,130)
Postage	40	-	40
Dues and fees	3,071	3,583	(512)
Other	2,350	26,518	(24,168)
Total police	<u>142,217</u>	<u>163,029</u>	<u>(20,812)</u>
Total public safety	<u>195,549</u>	<u>206,827</u>	<u>(11,278)</u>
Public works:			
Salaries and wages	78,319	48,833	29,486
Employee benefits	43,550	32,272	11,278
Supplies	3,300	2,067	1,233
Contract services	75	6,135	(6,060)
Repairs and maintenance	14,500	14,239	261
Equipment	1,200	1,958	(758)
Utilities	34,271	52,014	(17,743)
Insurance	6,097	7,316	(1,219)
Postage	75	-	75
Dues and fees	1,500	3,245	(1,745)
Other	8,000	420	7,580
Total public works	<u>190,887</u>	<u>168,499</u>	<u>22,388</u>

(Continued)

CITY OF SELDOVIA, ALASKA

Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Original and Final Budget and Actual - General Fund, Continued

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Expenditures, continued:			
Public service:			
Library:			
Salaries and wages	\$ 1,508	-	1,508
Employee benefits	488	-	488
Repairs and maintenance	-	101	(101)
Equipment	-	18	(18)
Utilities	7,500	1,712	5,788
Total library	<u>9,496</u>	<u>1,831</u>	<u>7,665</u>
Clinic:			
Salaries and wages	-	508	(508)
Employee benefits	-	2,707	(2,707)
Supplies	-	337	(337)
Repairs and maintenance	75	-	75
Utilities	6,331	5,663	668
Other	100	4,212	(4,112)
Total clinic	<u>6,506</u>	<u>13,427</u>	<u>(6,921)</u>
Parks:			
Salaries and wages	1,200	896	304
Employee benefits	1,056	239	817
Supplies	-	49	(49)
Repairs and maintenance	500	5,027	(4,527)
Utilities	1,400	884	516
Dues and fees	1,472	107	1,365
Other	200	-	200
Total parks	<u>5,828</u>	<u>7,202</u>	<u>(1,374)</u>
Total public service	<u>21,830</u>	<u>22,460</u>	<u>(630)</u>
Total expenditures	<u>552,800</u>	<u>655,389</u>	<u>(102,589)</u>
Excess of revenues over expenditures	\$ -	13,318	13,318
Other financing sources:			
Transfers in:			
Denali Commission Capital Project Fund	-	299,198	299,198
Special Revenue Funds:			
Senior Meals	-	328,234	328,234
Wastewater	-	88,702	88,702
Dock	-	116,291	116,291
Boat Haul Out	-	229	229
Water	-	13,791	13,791
Boat harbor	-	40,211	40,211
Total other financing sources	<u>-</u>	<u>886,656</u>	<u>886,656</u>
Net change in fund balance	\$ -	899,974	899,974
Fund balance (deficit), beginning of year		<u>(806,644)</u>	
Fund balance, end of year		<u>\$ 93,330</u>	

CITY OF SELDOVIA, ALASKA

Boat Harbor Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance (Deficit) - Original and Final Budget and Actual

Year Ended June 30, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Local sources:			
Charges for services	\$ 192,046	162,195	(29,851)
Other	-	35,865	35,865
Total revenues	<u>192,046</u>	<u>198,060</u>	<u>6,014</u>
Expenditures:			
Current:			
Boat harbor:			
Salaries and wages	64,244	83,369	(19,125)
Employee benefits	35,598	28,842	6,756
Travel	1,200	-	1,200
Training	-	19	(19)
Supplies	300	(183)	483
Contract services	-	29,105	(29,105)
Repairs and maintenance	1,500	1,347	153
Equipment	2,723	455	2,268
Utilities	56,164	50,679	5,485
Insurance	11,266	5,458	5,808
Postage	190	160	30
Dues and fees	16,361	21,037	(4,676)
Other	2,500	1,314	1,186
Total expenditures	<u>192,046</u>	<u>221,602</u>	<u>(29,556)</u>
Excess (deficiency) of revenues over expenditures	-	(23,542)	(23,542)
Other financing (uses):			
Transfer out to General Fund	-	(40,211)	(40,211)
Net change in fund balance	<u>\$ -</u>	<u>(63,753)</u>	<u>(63,753)</u>
Fund balance (deficit), beginning of year		<u>(66,358)</u>	
Fund balance (deficit), end of year		<u>\$ (130,111)</u>	

CITY OF SELDOVIA, ALASKA

Water Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Original and Final Budget and Actual

Year Ended June 30, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget- Positive (Negative)
Revenues:			
Local sources:			
Charges for services	\$ 136,859	158,355	21,496
Other	-	16,889	16,889
Total revenues	<u>136,859</u>	<u>175,244</u>	<u>38,385</u>
Expenditures:			
Current:			
Water:			
Salaries and wages	79,858	87,384	(7,526)
Employee benefits	28,685	28,131	554
Travel	1,500	-	1,500
Training	1,000	1,985	(985)
Supplies	400	15,694	(15,294)
Contract services	7,500	7,337	163
Repairs and maintenance	1,000	2,415	(1,415)
Equipment	1,000	982	18
Utilities	10,000	12,093	(2,093)
Insurance	2,016	2,439	(423)
Professional services	-	3,283	(3,283)
Postage	500	346	154
Dues and fees	-	7,679	(7,679)
Other	3,400	2,085	1,315
Total expenditures	<u>136,859</u>	<u>171,853</u>	<u>(34,994)</u>
Excess of revenues over expenditures	-	3,391	3,391
Other financing (uses):			
Transfer out to General Fund	-	(13,791)	(13,791)
Net change in fund balance	<u>\$ -</u>	<u>(10,400)</u>	<u>(10,400)</u>
Fund balance, beginning of year		<u>83,926</u>	
Fund balance, end of year		<u>\$ 73,526</u>	

CITY OF SELDOVIA, ALASKA

Dock Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Original and Final Budget and Actual

Year Ended June 30, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget- Positive (Negative)
Revenues:			
Local sources:			
Charges for services	\$ 57,729	49,587	(8,142)
Expenditures:			
Current:			
Municipal dock:			
Salaries and wages	38,643	33,342	5,301
Employee benefits	9,044	8,027	1,017
Supplies	75	564	(489)
Repairs and maintenance	854	268	586
Utilities	5,400	7,904	(2,504)
Insurance	1,016	1,219	(203)
Postage	125	160	(35)
Dues and fees	2,272	2,921	(649)
Other	300	-	300
Total expenditures	57,729	54,405	3,324
Excess (deficiency) of revenues over expenditures	-	(4,818)	(4,818)
Other financing (uses):			
Transfer out to General Fund	-	(116,291)	(116,291)
Net change in fund balance	\$ -	(121,109)	(121,109)
Fund balance, beginning of year		292,980	
Fund balance, end of year		\$ 171,871	

CITY OF SELDOVIA, ALASKA

Boat Haul Out Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Original and Final Budget and Actual

Year Ended June 30, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget- Positive (Negative)
Revenues:			
Local sources:			
Charges for services	\$ 45,300	13,220	(32,080)
Expenditures:			
Current:			
Boat haul out facility:			
Salaries and wages	8,689	14,441	(5,752)
Employee benefits	5,049	6,987	(1,938)
Supplies	1,350	585	765
Repairs and maintenance	21,712	2,386	19,326
Utilities	4,200	3,251	949
Insurance	3,000	2,845	155
Postage	100	160	(60)
Dues and fees	600	2,286	(1,686)
Other	600	64	536
Total expenditures	<u>45,300</u>	<u>33,005</u>	<u>12,295</u>
Excess (deficiency) of revenues over expenditures	-	(19,785)	(19,785)
Other financing (uses):			
Transfer out to General Fund	-	(229)	(229)
Net change in fund balance	<u>\$ -</u>	<u>(20,014)</u>	<u>(20,014)</u>
Fund balance, beginning of year		<u>186,826</u>	
Fund balance, end of year		<u>\$ 166,812</u>	

**ADDITIONAL SUPPLEMENTARY
INFORMATION**

CITY OF SELDOVIA, ALASKA

Other Governmental Funds

Combining Balance Sheet

June 30, 2018

	<u>Special Revenue Funds</u>			Total Special Revenue Funds	Capital Projects Fund	Total Other Governmental Funds
	Volunteer Fire and EMS	Senior Meals	Wastewater		Value Added Manufacturing	
<u>Assets</u>						
Cash and cash equivalents	\$ 20,317	-	-	20,317	-	20,317
Receivables, net of allowance:						
Grants	-	3,395	-	3,395	8,362	11,757
Trade	-	-	2,750	2,750	-	2,750
Other	2,230	-	-	2,230	-	2,230
Other current assets	565	298	1,031	1,894	-	1,894
Due from other funds	-	26,157	91,790	117,947	-	117,947
Total assets	\$ <u>23,112</u>	<u>29,850</u>	<u>95,571</u>	<u>148,533</u>	<u>8,362</u>	<u>156,895</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>						
Liabilities:						
Accounts payable	777	-	-	777	-	777
Payroll liabilities	-	76	-	76	-	76
Due to other funds	-	-	-	-	8,362	8,362
Total liabilities	<u>777</u>	<u>76</u>	<u>-</u>	<u>853</u>	<u>8,362</u>	<u>9,215</u>
Deferred inflows of resources:						
Unavailable revenues	-	-	1,388	1,388	-	1,388
Total liabilities and deferred inflows of resources	<u>777</u>	<u>76</u>	<u>1,388</u>	<u>2,241</u>	<u>8,362</u>	<u>10,603</u>
Fund balances:						
Assigned	<u>22,335</u>	<u>29,774</u>	<u>94,183</u>	<u>146,292</u>	<u>-</u>	<u>146,292</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>23,112</u>	<u>29,850</u>	<u>95,571</u>	<u>148,533</u>	<u>8,362</u>	<u>156,895</u>

CITY OF SELDOVIA, ALASKA

Other Governmental Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Year Ended June 30, 2018

	Special Revenue Fund			Total Special Revenue Funds	Capital Projects Fund	Total Other Governmental Funds
	Volunteer Fire and EMS	Senior Meals	Wastewater		Value Added Manufacturing	
Revenues:						
Intergovernmental:						
Federal sources	\$ -	2,041	-	2,041	-	2,041
State of Alaska	-	34,339	-	34,339	14,056	48,395
Kenai Peninsula Borough	-	10,770	-	10,770	-	10,770
Local sources:						
Charges for services	-	13,965	67,504	81,469	-	81,469
Donations	965	-	-	965	-	965
Other	12,288	-	-	12,288	-	12,288
Total revenues	<u>13,253</u>	<u>61,115</u>	<u>67,504</u>	<u>141,872</u>	<u>14,056</u>	<u>155,928</u>
Expenditures:						
Current:						
Wastewater	-	-	74,637	74,637	-	74,637
Public safety	28,069	-	-	28,069	-	28,069
Public service	-	44,348	-	44,348	-	44,348
Capital outlay	-	-	-	-	14,056	14,056
Total expenditures	<u>28,069</u>	<u>44,348</u>	<u>74,637</u>	<u>147,054</u>	<u>14,056</u>	<u>161,110</u>
Excess (deficiency) of revenues over expenditures	(14,816)	16,767	(7,133)	(5,182)	-	(5,182)
Other financing (uses):						
Transfer out	-	(328,234)	(88,702)	(416,936)	-	(416,936)
Net change in fund balance	(14,816)	(311,467)	(95,835)	(422,118)	-	(422,118)
Fund balances, beginning of year	<u>37,151</u>	<u>341,241</u>	<u>190,018</u>	<u>568,410</u>	<u>-</u>	<u>568,410</u>
Fund balances, end of year	<u>\$ 22,335</u>	<u>29,774</u>	<u>94,183</u>	<u>146,292</u>	<u>-</u>	<u>146,292</u>

CITY OF SELDOVIA, ALASKA

Volunteer Fire and EMS Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance

Year Ended June 30, 2018

Revenues:		
Local sources:		
Donations	\$	965
Other		12,288
Total revenues		<u>13,253</u>
Expenditures:		
Current:		
Public safety:		
Equipment		15,076
Supplies		5,133
Pull-tab purchase		638
Training		391
Freight		204
Fundraising		1,641
License and permits		1,279
Travel and per diem		432
Other		3,275
Total expenditures		<u>28,069</u>
Excess (deficiency) of revenues over expenditures		(14,816)
Fund balance, beginning of year		<u>37,151</u>
Fund balance, end of year	\$	<u><u>22,335</u></u>

CITY OF SELDOVIA, ALASKA

Senior Meals Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget- Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Federal sources passed through the State of Alaska	\$ 2,041	2,041	-
State of Alaska	31,381	34,339	2,958
Kenai Peninsula Borough	10,770	10,770	-
Local sources:			
Charges for services	-	13,965	13,965
Total revenues	<u>44,192</u>	<u>61,115</u>	<u>16,923</u>
Expenditures:			
Current:			
Public service:			
Salaries and wages	28,899	28,899	-
Employee benefits	7,661	7,661	-
Supplies	2,778	2,778	-
Utilities	3,378	3,378	-
Insurance	813	813	-
Other	663	819	(156)
Total expenditures	<u>44,192</u>	<u>44,348</u>	<u>(156)</u>
Excess of revenues over expenditures	-	16,767	16,767
Other financing (uses):			
Transfer out to General Fund	-	(328,234)	(328,234)
Net change in fund balance	<u>\$ -</u>	<u>(311,467)</u>	<u>(311,467)</u>
Fund balance, beginning of year		<u>341,241</u>	
Fund balance, end of year		<u>\$ 29,774</u>	

CITY OF SELDOVIA, ALASKA

Wastewater Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Year Ended June 30, 2018

	Budgeted Amounts	Actual Amounts	Variance with Budget- Positive (Negative)
Revenues:			
Local sources:			
Charges for services	\$ 70,785	67,504	(3,281)
Expenditures:			
Current:			
Wastewater:			
Salaries and wages	38,348	40,462	(2,114)
Employee benefits	16,855	14,396	2,459
Supplies	100	3,053	(2,953)
Repairs and maintenance	3,308	375	2,933
Equipment	490	424	66
Utilities	5,400	5,677	(277)
Insurance	1,016	2,439	(1,423)
Postage	250	346	(96)
Dues and fees	4,872	7,414	(2,542)
Other	146	51	95
Total expenditures	70,785	74,637	(3,852)
Excess (deficiency) of revenues over expenditures	-	(7,133)	(7,133)
Other financing (uses):			
Transfer out to General Fund	-	(88,702)	(88,702)
Net change in fund balance	\$ -	(95,835)	(95,835)
Fund balance, beginning of year		190,018	
Fund balance, end of year		\$ 94,183	

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

Independent Auditor's Report

Honorable Mayor and City Council
City of Seldovia
Seldovia, 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, each major fund, and the aggregate remaining fund information of the City of Seldovia, Alaska as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Seldovia, Alaska's basic financial statements, and have issued our report thereon dated September 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Seldovia, Alaska's internal control over financial reporting (internal control) 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 the City of Seldovia, Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Seldovia, Alaska's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we did identify certain deficiencies in internal control that we consider to be material weakness and significant deficiencies.

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 a 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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2018-001 to be a material weakness.

Honorable Mayor and City Council
City of Seldovia

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2018-002 and 2018-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Seldovia, Alaska'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*.

City of Seldovia, Alaska's Responses to the Findings

City of Seldovia, Alaska's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses and the Corrective Action Plan. City of Seldovia, Alaska's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



Anchorage, Alaska
September 19, 2019

CITY OF SELDOVIA, ALASKA
 Schedule of Findings and Responses
 Year Ended June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Is a going concern emphasis-of-matter paragraph included in the audit report? Yes X No

Internal control over financial reporting:
 Material weakness(es) identified? X Yes No
 Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Section II – Financial Statement Findings

Finding 2018-001 **Internal Control over Payroll**
Material Weakness

Condition: During our testing of internal controls over the payroll system, we noted no documentation of authorized wages for employees. The wage rate schedule did not match the rate employees were paid. There was no approval over employee timesheets for the month of October. Additionally, one salaried employee did not have their amended contract in their personnel file. This is a repeat finding from the prior year.

Criteria: Internal controls should be in place for approval over pay rates and timesheets. Additionally amended employee contracts should be documented.

Context: During our testing of payroll it was noted that the employee personnel files lacked approved pay rates and amended contracts. It was also noted that for the month of October, many timesheets lacked the proper approvals.

Cause: Lack of internal controls over payroll.

Effect: Material misstatement of financial statements.

Recommendation: We recommend that each employee have a personnel action form and/or salary agreement indicating their pay rate that is signed by both the employee and their supervisor. Also, we recommend that appropriate approval procedures are followed.

Management response: Management concurs with finding, see corrective action plan.

CITY OF SELDOVIA, ALASKA

Schedule of Findings and Responses, Continued

Finding 2018-002
Significant Deficiency

Internal Control over Credit Cards

- Condition:** During our testwork over credit cards it was noted that there is no support to indicate approval over credit card payments. This is a repeat finding from the prior year.
- Criteria:** Internal controls should be in place to ensure that all purchases have been appropriately reviewed and approved.
- Context:** During our testing of credit cards, we noted all transactions lacked adequate approval.
- Cause:** Lack of internal control over the approval process.
- Effect:** Without authorized approval, there is a risk that purchases will be made that are not authorized, which could lead to potential risk of fraud.
- Recommendation:** We recommend that documentation of approval be kept for every transaction.
- Management response:** Management concurs with finding, see corrective action plan.

Finding 2018-003
Significant Deficiency

Internal Control over Audit Preparation

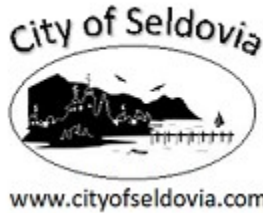
- Condition:** The progress of the audit was severely impaired by the lack of preparedness by management. The client failed to review opening balances which were incorrect and had to be adjusted by the audit team. Additionally, only a single system of the requested seven internal control systems worth of samples were pulled and ready upon the audit team's arrival.
- Criteria:** Internal controls should be in place to ensure that ending balances from the prior year matches the beginning balances of the year being audited. Also, the requested samples for internal controls testing should be pulled and ready for the audit team upon arrival.
- Context:** Beginning balances had to be corrected by the audit team. Also only a fraction of the samples requested for testing were ready upon the teams arrival.
- Cause:** Lack of personnel proficient with Caselle and also general unpreparedness by management.
- Effect:** Material misstatement of account balances.

CITY OF SELDOVIA, ALASKA

Schedule of Findings and Responses, Continued

Recommendation: We recommend that policies and procedures be implemented to verify the opening balances in Caselle agree with the ending balances in the prior year. Also taking steps prior to the audit team's arrival to pull all the requested samples.

Management response: Management concurs with finding, see corrective action plan.



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Schedule of Prior Year Findings

Year Ended June 30, 2018

Finding 2017-001
Material Weakness

Internal Controls Software Conversion

Condition:

Lack of internal controls over software conversion. The ending balance of QuickBooks should have been the beginning balance in Caselle. The client failed to review opening balance that caselle loaded into the new software. The opening balances were wrong and had to be adjusted.

Status:

This finding has not been resolved see Finding 2018-003.

Finding 2017-002
Material Weakness

Internal Control over Approval of Material Transactions

Condition:

During our testwork over credit cards it was noted that there is no support to indicate approval over credit card payments.

Status:

This finding has been resolved.

Finding 2017-003
Material Weakness

Internal Control over Cash Receipts

Condition:

During our testwork over cash receipts it was noted that there is a lack of segregation of duties with no compensating controls. The same individual who receives funds has the ability to input the journal entry and to take the funds to the bank. The city manager reviews a monthly report but there is no support for any review taking place over the individual deposits.

Status:

This finding has been resolved.

CITY OF SELDOVIA, ALASKA

Schedule of Prior Year Findings, Continued

Finding 2017-004
Material Weakness

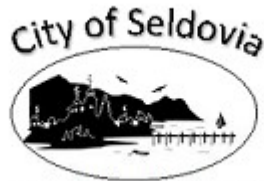
Internal Control over Payroll

Condition:

During our testwork over payroll it was noted that there is no personnel action form for employees that indicates their pay rate. There is only a sheet that lists out pay rates for all positions.

Status:

This finding has not been resolved. See finding 2018-001.



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Corrective Action Plan

June 30, 2018

Financial Statement Findings

Finding 2018-001

Internal Controls Over Payroll

Name of Contact Person: Jackie Taylor

Corrective Action Plan: Jackie Taylor has implemented a pay rate for position form and also implemented a pay rate for, signed by each employee and added to their employee file. Jackie Taylor ensures that all employees sign their time sheet as with the City Manager.

Proposed Completion Date: July 2018.

Finding 2018-002

Internal Controls over Credit Cards

Name of Contact Person: Jackie Taylor

Corrective Action Plan: Jackie Taylor has implemented the City Manager request form for internal control. Jackie Taylor has implemented the Finance Officer request form for internal control.

Proposed Completion Date: July 2018.

Finding 2018-003

Internal Controls over Audit Preparation

Name of Contact Person: Jackie Taylor

Corrective Action Plan: Jackie Taylor is responsible for the audit preparation. She has made steps to prevent delay when the auditors arrive.

Proposed Completion Date: July 2018.