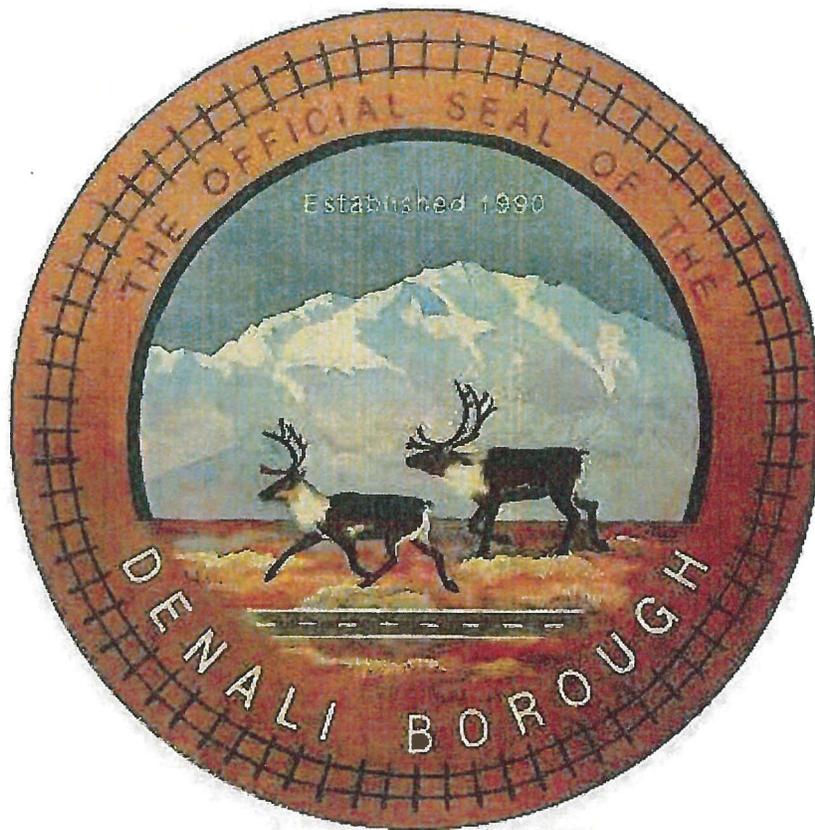


# DENALI BOROUGH



## ANNUAL FINANCIAL REPORT

Year Ended June 30, 2015

DENALI BOROUGH

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DENALI BOROUGH

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KOHLER, SCHMITT & HUTCHISON  
*A Professional Corporation*

Certified Public Accountants

714 4th Avenue, Suite 303 • (907) 456-6676 • Fax 456-6431  
P.O. Box 70607, Fairbanks, Alaska 99707-0607 • ksh@kshcpa.com

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the Borough Assembly  
Denali Borough

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Denali Borough (Borough) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Borough'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 did not audit the financial statements of the Denali Borough School District, a discretely presented component unit of the Denali Borough. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Denali Borough School District, is based solely on the report of the other auditors. 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 opinion.

## *Opinion*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Denali Borough, as of June 30, 2015, and the respective changes in financial position, and where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

### *Change in Accounting Principle*

As discussed in Note 4 to the financial statements, the Denali Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date –an Amendment of GASB 68*. 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 management's discussion and analysis on pages 4-13, budgetary comparison information for the Denali Borough on pages 48-50, and pension liability and contribution information for the Denali Borough and the Denali Bough School District on pages 51-56 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 and other auditors 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Denali Borough's basic financial statements. The combining and individual non-major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 by us and other auditors. In our opinion, the combining and individual nonmajor fund financial statements are 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 February 29, 2016, on our consideration of the Denali Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Denali Borough's internal control over financial reporting and compliance.

Kohler, Schmidt & Hutchison, PC

Fairbanks, Alaska  
February 29, 2016

DENALI BOROUGH

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DENALI BOROUGH  
Management's Discussion and Analysis  
June 30, 2015

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Denali Borough offers readers of our financial statements this narrative overview and analysis of the financial activities of the Denali Borough for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements, which immediately follow this section. The Denali Borough School District is a component unit of the Denali Borough. Requests for information regarding the School District's financial statements may be addressed to the Superintendent or Business Manager, Denali Borough School District, PO Box 280, Healy, Alaska 99743.

**FINANCIAL HIGHLIGHTS**

- In total, the Borough's Fiscal Year 2015 (FY 2015) net position remained relatively stable as compared with FY 2014, decreasing just \$33,426, or .10 percent, for a June 30, 2015 net position of \$32,391,965. Of this amount, \$20,162,982 is invested in capital assets net of accumulated depreciation, \$3,028,951 is restricted for permanent investment, \$5,222,729 is restricted for forward funding of subsequent year expenditures, and \$3,977,303 is unrestricted.
- Excluding business-type activities, the assets of the primary government exceeded liabilities by \$29,981,539. Of this amount, \$2,717,160 is available to meet the government's ongoing financial obligations.
- Overall, the Borough's governmental activities net position increased by \$1,803 and business-type activities net position decreased by \$35,229 due to the recording of the PERS pension liability.
- At the close of FY 2015, governmental funds reported a combined ending fund balance of \$11,212,493, an increase of \$662,909 over the prior year.
- The general fund shows \$1,658,989 unassigned fund balance, or 47% of total general fund expenditures.
- Implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* requires that PERS pension liabilities be recorded on the Borough's financial statements, which has affected net position as discussed herein when making year to year comparisons. The major contributing factor to decreases in net position overall is the implementation of GASB Statement No. 68.

**OVERVIEW OF FINANCIAL STATEMENTS**

**Basic Financial Statements**

The discussion and analysis provided here is intended to serve as an introduction to the Denali Borough's basic financial statements. The Denali Borough's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements, and 3) the notes to the financial statements. This report also includes other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements**

The Borough's basic financial statements include two government-wide financial statements, the *Statement of Net Position* and the *Statement of Activities*. The government-wide financial statements are designed to provide readers with a broad overview of the Denali Borough's finances, in a manner similar to a private-sector business.

DENALI BOROUGH  
Management's Discussion and Analysis  
June 30, 2015

The *Statement of Net Position* presents financial information on all of the Denali Borough's assets and liabilities with the difference reported as total net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Denali Borough is improving or deteriorating.

The *Statement of Activities* presents information showing how the Denali Borough's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish governmental activities of the Denali Borough that are principally supported by taxes and intergovernmental revenues from business-type activities that are intended to recover all or a portion of their costs through user fees and charges. The governmental activities of the Denali Borough include general administration and education. The business-type activities of the Denali Borough include solid waste and land enterprise operations, and are supplemented by transfers appropriated in the general fund annual budget.

The government-wide financial statements include not only the funds of the Denali Borough itself (known as the primary government), but also a legally separate school district (component unit) for which the Denali Borough is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The School District's audited financial statements may be obtained directly from the School District's administrative offices.

The government-wide financial statements can be found on pages 14-15 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Denali Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Denali Borough can be divided into governmental funds and proprietary funds.

#### *Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements provide a detailed short-term view of the Borough's operations. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. The relationship (or differences) between governmental activities and governmental funds is described in reconciliations following the fund financial statements.

The Denali Borough maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the permanent investment fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Denali Borough adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

DENALI BOROUGH  
Management's Discussion and Analysis  
June 30, 2015

The governmental funds financial statements can be found on pages 16-18.

*Proprietary Funds*

Proprietary funds are reported in the fund financial statement and generally report services for which the Borough charges customers a fee. There are two types of proprietary funds: enterprise funds and internal service funds. The Borough has no internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The Denali Borough uses enterprise funds to account for its solid waste and land enterprise operations.

Proprietary fund statements provide financial information consistent with the focus provided by the government-wide financial statements, but with more detail. The proprietary fund financial statements provide separate information for solid waste and land enterprise operations, both of which are major funds.

The proprietary funds financial statements can be found on pages 20-22 of this report.

*Notes to the Financial Statements*

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes are a required part of the basic financial statements and can be found on pages 23-47.

*Required and Other Supplementary Information*

Budgetary to actual comparison on the general fund on pages 48-50 is required supplementary information. The combining statements and individual fund budget to actual comparison schedules of the non-major governmental funds are presented on pages 57-63.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Position**

Over time, net position may serve as a useful indicator of a government's overall financial condition. In the case of the Denali Borough, assets exceeded liabilities by \$32,391,965 at June 30, 2015.

The following table reflects the condensed Statement of Net Position for fiscal years ending June 30, 2015 and 2014:

**DENALI BOROUGH**  
**Management's Discussion and Analysis**  
**June 30, 2015**

Denali Borough's Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 11,721,967	11,173,213	1,643,288	1,534,549	13,365,255	12,707,762
Restricted cash	-	-	36,353	18,799	36,353	18,799
Capital assets	19,012,699	19,430,152	1,150,283	1,155,743	20,162,982	20,585,895
Total assets	30,734,666	30,603,365	2,829,924	2,709,091	33,564,590	33,312,456
Total deferred outflows of resources	61,887	-	36,974	-	98,861	-
Long-term liabilities	279,900	-	420,123	247,900	700,023	247,900
Other liabilities	509,474	623,629	21,030	15,536	530,504	639,165
Total liabilities	789,374	623,629	441,153	263,436	1,230,527	887,065
Total deferred inflows of resources	25,640	-	15,319	-	40,959	-
<b>Net position</b>						
Net investment in capital assets	19,012,699	19,430,152	1,150,283	1,155,743	20,162,982	20,585,895
Restricted						
Permanent investment	3,028,951	3,113,797	-	-	3,028,951	3,113,797
Forward funding of subsequent year expenditures	5,222,729	4,987,159	-	-	5,222,729	4,987,159
Unrestricted	2,717,160	2,448,628	1,260,143	1,289,912	3,977,303	3,738,540
Total net position	\$ 29,981,539	29,979,736	2,410,426	2,445,655	32,391,965	32,425,391

The largest portion of the Denali Borough's net position, \$20,162,982 or 62 percent, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles). An additional portion of the Denali Borough's net position, \$8,251,680, or 26 percent, represents resources that are subject to restrictions on how they may be used. The remaining balance of \$3,977,303, or 12 percent, is unrestricted and may be used to meet the Borough's ongoing obligations to its citizens and creditors.

At the end of FY 2015, the Denali Borough is able to report positive balances in all reported categories of net assets, both for the Borough as a whole, as well as for its business-type activities. The same situation was true for FY 2014.

### Changes in Net Position

The tables below provide a summary of the changes in net position for the years ending June 30, 2015 and 2014. The net position was restated as of July 1, 2014 as a result of the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*.

**DENALI BOROUGH**  
**Management's Discussion and Analysis**  
**June 30, 2015**

Schedule of Changes in Net Position

	Governmental Activities		Buisness-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Charges for services	\$ -	-	518,583	589,763	518,583	589,763
Operating grants	910,241	955,959	72,179	27,336	982,420	983,295
Capital grants and contributions	140,792	106,816	-	-	140,792	106,816
Taxes	3,414,407	3,159,536	-	-	3,414,407	3,159,536
Other	88,183	292,502	9,439	10,736	97,622	303,238
<b>Total revenue</b>	<b>4,553,623</b>	<b>4,514,813</b>	<b>600,201</b>	<b>627,835</b>	<b>5,153,824</b>	<b>5,142,648</b>
<b>Expenses</b>						
Assembly	356,419	414,924	-	-	356,419	414,924
Mayor	802,007	879,778	-	-	802,007	879,778
School District	2,667,313	2,735,789	-	-	2,667,313	2,735,789
Borough matching grants	45,709	33,788	-	-	45,709	33,788
General government	182,251	114,938	-	-	182,251	114,938
Landfill	-	-	581,131	589,179	581,131	589,179
Land	-	-	134,435	181,589	134,435	181,589
<b>Total expenses</b>	<b>4,053,699</b>	<b>4,179,217</b>	<b>715,566</b>	<b>770,768</b>	<b>4,769,265</b>	<b>4,949,985</b>
<b>Change in net position</b>						
before transfer	499,924	335,596	(115,365)	(142,933)	384,559	192,663
Transfers	(240,000)	(251,604)	240,000	251,604	-	-
<b>Change in net position</b>	<b>259,924</b>	<b>83,992</b>	<b>124,635</b>	<b>108,671</b>	<b>384,559</b>	<b>192,663</b>
<b>Net position, beginning as restated</b>						
	29,721,615	29,895,744	2,285,791	2,336,984	32,007,406	32,232,728
<b>Net position, ending</b>	<b>\$ 29,981,539</b>	<b>29,979,736</b>	<b>2,410,426</b>	<b>2,445,655</b>	<b>32,391,965</b>	<b>32,425,391</b>

**Governmental Activities**

The FY2015 results for the governmental activities showed an increase to the net position of \$259,924. The ending net position was \$29,981,539. The balance of assets restricted to a specific purpose increased \$150,724 from FY 2014, a change of 1.86 percent.

Overall revenues before transfers to fund accounts for governmental activities were up by \$38,810, an increase of 1 percent over FY 2014. Overnight accommodations tax revenue increased by \$250,354, or 8 percent, while severance tax revenue increased by \$4,517, or 5 percent. All other general revenue decreased over the previous year.

During FY 2015, the Borough's general fund revenues were \$910,394 less than the expenditures for governmental programs, before transfers of \$385,533. This compares to FY 2014, when revenues were \$576,391 more than expenditures before transfers of \$260,000.

DENALI BOROUGH  
Management's Discussion and Analysis  
June 30, 2015

**Business-type Activities**

Denali Borough business-type activities' net position as of June 30, 2015 was \$2,410,426. A negative change in net position for business-type activities prior to transfers from the general fund in the amount of \$240,000 and interest earned on investments in the amount \$9,439 resulted in a positive change in net position for business-type activities in the amount of \$124,635.

In the Borough's business-type activities, operating revenues in Solid Waste operations totaled \$519,231, a decrease of 8 percent from FY 2014. Solid Waste operating expenses totaled \$581,131, resulting in an operating loss of \$61,900. Land enterprise revenues totaling \$71,531 showed an increase of \$19,212, or 37 percent, over the previous year. Land enterprise operating expenses totaling \$134,435 decreased by \$47,154, or 26 percent, resulting in an operating loss of \$62,904. While business-type activities revenue increased due to a significant increase in PERS On-Behalf payments in FY 2015, expenditures also increased to offset this amount. Operating losses in business type activities totaled \$124,804. However, a governmental funds transfer of \$240,000 to the business-type funds increased net assets. In total, net position from business-type activities decreased from the previous fiscal year by \$35,229, or 1.4 percent, ending FY 2015 with a total of \$2,410,426.

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

Denali Borough uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the Denali Borough's governmental funds is to provide information on how money flows into and out of those funds and the balances left at year end that are non-spendable, restricted, committed, assigned, or unassigned. These classifications show the nature and extent of constraints placed on fund balances by law, creditors, Borough assembly, and the Borough's annually adopted budget.

The Denali Borough governmental funds financial statements reported a combined ending fund balance of \$11,212,493 at June 30, 2015, an increase of \$662,909 in comparison with the prior year. Approximately 15 percent of this amount, \$1,658,989, constitutes unassigned fund balance, which is available for spending at the Borough's discretion. The remainder of the fund balance is either non-spendable, committed, or assigned to indicate that it is: 1) not in spendable form such as the \$3,028,951 permanent investment fund; 2) constrained for specific purposes such as \$5,222,729 for FY 2016 expenditures, \$500,962 for major school maintenance projects, \$486,138 for capital projects, \$25,302 for permanent investment and \$169,374 for capital improvements; or 3) \$120,048 assigned for disaster contingency. See Figure 1 for a graphical depiction of fund balances for each classification.

## Denali Borough Governmental Funds

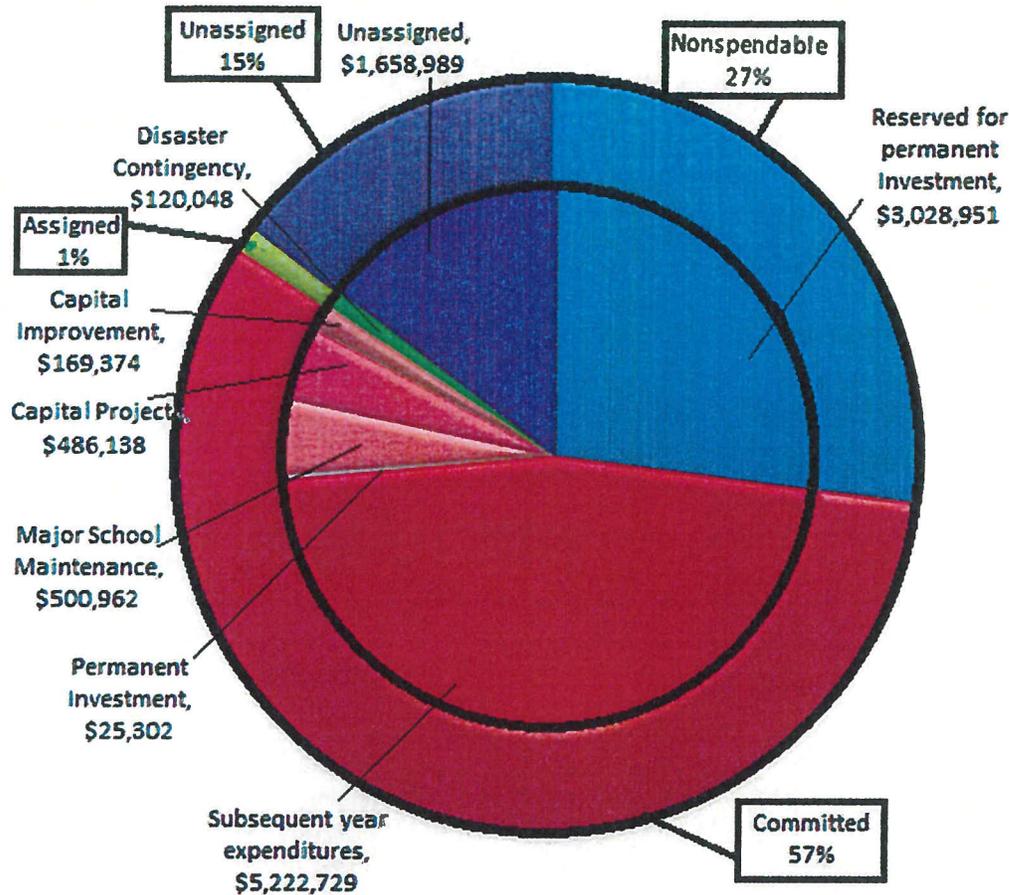


Figure 1. Denali Borough Governmental Funds Classification

The *General Fund* is the chief operating fund of the Denali Borough. At June 30, 2015, the unassigned fund balance of the general fund was \$1,658,989, while the total general fund balance increased by \$524,861 during FY 2015 to end the year at \$7,001,766. Unassigned fund balance represents approximately 47 percent of total general fund expenditures for FY 2015.

The *Permanent Investment Fund*, a major fund, decreased \$59,544 in fund balance during FY 2015, ending the year with \$3,054,253. This decrease was due to low investment returns in FY 2015 and \$110,148 appropriated by the Assembly from the Permanent Investment Fund to the General Fund, to be deposited to the major school maintenance reserve and capital improvement funds.

*Other Governmental Funds*, which represent a summarization of all the other non-major governmental funds, ended the year with total fund balance of \$1,156,474, an increase of \$197,592, or 21 percent. The funds reflected a deficit of revenues over expenditures of \$58,089 due to special revenue match expenditures and school maintenance expenditures.

### Proprietary Funds

The Denali Borough's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

DENALI BOROUGH  
Management's Discussion and Analysis  
June 30, 2015

Unrestricted net position for solid waste operations at June 30, 2015 amounted to \$716,735, and \$543,408 for land enterprise. Solid waste operations experienced a decrease in unrestricted net position of \$23,051, and land enterprise operations reflected a decrease in unrestricted net position of \$6,718.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

#### ***Original budget compared to final budget.***

The Denali Borough Assembly approved Ordinance 15-02 on April 8, 2015, amending the original FY 2015 budget. This ordinance modified the budget in a number of ways including the following:

- Projected revenues were adjusted upward \$188,265 in total, primarily due to a \$100,000 increase toward a more realistic estimate of overnight accommodations taxes and increased revenue in the amount of \$79,265 from the State of Alaska related to PERS On-Behalf payments and revenue sharing increases. Other adjustments were an increase of \$6,000 related to interest income and other minor upward adjustments.
- General Fund budgeted expenditures were decreased in the amount of \$851,547, largely due to the deletion of the budgetary reserve line item in the amount of \$835,658 and a staff salary adjustment of \$11,518 due to a position vacancy and other minor adjustments. Upward adjustments increased repairs and maintenance by \$12,000 in response to IT maintenance contract expenses and bank fees by \$3,000 in response to an increased number of tax payments made by credit card, as well as other minor adjustments.
- Deposits to borough fund accounts were increased by \$115,148. The bulk of this amount, \$110,148, was funded by the appropriation of one half the interest, dividends, and income earned in FY 2014 by the permanent investment fund to the general fund per Denali Borough Charter 9.17. Other major adjustments include a decrease in a budgeted fund deposit to the Land enterprise operating fund in the amount of \$71,000, and a previously unbudgeted deposit of \$126,074 to the capital improvements fund.

#### ***Final budget compared to actual results.***

Once again, conservative overnight accommodations tax revenue projections resulted in a significantly larger amount of actual revenue compared to that budgeted. Budgeted revenues of \$2,800,000 showed an actual amount of \$3,318,321, a positive variance of 19 percent, or \$518,321. PERS On-Behalf payments received in FY 2015 were \$64,550 higher than budgeted. A miscalculation of the allocation of PERS On-Behalf benefits paid by the State of Alaska resulted in expenses exceeding those budgeted by \$14,251. An overly conservative budget estimate resulted in expenditures for dues/subscriptions/advertisements to exceed budgeted amounts by \$1,140. A vacancy in the mayor's staff resulted in staff salary and benefits being \$32,380 and \$67,758 below budgeted, respectively.

### **CAPITAL ASSETS**

The Denali Borough's net investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounted to \$20,162,982 (net of accumulated depreciation), a decrease of \$422,913, or 2 percent, from the previous year. This investment in capital assets includes land, buildings, machinery, equipment, and vehicles.

In FY 2015, obsolete equipment, mostly computer equipment, was removed from the list of capital assets. Two staff computers and a new backup server were purchased through the general fund. In October 2014, the Assembly approved Ordinance 14-09, appropriating up to \$110,000 from the Solid Waste Equipment Reserve Fund for the purchase of a rock truck for solid waste operations. A truck was secured for just under this amount. Other highlights of enterprise fund equipment purchases were a plasma cutter and scale terminal for solid waste operations.

DENALI BOROUGH  
Management's Discussion and Analysis  
June 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While developing the FY 2016 budget, the Denali Borough kept the following factors under consideration.

- The borough continued its practice of conservative revenue estimates.
- Severance revenue was very close to the budgeted amount in FY 2015. The FY 2016 estimate is cautiously optimistic, holding at \$90,000.
- State of Alaska estimated revenue sharing is based upon an application that is submitted the previous spring. While this income is secure for FY 2016, it is questionable whether revenue sharing will be available in future years.
- Staff salaries are based upon staffing realities at time of budget creation, and reflect scheduled step and consumer price index increases. Staff benefit calculations estimate an increase in health insurance premiums of ten percent.
- The Borough's contribution to the Denali Borough School District is based upon an amount included in the School District's budget provided to the Borough the previous Spring, and was funded at the full amount of the School District's request.
- The budgetary reserve amount is calculated as fifteen percent of the amount of funds available for budgeting on January 1, per DBC3.05.040(c).
- The Mayor's salary was increased to \$74,520 for FY 2016, and will increase 3.5% in FY 2017 per Ordinance 14-04.
- Fund accounts allow the Borough to prepare for future expenses in a methodical manner.
- Remaining balances in enterprise funds near June 30 may decrease estimated transfer amounts to those funds.
- The assembly has approved funding one matching grant in FY 2016 in the amount of \$19,288.
- The Borough plans for a large capital expenditure in FY2016 related to the twenty percent match for the Cantwell sprinkler project. However, funds come from major school maintenance reserve funds and are not included in the general fund budget.
- The Borough plans for a second large capital expenditure in FY 2016 related to an addition to the landfill shop. Grant 13-DM-223 has been secured, and will contribute \$50,000 to the project. The remaining costs of this capital project will come from the capital projects account upon Assembly approval.
- Land enterprise activities may include increased land administration expenses for consulting services to provide assistance and to foster progress on planning activities. Solid Waste operations continue to place a priority on repairs and maintenance and updating of equipment.

At June 30, 2015, the Denali Borough had committed \$5,222,729 to subsequent year expenditures, and the unassigned fund balance in the general fund was \$1,658,989.

DENALI BOROUGH  
Management's Discussion and Analysis  
June 30, 2015

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Denali Borough's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mayor  
Denali Borough  
PO Box 480  
Healy, Alaska 99743  
(907) 683-1330  
[dbgovt@mtaonline.net](mailto:dbgovt@mtaonline.net)

# **BASIC FINANCIAL STATEMENTS**

## **Basic Financial Statements**

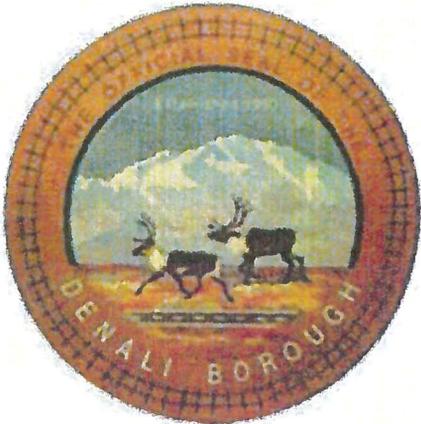
Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

DENALI BOROUGH

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DENALI BOROUGH  
STATEMENT OF NET POSITION  
June 30, 2015

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit School District
<b><u>ASSETS</u></b>				
Cash and cash equity	\$ 5,221,387	1,252,988	6,474,375	3,535,396
Investments	5,263,927	248,223	5,512,150	-
Receivables	1,155,307	223,423	1,378,730	21,552
Interfund balances	81,346	(81,346)	-	-
Inventory	-	-	-	37,473
Restricted cash and equivalents	-	36,353	36,353	-
Capital assets, net of accumulated depreciation	19,012,699	1,150,283	20,162,982	683,034
Total assets	<u>30,734,666</u>	<u>2,829,924</u>	<u>33,564,590</u>	<u>4,277,455</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
	61,887	36,974	98,861	260,371
Total assets and deferred outflows of resources	<u>\$ 30,796,553</u>	<u>2,866,898</u>	<u>33,663,451</u>	<u>4,537,826</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	121,415	2,099	123,514	88,583
Accrued payroll and accrued expenses	35,235	18,931	54,166	151,463
Unearned revenue	352,824	-	352,824	-
Long-term liabilities				
Due within one year				
Accrued leave	-	-	-	22,339
Due in more than one year				
PERS pension liability-employer portion	279,900	167,223	447,123	2,095,051
Estimated liability for landfill closure and post-closure care costs	-	252,900	252,900	-
Total liabilities	<u>789,374</u>	<u>441,153</u>	<u>1,230,527</u>	<u>2,357,436</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
	25,640	15,319	40,959	429,629
<b><u>NET POSITION</u></b>				
Net investment in capital assets	19,012,699	1,150,283	20,162,982	683,034
Restricted for:				
School District activities and programs	-	-	-	2,259,279
Permanent investment	3,028,951	-	3,028,951	-
Forward funding of subsequent year expenditures	5,222,729	-	5,222,729	-
Unrestricted	2,717,160	1,260,143	3,977,303	(1,191,552)
Total net position	<u>29,981,539</u>	<u>2,410,426</u>	<u>32,391,965</u>	<u>1,750,761</u>
Total liabilities, net position and deferred inflows of resources	<u>\$ 30,796,553</u>	<u>2,866,898</u>	<u>33,663,451</u>	<u>4,537,826</u>

See accompanying notes to basic financial statements.

DENALI BOROUGH  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2015

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Assembly	\$ 356,419	-	-	-
Mayor	802,007	-	-	-
School district	2,667,313	-	-	5,368
Borough matching grants	45,709	-	-	-
General government	182,251	-	20,965	135,424
Total governmental activities	<u>4,053,699</u>	<u>-</u>	<u>20,965</u>	<u>140,792</u>
Business-type activities:				
Solid Waste	581,131	467,607	51,624	-
Land enterprise	134,435	50,976	20,555	-
Total business type activities	<u>715,566</u>	<u>518,583</u>	<u>72,179</u>	<u>-</u>
Total primary government	<u>4,769,265</u>	<u>518,583</u>	<u>93,144</u>	<u>140,792</u>
Component unit:				
School District	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

General revenues:

Taxes, grants and revenues not restricted to specific purposes:  
 Overnight accommodation tax  
 Severance tax  
 Federal grants  
 State grants and entitlements  
 Local grants  
 Borough local contribution  
 Investment earnings  
 Other  
 Transfers

Total general revenues

Changes in net position

Net position, July 1, as restated

Net position, June 30

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-type Activities	Total	School District
\$ (356,419)		(356,419)	
(802,007)		(802,007)	
(2,661,945)		(2,661,945)	
(45,709)		(45,709)	
(25,862)		(25,862)	
<u>(3,891,942)</u>		<u>(3,891,942)</u>	
	(61,900)	(61,900)	
	<u>(62,904)</u>	<u>(62,904)</u>	
	<u>(124,804)</u>	<u>(124,804)</u>	
<u>(3,891,942)</u>	<u>(124,804)</u>	<u>(4,016,746)</u>	
			<u>(8,316,846)</u>
3,318,321	-	3,318,321	-
96,086	-	96,086	-
323,293	-	323,293	16,128
548,654	-	548,654	6,956,083
17,329	-	17,329	-
-	-	-	2,208,800
83,163	9,439	92,602	-
5,020	-	5,020	93,776
(240,000)	240,000	-	-
<u>4,151,866</u>	<u>249,439</u>	<u>4,401,305</u>	<u>9,274,787</u>
259,924	124,635	384,559	957,941
<u>29,721,615</u>	<u>2,285,791</u>	<u>32,007,406</u>	<u>792,820</u>
\$ <u>29,981,539</u>	<u>2,410,426</u>	<u>32,391,965</u>	<u>1,750,761</u>

See accompanying notes to basic financial statements.

DENALI BOROUGH  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2015

	General	Permanent Investment	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equity	\$ 4,007,154	25,181	1,189,052	5,221,387
Taxes receivable, net	1,131,412	-	-	1,131,412
Due from other funds	81,346	-	-	81,346
Receivables from other governments	-	-	23,895	23,895
Investments	2,234,855	3,029,072	-	5,263,927
Total assets	\$ 7,454,767	3,054,253	1,212,947	11,721,967
<u>LIABILITIES</u>				
Accounts payable	121,415	-	-	121,415
Unearned revenue	296,351	-	56,473	352,824
Other accrued expenses	35,235	-	-	35,235
Total liabilities	453,001	-	56,473	509,474
<u>FUND BALANCES</u>				
Fund balances:				
Nonspendable				
Permanent investment	-	3,028,951	-	3,028,951
Committed to				
Subsequent year expenditures	5,222,729	-	-	5,222,729
Permanent investment	-	25,302	-	25,302
School major maintenance	-	-	500,962	500,962
Capital projects	-	-	486,138	486,138
Capital improvements	-	-	169,374	169,374
Assigned to				
Disaster contingency	120,048	-	-	120,048
Unassigned	1,658,989	-	-	1,658,989
Total fund balances	7,001,766	3,054,253	1,156,474	11,212,493
Total liabilities and fund balances	\$ 7,454,767	3,054,253	1,212,947	11,721,967

See accompanying notes to basic financial statements.

DENALI BOROUGH  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2015

Total fund balances for governmental funds		\$	11,212,493
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.			19,012,699
Long-term liabilities related to the PERS pension liability are not due and payable in the current period and therefore are not reported as fund liabilities. Deferred inflows and deferred outflows recorded in relation to these pension liabilities are also not reported as fund assets and liabilities.			
These liabilities, deferred inflows and deferred outflows consist of:			
PERS pension liability - employer portion	\$	(279,900)	
Deferred outflows of resources		61,887	
Deferred inflows of resources		(25,640)	(243,653)
		(243,653)	(243,653)
Net position of governmental activities in the Statement of Net Position		\$	29,981,539

See accompanying notes to basic financial statements.

DENALI BOROUGH  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
Year ended June 30, 2015

	General	Permanent Investment	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 3,414,407	-	-	3,414,407
Intergovernmental	1,006,497	-	161,757	1,168,254
Local sources	-	-	17,329	17,329
Investment earnings	31,835	50,604	724	83,163
Miscellaneous	5,020	-	-	5,020
Total revenues	<u>4,457,759</u>	<u>50,604</u>	<u>179,810</u>	<u>4,688,173</u>
<b>EXPENDITURES</b>				
Assembly	454,031	-	-	454,031
Mayor	838,825	-	-	838,825
School district	2,208,800	-	-	2,208,800
Borough matching grants	45,709	-	-	45,709
Special revenue and capital projects	-	-	237,899	237,899
	<u>3,547,365</u>	<u>-</u>	<u>237,899</u>	<u>3,785,264</u>
Excess (deficiency) of revenues over expenditures	910,394	50,604	(58,089)	902,909
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	<u>(385,533)</u>	<u>(110,148)</u>	<u>255,681</u>	<u>(240,000)</u>
Net change in fund balance	524,861	(59,544)	197,592	662,909
FUND BALANCES, July 1	<u>6,476,905</u>	<u>3,113,797</u>	<u>958,882</u>	<u>10,549,584</u>
FUND BALANCES, June 30	<u>\$ 7,001,766</u>	<u>3,054,253</u>	<u>1,156,474</u>	<u>11,212,493</u>

See accompanying notes to basic financial statements.

DENALI BOROUGH  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2015

Net change in fund balances - total governmental funds	\$	662,909
Amounts reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources		14,715
Statement of Activities reports the cost of capital assets over the estimated useful lives as depreciation expense		(432,167)
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. This amount represents the expense recorded in relation to the change in the PERS pension liability and the related deferred inflows and outflows.		14,467
Changes in net assets of governmental activities	\$	259,924

See accompanying notes to basic financial statements.

DENALI BOROUGH  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2015

<u>ASSETS</u>	Business-type - Enterprise Funds		
	Solid Waste	Land Enterprise	Total
Current assets			
Cash and cash equity	\$ 772,462	480,526	1,252,988
Accounts receivable, net	65,069	158,354	223,423
Investments	248,223	-	248,223
Total current assets	1,085,754	638,880	1,724,634
Non-current assets			
Restricted cash and equivalents	36,353	-	36,353
Capital assets, net of accumulated depreciation	1,143,680	6,603	1,150,283
Total assets	2,265,787	645,483	2,911,270
Deferred outflows	26,021	10,953	36,974
Total assets and deferred outflows	\$ 2,291,808	656,436	2,948,244
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable	367	1,732	2,099
Accrued liabilities	14,100	4,831	18,931
Due to other funds	35,559	45,787	81,346
Total current liabilities	50,026	52,350	102,376
Non-current liabilities			
Estimated liability for landfill closure and post-closure care costs	252,900	-	252,900
PERS pension liability- employer	117,686	49,537	167,223
Total liabilities	420,612	101,887	522,499
Deferred inflows	10,781	4,538	15,319
<u>NET POSITION</u>			
Invested in capital assets	1,143,680	6,603	1,150,283
Unrestricted	716,735	543,408	1,260,143
	1,860,415	550,011	2,410,426
Total liabilities, deferred inflows and net position	\$ 2,291,808	656,436	2,948,244

See accompanying notes to basic financial statements.

DENALI BOROUGH  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year ended June 30, 2015

	Business-type - Enterprise Funds		
	Solid Waste	Land Enterprise	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 467,607	-	467,607
Land sales and usage fees	-	49,538	49,538
Intergovernmental	51,624	20,555	72,179
Other	-	1,438	1,438
Total operating revenue	<u>519,231</u>	<u>71,531</u>	<u>590,762</u>
<b>OPERATING EXPENSES</b>			
Wages and benefits	285,763	96,248	382,011
Land administration	-	5,177	5,177
Planning Commission stipends	-	9,700	9,700
Cantwell Transfer Station haul and tipping fees	15,884	-	15,884
Well monitoring	15,878	-	15,878
Repairs and maintenance	49,299	1,066	50,365
Landfill closure and postclosure care costs	5,000	-	5,000
Equipment fuel	30,071	-	30,071
Rent	3,014	7,235	10,249
Heating fuel	2,906	-	2,906
Insurance	5,456	-	5,456
Professional fees	7,519	90	7,609
DEC inspections	3,171	-	3,171
Utilities	8,284	849	9,133
Training and travel	2,529	8,187	10,716
Equipment	3,818	545	4,363
Supplies	5,295	331	5,626
Hazardous waste fees	6,971	-	6,971
Miscellaneous	7,620	2,460	10,080
Depreciation	122,653	2,547	125,200
Total operating expenses	<u>581,131</u>	<u>134,435</u>	<u>715,566</u>
Operating income (loss)	(61,900)	(62,904)	(124,804)
<b>NONOPERATING REVENUES</b>			
Interest and investment revenue	(854)	10,293	9,439
Income (loss) before transfers	<u>(62,754)</u>	<u>(52,611)</u>	<u>(115,365)</u>
Operating transfers in	140,000	100,000	240,000
Change in net position	<u>77,246</u>	<u>47,389</u>	<u>124,635</u>
NET ASSETS - July 1, as restated	<u>1,783,169</u>	<u>502,622</u>	<u>2,285,791</u>
NET ASSETS - June 30	<u>\$ 1,860,415</u>	<u>550,011</u>	<u>2,410,426</u>

See accompanying notes to basic financial statements.

DENALI BOROUGH  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year ended June 30, 2015

	Business-type - Enterprise Funds		
	Solid Waste	Land Enterprise	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 452,100	38,583	490,683
Operating grants	51,624	20,555	72,179
Miscellaneous revenue	-	1,438	1,438
Cash payments to suppliers	(209,421)	(31,830)	(241,251)
Cash payments to employees	(284,103)	(108,154)	(392,257)
Net cash provided (used) by operating activities	<u>10,200</u>	<u>(79,408)</u>	<u>(69,208)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	692	-	692
Gain (loss) on sale of investments	(6,319)	-	(6,319)
Interest received on investments	5,465	10,293	15,758
Net cash provided (used) by investing activities	<u>(162)</u>	<u>10,293</u>	<u>10,131</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfers from General Fund	140,000	100,000	240,000
Net cash provided (used) by non-capital and related financing activities	<u>140,000</u>	<u>100,000</u>	<u>240,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(116,342)	(3,398)	(119,740)
Net cash provided (used) by capital and related financing activities	<u>(116,342)</u>	<u>(3,398)</u>	<u>(119,740)</u>
Net increase (decrease) in cash	33,696	27,487	61,183
CASH, July 1	<u>775,119</u>	<u>453,039</u>	<u>1,228,158</u>
CASH, June 30	<u>\$ 808,815</u>	<u>480,526</u>	<u>1,289,341</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating loss	(61,900)	(62,904)	(124,804)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	122,653	2,547	125,200
Changes in assets and liabilities:			
(Increase) decrease in net accounts receivable	(15,507)	(10,955)	(26,462)
(Increase) decrease in deferred outflow	102	2,097	2,199
Increase (decrease) in due to other funds	(41,474)	2,134	(39,340)
Increase (decrease) in accounts payable	(232)	1,677	1,445
Increase (decrease) in accrued expenses	5,822	(1,773)	4,049
Increase (decrease) in PERS employer pension liability	(15,044)	(16,769)	(31,813)
Increase (decrease) in estimated liability for landfill closure and postclosure care costs	5,000	-	5,000
Increased (decrease) in deferred inflows	10,780	4,538	15,318
Net cash provided (used) by operating activities	<u>\$ 10,200</u>	<u>(79,408)</u>	<u>(69,208)</u>
<b>RECONCILIATION OF CASH TO STATEMENT OF NET POSITION</b>			
Cash and equivalents, unrestricted	772,462	480,526	1,252,988
Cash and equivalents, restricted	<u>36,353</u>	<u>-</u>	<u>36,353</u>
	<u>\$ 808,815</u>	<u>480,526</u>	<u>1,289,341</u>

See accompanying notes to basic financial statements.

DENALI BOROUGH

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DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Financial Reporting Entity

Denali Borough was organized December 7, 1990 and operates under an elected mayor/assembly form of government. The Borough powers include general administration, solid waste, education and land use planning. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component unit – The Denali Borough School District (School District or DBSD) is responsible for elementary and secondary education within the government's jurisdiction. The District is governed by an independently elected school board. However, the Denali Borough government is accountable for the School District because the government's assembly approves local contribution designated in the district's budget, levies taxes (if necessary) and is responsible for providing local funds for school operations.

The School District's audited financial statements may be obtained directly from the School District's administrative offices.

b) Basis of Presentation

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 non-fiduciary activities of the primary government and its component unit. 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. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, as are the proprietary fund financial statements. 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the primary operating fund of the Borough and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The *permanent investment fund* accounts for the investment of funds designated by the Denali Borough as a permanent fund and its related earnings.

The government reports the following major proprietary funds:

The *solid waste enterprise fund* accounts for the activities of the government's landfill and transfer station operation. The *land enterprise fund* accounts for sales and management of Borough land.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

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

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

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

d) Assets, Liabilities and Equity

*Cash and cash equity* - The government's cash and cash equity are considered to be cash on hand, demand deposits, savings accounts, certificates of deposits and short-term investments with an original maturity of three months or less.

*Deposits and Investments* - The Borough's formal policy governing types of investments it is authorized to hold requires that necessary cash balances be maintained in demand deposit accounts. Excess cash is invested in securities of the United States, any state or local government, commercial paper, time certificates of deposit or any other form of security as may be authorized by law commensurate with the following stipulations: 1) preference is to be given to Alaskan securities and financial institutions, 2) investment in corporate stocks and bonds is prohibited, 3) all transactions will be made and held in the name of the Borough.

In 1993 a permanent investment special revenue fund was established with a \$1 million transfer from the general fund. The following securities are authorized for investment of the permanent investment fund: 1) obligations of the United States Treasury, 2) obligations of agencies of the United States government including FDIC insured certificates of deposit, 3) certificates of deposit that do not exceed the current FDIC insurance limit, 4) exchange traded funds or stock mutual funds, 5) bank deposits or money market mutual funds, 6) state investment pool formed within the State of Alaska and comprised of agencies of the state and/or its political subdivisions, 7) common and preferred stock of U.S. domiciled corporations listed on a national exchange or NASDAQ or a mutual fund that invests in these stocks. No investment shall be made in any one security in excess of five percent of the total investment portfolio except for obligations of the United States Treasury and its agencies.

One-half the annual income earned by the fund may be appropriated by the Borough Assembly for the general fund in the following fiscal year. Disbursement of the principal requires an ordinance by the Assembly and voter approval. In 2015, \$110,148 was appropriated from income earned by the fund to the general fund.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

d) Assets, Liabilities and Equity, continued

Investments are carried at fair value. Fair value is based on quoted market price.

*Receivables and Payables* - During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include overnight accommodation taxes, severance taxes, and state and federal grants. Business-type activities report fees for operation of the landfill, and land sales as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals for overnight accommodation taxes, severance taxes, grants, and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions, collectible but not available, are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Fees for operation of the landfill and land sales comprise the majority of proprietary fund receivables.

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

*Capital Assets* - Capital assets, which include property, plant, and equipment are reported under governmental or business-type activities in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. The accounting treatment over property, plant, and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets are accounted for as assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Major general infrastructure has not been retroactively capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

d) Assets, Liabilities, and Equity, continued

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

The capital assets of the School District consist of equipment, furnishings, and vehicles. The Borough owns and provides to the School District all land, buildings and improvements. Capital assets are valued at cost or estimated historical cost when the original cost is not available. Donated fixed assets are valued at their estimated fair market value on the date received.

The range of estimated useful lives by type of asset is as follows:

Assets	Years
School buildings	70-80
Infrastructure	25-50
Landfill building	40
Transfer station	10-40
Improvements	10-80
School equipment	3-10
Machinery and equipment	5-15

*Land* - Under AS 29.65.030, when a municipality is incorporated it is entitled to 10 percent of the vacant, un-appropriated and unreserved lands within its boundaries. It has been determined that the Denali Borough is entitled to receive 49,789 acres. A total of 48,650 acres have been approved for conveyance to the Borough. The Borough holds the patent to 4,160 acres and has 44,490 acres under management authority. In the Panguingue Creek Subdivision 128 acres (21 lots) of the patented land are for sale. Of those, 107 acres (17 lots) have been sold. The financial statements do not reflect the value of the land at this time; as the value is not reasonably determinable.

*Long-term Debt* - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. The long-term debt consists primarily of estimated liability for landfill closure and post-closure costs and pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for long-term debt in the proprietary funds is the same as it is in the government-wide statements.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

d) Assets, Liabilities, and Equity, continued

*Net Position* - In the government-wide financial statements net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any.
- b. Restricted
  - i. Permanent investment - Borough ordinances require that only the earnings of the permanent fund, not principal, may be used for purposes that support the Borough's programs.
  - ii. Forward funding of subsequent year expenditures - Borough ordinances require the forward funding of general fund expenditures. The reserve for subsequent year expenditures is the amount of budgeted expenditures for the next fiscal year.
- c. Unrestricted - All other amounts that do not meet the definition of "restricted" or "net investment in capital assets."

Proprietary net position is classified the same as in the government-wide financial statements.

*Fund Balance* - In the fund financial statements, governmental fund balance is classified into five specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Borough is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. The Borough's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of non-spendable, restricted, committed, assigned, or unassigned. The Borough's spending policy is for funds to be expended in the following order: Restricted, Committed, Assigned, and Unassigned.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

d) Assets, Liabilities, and Equity, continued

The Borough reports the following classifications:

Non-spendable - The amounts of fund balance that cannot be spent because they are either (a) not in spendable form, such as consumable inventories or prepaid items, or (b) required to be maintained intact legally or contractually.

Restricted - The amounts of fund balance constrained for specific purpose by external parties, such as contractors, or imposed by law through constitutional provisions or enabling legislation.

Committed - The amounts of fund balance constrained for specific purposes imposed by formal action of the Borough Assembly. Commitments may only be changed by the assembly taking the same formal action that imposed the constraint originally. Commitments of fund balance must be in place before the end of the fiscal year.

Assigned - The amounts of fund balance constrained for a specific purpose by the Borough Assembly, such as departmental budgets. These amounts are not restricted or committed, and are intended to be used for the purpose of the fund. An assigned fund balance can never be negative.

Unassigned Fund Balance - The residual classification of fund balance that represents amounts not assigned to other funds, and not restricted, committed, or assigned to specific purposes within the general fund.

e) Revenues, Expenditures and Expenses

*Overnight accommodation and severance tax* - Denali Borough collects overnight accommodation, which represent approximately 74 percent of the Borough's general fund revenue. The overnight accommodation tax is assessed at 7 percent of gross rental sales and approximately 48 percent of this income is received from two merchants. The severance tax is assessed on coal, gravel and limestone extracted within the Borough at \$.05 per yard/ton. Severance taxes generated approximately \$96,000 in revenue in FY15.

*In-kind support to the School District* - Certain services are provided by the Borough to the School District. These include use of various Borough facilities. The costs of the facilities have not been charged to the School District.

f) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's 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.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a) Budgetary Information

Budgets for the general fund are adopted annually and all unencumbered appropriations lapse at the end of the fiscal year. Budgets are presented as originally adopted or as amended by the Assembly.

The budgetary data for the general fund presented in the financial statements was established by Assembly ordinance. A proposed operating budget for the following fiscal year is submitted to the Borough Assembly. The operating budget includes proposed expenditures and the means of financing them. At least one public hearing is held and the Assembly adopts the budget no later than June 15. Transfers between categories within a fund require Borough Assembly approval. Budget amendments are adopted by Assembly Ordinance.

Since encumbrances constitute the equivalent of expenditures for budgetary purposes, the accompanying statements present comparisons of actual results to the annual budgets of the general fund on the basis of budgeting. Adjustments to convert actual expenditures to the basis of budgeting are reflected in the actual on budgetary basis column in the accompanying statements. The adjustments include the addition for current year encumbrances and the deduction for expenditures of prior year encumbrances.

b) Budget Variances

During Fiscal Year 2015, the amount of electricity/telephone tax received from the State of Alaska was estimated to be \$883 higher than the amount actually received. Assembly staff salaries exceeded budgeted amounts by \$1,068 due to end of the year accrual adjustments. Assembly staff benefits exceeded budgeted amounts by \$6,092 and mayor benefits exceeded budgeted amounts by \$8,159 largely due to a miscalculation of the allocation of PERS on-behalf benefits paid by the State of Alaska. An overly conservative budget estimate resulted in expenditures for dues/subscriptions/advertisements to exceed budgeted amounts by \$1,140.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

a) Cash and Equivalents

At June 30, 2015 the Borough's cash and equivalents are as follows:

Governmental activities	
Petty cash	\$ 200
General checking	1,160,465
General savings	2,423,943
AMLIP Disaster contingency fund	120,048
TVI/ProEquities cash	256,684
AMLIP - Capital improvement fund	209,374
Capital projects fund	387,917
Major school maintenance reserve - checking	46,663
Major school maintenance reserve - savings	590,911
Permanent investment savings	5,972
Morgan Stanley money market	17,543
Morgan Stanley cash	393
Wells Fargo cash	<u>1,274</u>
Total governmental activity cash and equivalents	<u>\$ 5,221,387</u>
Business-type activities	
Solid waste checking	99,828
Equipment reserve fund savings	112,149
Solid waste savings	559,985
Petty cash	500
Land sales savings	52,956
Land enterprise fund savings	318,359
Land management savings	60,098
Land management fund checking	<u>49,113</u>
Total business-type activity cash and equivalents	<u>1,252,988</u>
Total cash and equivalents	<u>\$ 6,474,375</u>

The Borough also has restricted cash of \$36,353 in the Landfill Closure Fund.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS, CONTINUED

b) Investments

Investments at fair value consist of the following as of June 30, 2015:

	General	Permanent Investment	Landfill	Total
Mutual funds	\$ -	703,383	-	703,383
Exchange-traded funds	-	457,675	-	457,675
US Government securities	-	7,747	-	7,747
Certificates of deposit	2,234,855	1,320,611	248,223	3,803,689
Vanguard Index Trust 500	-	539,656	-	539,656
 Total Fair Value	 \$ <u>2,234,855</u>	 <u>3,029,072</u>	 <u>248,223</u>	 <u>5,512,150</u>

*Interest rate risk:* The US Government securities consist of notes and investment pools of governmental bonds with interest rates of 6.0 to 6.5 percent interest and maturities ranging from 2032 to 2033. These notes and bonds are sensitive to changes in interest rates, which affect their fair value.

*Credit Risk:* The Borough's formal policy governing types of investments it is authorized to hold requires that necessary cash balances be maintained in demand deposit accounts. Excess cash is invested in securities of the United States, any state or local government, commercial paper, time certificates of deposit or any other form of security as may be authorized by law. The AML investment pool is considered to be an external investment pool as defined by GASB Statement No. 31. The AML investment pool is not SEC-registered, but is a 2a-7 like pool, operating in a manner consistent with that rule.

*Concentration of credit risk:* The Borough investment policies provide for investment of excess cash in securities of the United States, any state or local governments, commercial paper, time certificates of deposit, or the Alaska Municipal League Investment Pool. Borough investment policies for the Borough Permanent Investment Fund provide guidelines for investment allocation as follows: FDIC insured debt instruments, and/ or obligations of the US Government and agencies – 40 to 50 percent; diversified index mutual funds or exchange traded funds – 50 to 60 percent.

*Custodial credit risk – deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Neither the government nor the School District, a discretely presented component unit, has a deposit policy for custodial credit risk. As of June 30, 2015, \$5,689,483 of the government's bank balance of \$5,939,483 was exposed to custodial credit risk because it was uninsured. However, the uninsured balance of \$5,689,483 was covered by collateral. All of the School District's bank balances of \$3,631,868 and their separately maintained agency fund bank balances of \$33,594 were either insured or collateralized.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS, CONTINUED

c. Receivables

Accounts receivable of the business-type activities consists of transfer-site and landfill receivables. Accounts receivable of the governmental activities consists of overnight accommodation tax, and severance tax.

Management believes accounts receivable are fully collectable and therefore no allowance for uncollectable receivables has been recorded

d. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Primary Government</b>				
<b>Governmental Activities</b>				
School Buildings	\$ 30,872,061	6,734	-	30,878,795
Equipment	196,857	7,981	(14,004)	190,834
Leasehold improvements	9,110	-	-	9,110
	<u>\$ 31,078,028</u>	<u>14,715</u>	<u>(14,004)</u>	31,078,739
Less accumulated depreciation				<u>(12,066,040)</u>
				<u>\$ 19,012,699</u>
<b>Business-type Activities</b>				
Landfill	894,062	-	-	894,062
Landfill building	281,585	-	-	281,585
Landfill equipment	1,024,986	116,342	-	1,141,328
Cantwell transfer station	278,397	-	-	278,397
Land enterprise fund	45,193	3,398	-	48,591
	<u>\$ 2,524,223</u>	<u>119,740</u>	<u>-</u>	2,643,963
Less accumulated depreciation				<u>(1,493,680)</u>
				<u>\$ 1,150,283</u>
<b>Component Unit - School District</b>				
Equipment	833,532	273,459	-	1,106,991
Vehicles	343,606	51,678	-	395,284
	<u>\$ 1,177,138</u>	<u>325,137</u>	<u>-</u>	1,502,275
Less accumulated depreciation				<u>(819,241)</u>
				<u>\$ 683,034</u>

Depreciation expense was charged to governmental activities as follows: General Government \$22,568; Education \$409,599

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS, CONTINUED

e. Leases

The Borough leases office space from the Tri-Valley Volunteer Fire Department, under a month-to-month operating lease. The lease currently requires monthly rental payments in the amount of \$3,052. Lease expense was \$36,624 for the year ended June 30, 2015.

f. Long-term liabilities

The Denali Borough's long term liability activity for the year ended June 30, 2015 is as follows:

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
PERS Employer Pension Liability	\$ 520,406	-	73,283	447,123	-

The Denali Borough's School District component unit long-term liability activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 3,648	-	3,648	-	-
PERS Pension Employer Portion	2,584,667	-	489,616	2,095,051	-
Accrued leave	33,622	36,357	47,640	22,339	22,339
	\$ 2,621,937	36,357	540,904	2,117,390	22,339

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS, CONTINUED

g. Interfund Receivables, Payable and Transfers

Interfund balances for the purposes of the entity-wide financial statements have been eliminated with the exception of balances that represent amounts receivable/payable between the governmental and business-type activities, resulting primarily from revenues and expenses recorded in general fund cash, but accounted for in other funds. The composition of interfund balances are as follows:

	Due from other funds	Due to other funds
Major governmental funds		
General	\$ 81,346	-
Solid Waste Fund	-	35,559
Land enterprise fund	-	45,787
	\$ 81,346	81,346

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers consist of the following:

	General Fund	Permanent Investments	Other Governmental Funds	Proprietary Funds
Transfer in (out)				
General fund	\$ 110,148	(110,148)	-	-
Solid Waste	(140,000)	-	-	140,000
Land enterprise	(100,000)	-	-	100,000
Capital projects	(136,074)	-	136,074	-
Major school maint	(111,074)	-	111,074	-
Emergency Mgt	(8,533)	-	8,533	-
	\$ (385,533)	(110,148)	255,681	240,000

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 5(d) to the financial statements, the Borough and School District participate in the Alaska Public Retirement System (PERS) plan. The School District also participates in the Teacher's Retirement System (TRS). In 2015, the Borough and School District adopted the provisions of GASB No. 68 *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which, among other accounting and reporting criteria, requires the Borough and School District to recognize its proportionate share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the fiscal year. As a result of the implementation of this statement, the Borough and School District have recorded opening balance adjustments to increase assets and liabilities and to decrease opening net position as follows:

	Opening net position, as originally presented	Change in accounting principle adjustment	Opening net position, as restated
<b>Denali Borough</b>			
Governmental Activities	\$ 29,979,736	(258,121)	29,721,615
Business-Type Activities	2,445,655	(159,864)	2,285,791
Solid Waste Fund	1,889,777	(106,608)	1,783,169
Land Enterprise Fund	555,878	(53,256)	502,622
<b>Denali Borough School District</b>			
Governmental Activities	3,205,830	(2,413,010)	792,820

5. OTHER NOTES

a. Risk Management

The Borough and its component unit the School District are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Borough has joined the Alaska Municipal League Joint Insurance Association, Inc., a public entity risk pool, to insure against these potential losses. The Borough pays the Association an annual premium for liability, workers compensation, and property insurance. The Association insures general liability losses up to \$5,000,000 per occurrence; workers compensation losses up to statutory limits; property losses up to \$1,000,000,000 per occurrence with deductibles of \$5,000 to \$10,000 for most assets; \$50,000,000 per earthquake occurrence with a \$100,000 minimum deductible; and \$175,000,000 per flood occurrence with deductibles from \$100,000 to \$250,000. As a member of the public entity risk pool, the Borough is subject to premiums based on its loss experience and also the loss experience of the other pool members. However, Borough management believes any future premium increases, if any, due to loss claims would have an immaterial impact on the financial statements.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. OTHER NOTES, CONTINUED

a. Risk Management, continued

The School District participates in the Alaska Public Entity Insurance (APEI) which provides insurance coverage for property, general liability, and worker's compensation. APEI is a public entity risk pool organized to share risks among its members. The APEI's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year or at the discretion of the Board. Supplemental contributions are based on each member's annual deposit contribution in comparison to the aggregate annual deposit contribution of all members. No supplemental contributions have been assessed for the last several years. The District has no coverage for environmental damages. The School District participates in National Education Association (NEA) which provides insurance coverage for a health and medical benefit program which covers all permanent full time employees.

b. Denali Borough Landfill

Under an agreement with State of Alaska Department of Environmental Conservation, the Borough has accepted ownership and responsibility for operation and maintenance of a landfill and transfer station. The Borough is required to assess user fees to ensure the system is self-supporting, and select individuals trained to operate and maintain the facility. The Borough will also be required to maintain and monitor the landfill for 30 years after closure.

The Borough operates the landfill. Revenue earned from operations is used to cover operating costs and future required closure and post-closure costs. In 2015, the Borough earned net tipping fees of \$467,607.

State and federal laws and regulations require that the Borough cover its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to current expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post-closure care costs is \$252,900 as of June 30, 2015, which is based on 44.5 percent usage (capacity) of the landfill. The Landfill Closure Plan and Cost Estimate dated June 27, 2014 projects the estimated remaining landfill life at 30 years.

It is estimated an additional \$244,386 will be recognized as closure and post-closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity in 2045. The estimated total current cost of the landfill closure and post-closure care (\$497,286) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2015. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. During the year, post-closure care costs totaled \$5,000, the same amount by which the liability increased.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. OTHER NOTES, CONTINUED

b. Denali Borough Landfill, continued

The Borough is required by state and federal laws and regulations to provide financial assurance for closure and post-closure care. The Borough is in compliance with these requirements. It is anticipated that future inflation costs will be financed in part from earnings on investments held by the Borough for the landfill. The remaining portion of anticipated future inflation costs, including inadequate earnings on investments, if any, and additional costs that might arise from changes in post-closure requirements due to changes in technology or more rigorous environmental regulations, for example, may need to be covered by charges to future landfill users

c. Employee Retirement Systems and Pension Plans

As of June 30, 2015 all permanent employees and participating assembly members of the Denali Borough and of the School District component unit are members of either the Alaska Public Employees Retirement System (PERS) or of the Alaska Teachers Retirement System (TRS). Stand-alone financial statements for either plan can be obtained by contacting the Alaska Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0203, or by calling 1-800-821-2251. The financial statements are also available on the web at <http://doa.alaska.gov/drb>. Actuarial and valuation reports, audited financial statements, and other detailed plan information are also available on this website. The Borough and the School District participate in the PERS under separate agreements.

**Defined Benefit Pension (DB) Plan**

**Plan Description**

Both the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS) are administered by the State of Alaska (State) and were established to provide pension, post-employment healthcare, survivor, and disability benefits to eligible employees. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. Tiers I, II, and III are a defined benefit plan. Effective July 1, 2006, the State Legislature (Senate Bill 141) closed the defined benefit plans of PERS and TRS to new members and new employees after that date participate in the Tier IV PERS/TRS Defined Contribution (DC) Plans described later in these notes. Historically, the TRS plan has been a cost-sharing plan. Effective July 1, 2008, the State Legislature (Senate Bill 125) converted the PERS plan from an agent multiple-employer to a cost sharing multiple-employer plan.

**Employee Contribution Rates**

Regular Borough employees are required to contribute 6.75% of their annual covered salary. Non-Teacher School District employees are required to contribute 9.6% of their annual covered salary for PERS. Teachers and other certificated employees are required to contribute 8.65% of annual covered salary to TRS.

**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.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. OTHER NOTES, CONTINUED

c. Employee Retirement Systems and Pension Plans, continued

Employer and Other Contribution Rates, continued

Employer Effective Rate: This is the actual employer pay-in-rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages for PERS and 12.56% of eligible wages for TRS, subject to a wage floor, and other termination events. These rates are applied to PERS/TRS participating wages, respectively, including those wages attributable to employees in the defined contribution plan. Contributions, derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate 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. 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. However, in 2015, the State Legislature appropriated a one-time contribution to the plans in the amount of \$1 billion for PERS and \$2 billion for TRS. As a result, the On-Behalf Contribution Rate for 2015 significantly exceeds the statutory amount. On-behalf contribution amounts are recognized in the fund financial statements in the year they are appropriated by the State.

Contribution rates for the year ended June 30, 2015 were determined in the June 30, 2012 actuarial valuation.

	Employee Effective Rate	ARM Board Adopted Rate	State Contribution Rate
<b>PERS</b>			
Pension	12.54%	27.42%	42.41%
Post employment healthcare	9.46%	16.61%	0.00%
Total PERS contribution rate	22.00%	44.03%	42.41%
<b>TRS</b>			
Pension	7.22%	40.33%	212.24%
Postemployment healthcare	5.34%	30.42%	43.05%
Total TRS contribution rate	12.56%	70.75%	255.29%

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. OTHER NOTES, CONTINUED

c. Employee Retirement Systems and Pension Plans, continued

*Employer and Other Contribution Rates, continued*

In 2015, the Borough was credited with the following contributions into the pension plan. Employee contributions were \$8,962.

	Pension
Employer Contributions (Including DBUL)	\$ 36,339
On-behalf Contributions	<u>206,729</u>
	<u>\$ 243,068</u>

In 2015, the School District was credited with the following contributions into the pension plans. Employee contributions were \$100,993 and \$94,400 for PERS and TRS, respectively.

	PERS	TRS
Employer Contributions Including DBUL)	\$ 105,136	81,755
On-behalf Contributions	<u>584,107</u>	<u>4,502,273</u>
	<u>\$ 689,243</u>	<u>4,584,028</u>

*Pension Liabilities, Pension Expense, and Deferred outflows of Resources and Deferred Inflows of Resources Related to Pension-Denali Borough*

At June 30, 2015, the Borough reported a liability of \$447,123 for its proportionate share of the employer pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entries, actuarially determined. At June 30, 2014, the Borough's proportion was .009586% for the employer portion which was a decrease of .000323% from its proportion measured as of June 30, 2013.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. OTHER NOTES, CONTINUED

c. Employee Retirement Systems and Pension Plans, continued

Employer and Other Contribution Rates, continued

For the year ended June 30, 2015, the Borough recognized pension expense of \$ 123,552. At June 30, 2015, the Borough reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments including changes in proportion between employer contributions and proportionate share of contributions.	\$ -	40,959
Borough contributions subsequent to the measurement date.	98,861	-
Total	\$ 98,861	40,959

\$98,861 reported as deferred outflows of resources resulting from Borough contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Amounts recognized as deferred inflows of resources will be recognized in pension expense as follows:

Years Ended June 30,	Amount to be recognized
2016	\$15,130
2017	\$12,915
2018	\$12,914
2019	-
Thereafter	-

Pension Liabilities, Pension Expense, and Deferred outflows of Resources and Deferred Inflows of Resources Related to Pension-Denali Borough School District

At June 30, 2015, the School District reported a liability of \$1,111,796 for its proportionate share of the PERS employer pension liability and \$983,255 for its proportionate share of the TRS employer pension liability. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of that date. The School District's proportion of the net pension liabilities were based on a projection of the School District's long-term share of contributions to the pension plans relative to the projected contributions of all participating entries, actuarially determined. At June 30, 2014, the School District's proportion for the PERS liability was 0.0238712% for the employer portion which was an increase of 0.00247558% from its proportion measured as of June 30, 2013. For TRS the School District's proportion was 0.032785410% at June 30, 2014, representing a decrease of 0.01140495% from the prior year.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. OTHER NOTES, CONTINUED

c. Employee Retirement Systems and Pension Plans, continued

**Pension Liabilities, Pension Expense, and Deferred outflows of Resources and Deferred Inflows of Resources Related to Pension-Denali Borough School District, continued**

For the year ended June 30, 2015, the School District recognized pension expense of \$ 224,471 for PERS and \$435,049 for TRS. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments including changes in proportion between employer contributions and proportionate share of contributions.	\$ 73,480	429,629
School District contributions subsequent to the measurement date.	186,891	-
Total	\$ 260,371	429,629

\$186,891 reported as deferred outflows of resources resulting from Borough contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Amounts recognized as deferred inflows of resources will be recognized in pension expense as follows:

Years Ended June30,	Amount to be recognized
2016	\$ 161,686
2017	86,347
2018	54,058
2019	54,058
Thereafter	

**Actuarial assumptions**

The actuarial valuation for the year ended June 30, 2014 was prepared by Buck Consultants. The total in the measurement. The actuarial assumptions used in the June 30, 2014 valuation was based on the results of an actuarial experience study performed as of June 30, 2013. Generally, both PERS and TRS follow the same assumptions, except as noted:

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. OTHER NOTES, CONTINUED

c. Employee Retirement Systems and Pension Plans, continued

Actuarial assumptions, continued

Investment Return/Discount Rate	8.00% per year (geometric), compounded annually net of expenses.
Salary Scale	Inflation-3.12% per year. Salary increases graded by age and service, from 9.6% to 3.62% for PERS and from 6.11% to 3.62% for TRS.
Payroll Growth	3.62% per year. (inflation + Productivity)
Mortality	Based upon 2005-2009 actual mortality experience. 75% for male rates and 55% for female for pre- termination and 100% for males and a 1-year set-forward for females for post- termination in PERS. The rates are 55% for all females and 45% for males for pre-termination with a 3 year setback for females and 4-year setback for males for post-termination mortality for the TRS plan.
Total Turnover	Based upon the 2005-2009 actual withdrawal experience.
Disability	Incidence rates based on 2005-2009 actual experience. Disabilities are assumed to be occupational 55% of the time for Others(Not Peace Officers/Firefighters)
Retirement	Retirement rates based upon the 2005-2009 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for Others (Non Peace Officer/Firefighter).
Marriage and Age Difference	Wives are assumed to be three years younger than husbands. 80% of male members and 70% of female members are assumed to be married.

The long-term expected rate of return on pension plan investments was determined using a 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 by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown exclude the inflation component:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	6.77%
International equity	7.50%
Private equity	10.86%
Fixed income	2.05%
Real estate	3.63%
Absolute return	4.80%

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. OTHER NOTES, CONTINUED

c. Employee Retirement Systems and Pension Plans, continued

**Discount Rate**

The discount rate used to measure the total pension liability was 8%. The projection of 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 plan's fiduciary net position was 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Discount Rate Sensitivity**

The following presents the Retirement System's net pension liability and the Borough and School District's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

<b>Borough-PERS</b>	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System Net Pension	100.00%	\$ 6,115,581,980	\$ 4,664,148,458	\$ 3,441,888,494
Borough's proportionate share of the net pension liability-Employer portion	0.0095864%	\$ 586,264	\$ 447,123	\$ 329,953
<b>School District-PERS</b>	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System Net Pension Liability	100.00%	\$ 6,115,581,980	\$ 4,664,148,458	\$ 3,441,888,494
District's Proportionate Share of the Net Pension Liability	0.023837120%	\$ 1,457,779	\$ 1,111,796	\$ 820,447
<b>School District-TRS</b>	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System Net Pension Liability	100.00%	\$ 3,776,983,113	\$ 2,999,062,314	\$ 2,346,163,638
District's Proportionate Share of the Net Pension Liability	0.032785410%	\$ 1,238,299	\$ 983,255	\$ 769,199

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. OTHER NOTES, CONTINUED

c. Employee Retirement Systems and Pension Plans, continued

*Pension plan fiduciary net position*

Detailed information about pension plan's fiduciary net position is available in the separately issued PERS financial report.

*Defined Contribution Pension (DC) Plan*

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

*Employee Contribution Rates*

Borough and School District employees are required to contribute 8% of their annual covered salary for both PERS and TRS. This amount goes directly to the individual's account.

*Employer Contribution Rates*

For the year ended June 30, 2015, the Borough and School District was required to contribute 5% of covered salary into the plan for PERS and 7% of covered salary for TRS.

However, the total employer contribution must equal 22% of covered payroll. After subtracting, the defined contribution (DC) pension rates, ODD, Retiree medical, and the HRA contribution, any residual amount of the 22% is deposited into the defined benefit (DB) plan. Locally known as the defined benefit unfunded liability (DBUL) payment, this amount is intended to mitigate against the declining payroll base that resulted from the creation of the DC plan.

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. The Borough and employee contributions to PERS for year ended June 30, 2015 were \$15,823 and \$25,317, respectively. The Borough and School District contribution amounts were recognized as pension expense. The School District and employee contributions to PERS for the year ended June 30, 2015 were \$44,354 and \$70,966, respectively. The Schools District and employee contributions to TRS for the year ended June 30, 2015 were \$68,959 and 78,810, respectively.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. OTHER NOTES, CONTINUED

c. Employee Retirement Systems and Pension Plans, continued

**Other Post-Employment Benefit (OPEB) Plans**

***Defined Benefit OPEB***

As part of its participation in the PERS and TRS DB Plans (Tiers 1,II, III for PERS and Tiers I and II for TRS) the Borough and School District participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Plan described earlier in these notes. The Borough and School District are required to contribute 9.46% and 5.34% of covered payroll into the PERS and TRS OPEB plans, respectively. In addition during 2015, the State on-behalf contributions for OPEB for the PERS and TRS plans was 0% and 43.05% of covered payroll, respectively. Employees do not contribute to the DB OPEB plans. Borough contributions for the PERS DB OPEB plan was \$12,560 for the year ended June 30, 2015. The School District contributed \$79,322 and \$60,268 for the PERS and TRS DB OPEB plans, respectively. In addition, the School District received \$913,342 for the TRS DB OPEB plan as an on-behalf contribution.

***Defined Contributions OPEB***

Defined Contribution Pension Plan participants (PERS Tier IV, and TERS Tier III) participate in the Occupational Death and Disability Plan (ODD) and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PRS and TRS plans noted above. These plans provide for death, disability and post-employment health care. Employees do not contribute to the DC OPEB plan. Employer contribution rates were 1.88 % for PERS Tier IV and 2.04% for TRS Tier III for the year ended June 30, 2015.

In addition, PERS and TRS defined contribution members also participate in the Health Reimbursement Arrangement. Per Alaska Statute 39.30.370 this contribution amount is “three percent of the average annual employee compensation of all employees of all employers in the plan”. As of July 1, 2014, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee and approximates \$1,961 per year for each full-time employee, and \$1.26 per hour for part-time employees for both PERS and TRS.

For the year ended June 30, 2015, the Borough contributed \$19,285 in DC OPEB costs. The School District contributed \$51,164 in DC OPEB costs to PERS and \$51,956 in OPEB costs to TRS. These amounts were recognized as expense.

DENALI BOROUGH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

6. CONTINGENCIES

*PERS Pension Liability*

The Borough has recorded its allocated percentage of the PERS Employer Net Pension Liability. However, there is an additional allocation of the PERS Non-Employer Net Pension Liability which the Borough has not recorded, because a special funding arrangement exists with the State of Alaska on this portion. If this PERS Non-Employer Net Pension Liability had been recorded, there would have been an additional PERS Non-Employer Net Pension Liability of \$466,509 with related deferred inflows of \$ 45,156 as of June 30, 2015.

*Other Contingencies*

The Borough, 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, any current legal proceedings, commitments or contingent liabilities will not materially affect the financial position of the Borough.

7. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes GASB Statement 74 will result in the biggest reporting change.

*GASB 72- Fair Value Measurement and Application-* Effective for year ended June 30, 2016- This statement establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured as fair value.

*GASB 73- Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68-* Effective for year-end June 30, 2016- This statement will establish a single framework for the presentation of information about pensions.

*GASB 74 -Financial Reporting for Postemployment Benefit Plans Other than Pension Plans-* Effective for year-end June 30, 2017- This standard will improve the usefulness of information about postemployment benefits.

# **REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

## **Required Supplementary Information (RSI)**

- Budgetary Comparisons - General Fund
- Notes to Budgetary Comparisons
- Schedule of the Borough's Information on the Net Pension Liability-PERS
- Schedule of Borough Contributions-PERS
- Schedule of the School District's Information on the Net Pension Liability-PERS
- Schedule of the School District's Contributions-PERS
- Schedule of the School District Information on the Net Pension Liability-TRS
- Schedule of the School District's Contributions-TRS

DENALI BOROUGH  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
Year ended June 30, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Overnight accommodation tax	\$ 2,700,000	2,800,000	3,318,321	518,321
Severance tax	90,000	90,000	96,086	6,086
	<u>2,790,000</u>	<u>2,890,000</u>	<u>3,414,407</u>	<u>524,407</u>
Intergovernmental:				
Federal				
PILT Act	304,000	304,000	323,293	19,293
State of Alaska				
PERS on-behalf payment	35,000	70,000	134,550	64,550
Shared taxes				
Revenue sharing	457,272	499,537	499,537	-
Electric/telephone co-op	46,000	50,000	49,117	(883)
	<u>842,272</u>	<u>923,537</u>	<u>548,654</u>	<u>82,960</u>
Other:				
Miscellaneous	2,000	3,000	5,020	2,020
Gains (losses) on investments	-	-	2,996	2,996
Interest Income	18,000	24,000	28,839	4,839
	<u>20,000</u>	<u>27,000</u>	<u>36,855</u>	<u>9,855</u>
 Total revenues	 <u>3,652,272</u>	 <u>3,840,537</u>	 <u>4,457,759</u>	 <u>617,222</u>
<b>EXPENDITURES</b>				
Assembly:				
Nonstaff stipends	22,200	22,200	21,450	750
Nonstaff benefits	2,500	5,500	4,549	951
Staff salaries	121,310	121,310	122,378	(1,068)
Staff benefits	170,988	180,000	186,092	(6,092)
Nonstaff travel	10,000	8,000	5,258	2,742
Workers compensation	500	700	669	31
Staff travel	6,000	6,000	3,567	2,433
Mayor travel	-	-	-	-
Staff training	4,000	2,000	275	1,725
Nonstaff training	4,000	3,000	1,475	1,525
Rent	30,000	30,000	26,376	3,624
Utilities	6,000	6,000	3,700	2,300
Postage	5,000	5,000	1,035	3,965
Janitorial Services	2,400	2,400	2,286	114
Dues/subscriptions/advertisement	7,500	7,500	8,640	(1,140)
Codification of municipal code	3,000	3,000	1,370	1,630
Elections	13,000	13,000	6,330	6,670
Equipment	20,000	16,000	9,820	6,180
Repairs and maintenance	4,000	16,000	15,491	509
Equipment rental	2,000	2,000	1,152	848
Supplies	8,000	6,000	5,775	225
Overnight Accommodations Audit Fees	10,000	10,000	4,802	5,198
Audit Fees	30,000	30,000	21,167	8,833
Budgetary reserve	835,658	-	-	-
Contingency	5,000	5,000	374	4,626
	<u>1,323,056</u>	<u>500,610</u>	<u>454,031</u>	<u>46,579</u>

DENALI BOROUGH  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
Year ended June 30, 2015

EXPENDITURES, CONTINUED	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Mayor:				
Mayor salary	\$ 72,000	70,000	69,814	186
Mayor benefits	86,407	94,000	102,159	(8,159)
Staff salary	109,518	98,000	65,620	32,380
Staff benefits	200,994	180,000	112,242	67,758
Staff leave replacement	3,000	3,000	-	3,000
Worker's compensation	1,500	1,000	935	65
Staff travel	5,000	3,500	2,077	1,423
Mayor travel	9,000	8,000	7,008	992
Staff training	2,000	2,000	175	1,825
Utilities	1,800	1,800	1,268	532
Equipment	5,000	5,000	2,155	2,845
Vehicle insurance	800	800	716	84
Property insurance	150	150	147	3
Bonding & insurance	12,500	12,500	10,594	1,906
Attorney fees	18,000	18,000	7,200	10,800
Consultant fees	22,000	22,000	12,015	9,985
Bank fees	5,000	8,000	4,413	3,587
Emergency fuel reserve	6,000	-	-	-
Public safety contributions	298,235	298,235	285,522	12,713
Public safety per capita funding	44,794	44,794	44,794	-
Nonprofit contributions	74,306	74,306	63,366	10,940
Revenue sharing distribution	36,582	40,400	40,400	-
Community Events	5,000	5,000	3,077	1,923
Contingency	5,000	5,000	3,128	1,872
	<u>1,024,586</u>	<u>995,485</u>	<u>838,825</u>	<u>156,660</u>
School District:				
School operating fund				
Mandatory contribution	660,233	660,233	660,233	-
Additional contribution	1,548,567	1,548,567	1,548,567	-
	<u>2,208,800</u>	<u>2,208,800</u>	<u>2,208,800</u>	<u>-</u>
Borough matching grants				
Matching grants	45,717	45,717	45,709	8
	<u>45,717</u>	<u>45,717</u>	<u>45,709</u>	<u>8</u>
Total expenditures	<u>4,602,159</u>	<u>3,750,612</u>	<u>3,547,365</u>	<u>203,247</u>
Excess (deficiency) of revenues over expenditures	<u>(949,887)</u>	<u>89,925</u>	<u>910,394</u>	<u>820,469</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in(out)				
From Permanent Investment Fund	-	-	110,148	110,148
To Disaster Contingency Fund	(1,000)	(1,000)	-	1,000
To Capital Projects Fund	(10,000)	(10,000)	(10,000)	-
To Capital Improvement Fund	-	(126,074)	(126,074)	-
To Major School Maintenance Reserve Fund	(56,000)	(111,074)	(111,074)	-
To Land Management Fund	(171,000)	(100,000)	(100,000)	-
To Landfull Closure Fund	(5,000)	(5,000)	(5,000)	-
To Solid Waste Equipment Reserve Fund	(30,000)	(135,000)	(135,000)	-
To Solid Waste Enterprise Fund	(100,000)	-	-	-
To Special Revenue	(12,000)	(12,000)	(8,533)	3,467
Total other financing uses	<u>(385,000)</u>	<u>(500,148)</u>	<u>(385,533)</u>	<u>114,615</u>
Net change in fund balance	(564,887)	(410,223)	524,861	935,084
FUND BALANCE, July 1	<u>6,476,905</u>	<u>6,476,905</u>	<u>6,476,905</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 5,912,018</u>	<u>6,066,682</u>	<u>7,001,766</u>	<u>935,084</u>

See accompanying notes to required supplementary information.

DENALI BOROUGH  
NOTES TO SCHEDULE OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
Year ended June 30, 2015

**BUDGETARY BASIS OF ACCOUNTING**

The adopted budget of the Borough is prepared on the modified accrual basis of accounting.

**EXCESS OF EXPENDITURES OVER BUDGET**

At June 30, 2015, the Borough had expenditures in funds that exceeded the budget; however, this does not constitute a violation of any legal provisions.

DENALI BOROUGH

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SCHEDULE OF THE DENALI BOROUGH INFORMATION ON THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
June 30, 2015

EMPLOYER PORTION	2015
Borough proportion of the net pension liability (asset)	0.00958639%
Borough proportionate share of the net pension liability (asset)	\$ 447,123
State of Alaska proportionate share of the net pension liability	466,509
Total net pension liability	\$ 913,632
Borough's covered employee payroll	\$ 449,225
Borough's proportionate share of the net pension liability as a percentage of covered-employee payroll	99.53%
Plan fiduciary net position as a percentage of the total pension liability	62.37%

Information presented for 2015 is based on Plan Measurement Date. For June 30, 2015 the plan measurement date is June 30, 2014.

This schedule is intended to present 10 years of information. Information for additional years will be included as it becomes available.

The plan is not reporting any changes in benefit terms or assumptions from the prior measurement period.

SCHEDULE OF THE DENALI BOROUGH CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
June 30, 2015

	2015
Contractually required contribution	\$ 98,861
Contributions in relation to the contractually required contribution	\$ 98,861
Contribution deficiency (excess)	\$ -
Borough's covered payroll	\$ 449,225
Contributions as a percentage of covered- employee payroll	22%

Information in this table reports the Borough's pension contributions to PERS during fiscal year 2015. These contributions are reported as a deferred outflow on the June 30, 2015 basic financial statements.

This schedule is intended to present 10 years of information. Information for additional years will be included as it becomes available.

SCHEDULE OF THE DENALI BOROUGH SCHOOL DISTRICT INFORMATION ON THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
June 30, 2015

<b>EMPLOYER PORTION</b>	<b>2015</b>
School District's proportion of the net pension liability	0.02383712%
School District's proportionate share of the net pension liability (asset)	\$ 1,111,796
State of Alaska proportionate share of the net pension liability	<u>1,072,400</u>
Total net pension liability	<u>\$ 2,184,196</u>
School District's covered employee payroll	\$ 406,693
School District's proportionate share of the net pension liability as a percentage of covered-employee payroll	273%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	<u>62.37%</u>

Information presented for 2015 is based on Plan Measurement Date. For June 30, 2015 the plan measurement date is June 30, 2014.

This schedule is intended to present 10 years of information. Information for additional years will be included as it becomes available.

The plan is not reporting any changes in benefit terms or assumptions from the prior measurement period.

SCHEDULE OF THE DENALI BOROUGH SCHOOL DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
June 30, 2015

	<b>2015</b>
Contractually required contribution	\$ 105,136
Contributions in relation to the contractually required contribution	\$ 105,136
Contribution deficiency (excess)	\$ -
School District's covered payroll	\$ 353,470
Contributions as a percentage of covered- employee payroll	29.744%

Information in this table reports the School District's pension contributions to PERS during fiscal year 2015.  
These contributions are reported as a deferred outflow in the June 30, 2015 basic financial statements.

This schedule is intended to present 10 years of information. Information for additional years will be included as it becomes available.

SCHEDULE OF THE DENALI BOROUGH SCHOOL DISTRICT INFORMATION ON THE NET PENSION LIABILITY  
TEACHERS RETIREMENT SYSTEM  
June 30, 2015

<b>EMPLOYER PORTION</b>	<b>2015</b>
School District proportion of the net pension liability (asset)	0.03278541%
School District proportionate share of the net pension liability (asset)	\$ 983,255
State of Alaska proportionate share of the net pension liability	6,482,144
Total net pension liability	\$ 7,465,399
School District's covered employee payroll	\$ 1,113,425
School District's proportionate share of the net pension liability as a percentage of covered-employee payroll	88%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	<u>55.70%</u>

Information presented for 2015 is based on Plan Measurement Date. For June 30, 2015 the plan measurement date is June 30, 2014.

This schedule is intended to present 10 years of information. Information for additional years will be included as it becomes available.

The plan is not reporting any changes in benefit terms or assumptions from the prior measurement period.

SCHEDULE OF THE DENALI BOROUGH SCHOOL DISTRICT CONTRIBUTIONS  
TEACHERS RETIREMENT SYSTEM  
June 30, 2015

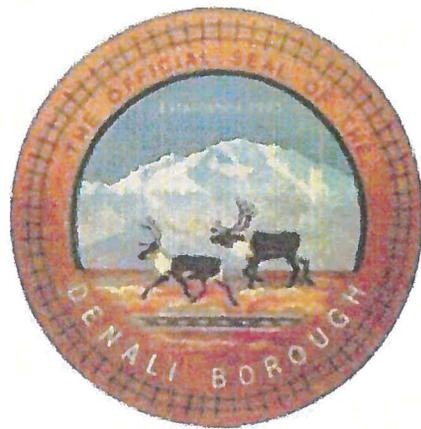
	<b>2015</b>
Contractually required contribution	\$ 81,755
Contributions in relation to the contractually required contribution	\$ 81,755
Contribution deficiency (excess)	\$ -
District's covered payroll	\$ 1,152,240
Contributions as a percentage of covered- employee payroll	7.095%

Information in this table reports the School District's pension contribution to TRS during fiscal year 2015.  
These contributions are reported as deferred outflows on the June 30, 2015 basic financial statements.

This schedule is intended to present 10 years of information. Information for additional years will be included as it becomes available.

DENALI BOROUGH

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**Non-Major Governmental Funds**

Combining Balance Sheet

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Schedules of Revenues and Expenditures – Budget and Actual  
Special Revenue Funds

DENALI BOROUGH  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2015

	Special Revenue Fund		
	Emergency Management Performance Grant	Local Emergency Planning Committee	Homeland Security Grant Program
<u>ASSETS</u>			
Cash and cash equity	\$ (2,195)	(4,872)	(3,691)
Receivables from other governments	2,195	4,872	3,691
Total assets	\$ -	-	-
<u>LIABILITIES</u>			
Unearned revenue	-	-	-
<u>FUND EQUITY</u>			
Committed to			
School major maintenance	-	-	-
Capital projects	-	-	-
Capital improvements	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	\$ -	-	-

<u>Special Revenue Fund</u>			
<u>Solid Fuel Stove Change Out</u>	<u>Legislative Grant Program</u>	<u>Capital Projects</u>	<u>Total</u>
\$	140,251	1,059,559	1,189,052
-	13,137	-	23,895
\$	<u>153,388</u>	<u>1,059,559</u>	<u>1,212,947</u>
	56,473	-	56,473
-	56,473	-	56,473
-	-	500,962	500,962
-	96,915	389,223	486,138
-	-	169,374	169,374
-	96,915	1,059,559	1,156,474
\$	<u>153,388</u>	<u>1,059,559</u>	<u>1,212,947</u>

See Independent Auditor's Report.

DENALI BOROUGH  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
Year ended June 30, 2015

	Special Revenue Fund		
	Emergency Management Performance Grant	Local Emergency Planning Committee	Homeland Security Grant Program
<b>REVENUES</b>			
Intergovernmental	\$ 8,533	12,432	10,999
Local sources	-	-	-
Investment income	-	-	-
Total revenues	<u>8,533</u>	<u>12,432</u>	<u>10,999</u>
<b>EXPENDITURES</b>			
Current			
General government	17,066	12,432	-
Capital Outlay	-	-	10,999
Total expenditures	<u>17,066</u>	<u>12,432</u>	<u>10,999</u>
Excess (deficiency) of revenues over expenditures	<u>(8,533)</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfer (to) from general fund	<u>8,533</u>	<u>-</u>	<u>-</u>
	<u>8,533</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
FUND BALANCE, July 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ -</u>	<u>-</u>	<u>-</u>

<u>Special Revenue Fund</u>				
	<u>Solid Fuel Stove Change Out</u>	<u>Legislative Grant Program</u>	<u>Capital Projects</u>	<u>Total</u>
\$	-	129,793	-	161,757
	17,329	-	-	17,329
	-	-	724	724
	<u>17,329</u>	<u>129,793</u>	<u>724</u>	<u>179,810</u>
	17,329	-	-	46,827
	-	175,334	4,739	191,072
	<u>17,329</u>	<u>175,334</u>	<u>4,739</u>	<u>237,899</u>
	-	(45,541)	(4,015)	(58,089)
	-	-	247,148	255,681
	-	-	247,148	255,681
	-	(45,541)	243,133	197,592
	-	142,456	816,426	958,882
\$	<u>-</u>	<u>96,915</u>	<u>1,059,559</u>	<u>1,156,474</u>

See Independent Auditor's Report.

DENALI BOROUGH  
SPECIAL REVENUE FUND  
EMERGENCY MANAGEMENT PERFORMANCE GRANT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
Year ended June 30, 2015

	<u>Award</u>	<u>Prior</u>	<u>Actual Current</u>	<u>Total</u>	<u>Variance (Unfavorable)</u>
<b>REVENUES</b>					
State of Alaska - Division of Homeland Security and Emergency Management	\$ 8,533	-	8,533	8,533	-
<b>EXPENDITURES</b>					
Division of Homeland Security and Emergency Management	17,066	-	17,066	17,066	-
Excess (deficiency) of revenues over expenditures	(8,533)	-	(8,533)	(8,533)	-
<b>OTHER FINANCING SOURCES</b>					
Transfers in	8,533	-	8,533	8,533	-
Excess of revenues over expenditures and other financing sources	\$ -	-	-	-	-

See Independent Auditor's Report.

DENALI BOROUGH  
SPECIAL REVENUE FUND  
LOCAL EMERGENCY PLANNING COMMITTEE GRANT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
Year ended June 30, 2015

	<u>Award</u>	<u>Prior</u>	<u>Actual Current</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>					
State of Alaska -					
Division of Homeland Security and Emergency Management	\$ 12,432	-	12,432	12,432	-
<b>EXPENDITURES</b>					
Division of Homeland Security and Emergency Management	12,432	-	12,432	12,432	-
Excess (deficiency) of revenues over expenditures	\$ -	-	-	-	-

See Independent Auditor's Report.

DENALI BOROUGH  
SPECIAL REVENUE FUND  
HOMELAND SECURITY GRANT PROGRAM  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
Year ended June 30, 2015

	Award	Prior	Actual Current	Total	Variance Favorable (Unfavorable)
<b>REVENUES</b>					
State of Alaska -					
Division of Homeland Security and Emergency Management					
2013 SHSP Award	39,200	38,000	1,200	39,200	-
2014 SHSP Award	\$ 11,200	-	9,799	9,799	1,401
Total revenues	<u>50,400</u>	<u>38,000</u>	<u>10,999</u>	<u>9,799</u>	<u>1,401</u>
<b>EXPENDITURES</b>					
Division of Homeland Security and Emergency Management					
2013 SHSP Award	39,200	38,000	1,200	39,200	-
2014 SHSP Award	11,200	-	9,799	9,799	1,401
Total expenditures	<u>50,400</u>	<u>38,000</u>	<u>10,999</u>	<u>9,799</u>	<u>1,401</u>
Excess (deficiency) of revenues over expenditures	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See Independent Auditor's Report.

DENALI BOROUGH  
SPECIAL REVENUE FUND  
SOLID FUEL STOVE CHANGE OUT PROGRAM  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
Year ended June 30, 2015

	<u>Award</u>	<u>Prior</u>	<u>Actual Current</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>					
Other					
Golden Valley Electric Association	\$ 75,000	37,095	17,329	54,424	20,576
<b>EXPENDITURES</b>					
Other					
Golden Valley Electric Association	75,000	37,095	17,329	54,424	20,576
Excess (deficiency) of revenues over expenditures	\$ -	-	-	-	-

See Independent Auditor's Report.

DENALI BOROUGH  
SPECIAL REVENUE FUND  
LEGISLATIVE GRANT PROGRAM  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
Year ended June 30, 2015

	Award	Actual		Total	Variance
		Prior	Current		Favorable (Unfavorable)
<b>REVENUES</b>					
State of Alaska -					
Department of Commerce, Community and Economic Development					
11-DC-207 Tri-Valley Fire Department Well	\$ 30,000	11,302	13,137	24,439	5,561
13-DM-161 School District Asbestos Hazard Emergency Response	35,000	21,867	3,373	25,240	9,760
13-DM-088 Cantwell Fuel Tank	25,000	-	1,995	1,995	23,005
13-DM-223 Landfill Shop	50,000	-	3,288	3,288	46,712
15-DC-TVFD-Ambulance	108,000	-	108,000	108,000	-
Department of Education and Early Development					
GR-14-009 Cantwell K-12 School Sprnkler and Fire Alarm Upgrades	704,863	-	-	-	-
Total revenues	<u>952,863</u>	<u>33,169</u>	<u>129,793</u>	<u>162,962</u>	<u>85,038</u>
<b>EXPENDITURES</b>					
State of Alaska -					
Department of Commerce, Community and Economic Development					
11-DC-207 Tri-Valley Fire Department Well	30,000	11,302	13,137	24,439	5,561
13-DM-161 School District Asbestos Hazard Emergency Response	35,000	21,867	3,373	25,240	9,760
13-DM-088 Cantwell Fuel Tank	25,000	-	1,995	1,995	23,005
13-DM-223 Landfill Shop	50,000	-	3,288	3,288	46,712
15-DC-TVFD Ambulance	108,000	-	108,000	108,000	-
Department of Education and Early Development					
GR-14-009 Cantwell K-12 School Sprnkler and Fire Alarm Upgrades	704,863	33,760	45,541	79,301	79,301
Total expenditures	<u>952,863</u>	<u>66,929</u>	<u>175,334</u>	<u>242,263</u>	<u>164,339</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	-	176,216	-	176,216	176,216
Excess (deficiency) of revenues over expenditures	\$ -	<u>142,456</u>	<u>(45,541)</u>	<u>96,915</u>	<u>96,915</u>

See Independent Auditor's Report.