



Alliance
CPAs | LLC

CITY OF DELTA JUNCTION, ALASKA

LETTER TO THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

January 13, 2023



Alliance
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January 13, 2023

Honorable Mayor and Members of the City Council
City of Delta Junction, Alaska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Delta Junction, Alaska (City), for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to the City dated July 12, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions tested as part of our audit procedures have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The City's estimate of the landfill closure and post-closure care liability. Management has informed us that in determining the appropriateness of these amounts, the analyses were based on historical trends and other factors.
- Net pension and other postemployment liabilities and the related deferred inflows and outflows recognized by the City to record its allocated proportional share of liabilities of the Public Employees' Retirement System (PERS) pension plan are based on actuarially determined estimates of the State of Alaska Department of Administration Division of Retirement and Benefits. The assumptions used in the actuarial valuation of the pension and other postemployment benefits plan are based on industry standards, in accordance with generally accepted actuarial principles and procedures.

We evaluated the key factors and assumptions used to develop these account balances and amounts and determined them to be reasonable in relation to the financial statements of the City taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. Turnover of accounting staff coupled with timing of availability of accounting personnel created delays in completion of the audit process.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Additionally, during the course of our audit, management detected errors in the financial statements and informed us of these errors when found. Management has corrected all such misstatements. The attached schedule reflects misstatements detected as a result of audit procedures, which were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 13, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to budgetary comparison information, and schedules of pension and other postemployment liabilities and contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We

Honorable Mayor and Members of the City Council
City of Delta Junction, Alaska

January 13, 2023
Page 3

compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Mayor, Members of the City Council, and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Alliance CPAs LLC

City of Delta Junction, Alaska
Schedule of Audit Journal Entries
June 30, 2021

Date	Account Description	Account Number	Debit	Credit
6/30/2021	ALLOWANCE FOR DOUBTFUL ACCOUNT	100.000.132.000 GF	\$ 360.00	
	SUSPENSE ACCOUNT	100.000.500.000 GF	10,418.95	
	ACCOUNTS RECEIVABLE	100.000.127.000 GF		10,778.95
To correct the accounts receivable balance in the General Fund.				
6/30/2021	ACCOUNTS PAYABLE	100.000.200.000 GF	56,000.00	
	ROADS & GROUNDS	100.012.732.000 GF		56,000.00
To adjust the accounts payable balance to actual at year end for the General Fund.				
6/30/2021	SUSPENSE ACCOUNT	100.000.500.000 GF	5,332.68	
	MISCELLANEOUS REVENUE	100.000.445.000 GF		5,332.68
To zero out unreconciled amounts in the suspense account and record as miscellaneous income in the General Fund.				
6/30/2021	TRANSFER IN/OUT	100.000.699.999 GF	7,112.53	
	DUE TO/FROM OTHER FUNDS	100.000.120.999 GF		559.00
	MISCELLANEOUS REVENUE	100.000.445.000 GF		6,553.53
To correct the transfer in/out balance in the General Fund to agree with the Special Revenue fund actual final balances.				
6/30/2021	GRANT REVENUE	458.000.510.000 458	86,500.00	
	ECONOMIC SUPPORT	458.000.720.000 458		86,500.00
To remove Deltana and Whitestone Farms portions of COVID-19 relief funds from the COVID-19 Relief Grant Fund.				
6/30/2021	CARES TRANSFER ACCT	458.000.699.999 458	2,791.39	
	INTEREST GAINED	458.000.455.000 458	8.37	
	GRANT REVENUE	458.000.510.000 458		2,799.76
To adjust account balances in the COVID-19 Relief Grant Fund to agree with actual at year end.				
6/30/2021	GRANT REVENUE	462.000.510.000 462	45,000.00	
	GIFT CARDS	462.000.725.000 462		45,000.00
To remove amounts received for the benefit of the Delta Public Health Center from the City's Special Revenue Funds.				

Date	Account Description	Account Number	Debit	Credit
6/30/2021	DUE TO/FROM TRANSFER ACCT	460.000.120.999 460 460.000.699.999 460	\$ 4,424.14	4,424.14
To correct Due To/From and Transfer balances to actual at year end for the Homeland Security Fund.				
6/30/2021	ACCOUNTS PAYABLE	460.000.200.000 460	17,694.55	
	GRANT REVENUE	460.000.510.000 460	4,424.14	
	DUE TO/FROM	460.000.120.999 460		4,424.14
	GRANT REVENUE	460.000.510.000 460		13,270.41
	TRANSFER ACCT	460.000.699.999 460		4,424.14
To correct State Homeland Security Fund balances to actual at year end.				
6/30/2021	ACCOUNTS PAYABLE	456.000.200.000 456	497.35	
	DUE TO/FROM	456.000.120.999 456		68.40
	TRANSFER IN/OUT	456.000.699.999 456		428.95
To correct the transfer in balance to actual at year end for Minding the Gap - Library Fund.				
6/30/2021	GRANT REVENUE	461.000.510.000 461	2,895.13	
	DEFERRED GRANT REVENUE	461.000.201.000 461		2,895.13
To correct grant revenue recognized for the Rural Library Grant Fund to actual at year end.				
6/30/2021	DUE TO/FROM	457.000.120.999.457	627.27	
	TRANSFER IN/OUT	457.000.699.999.457		627.27
To Correct the Due To/From and Transfer Account in the FFY 20 VFA Grant Fund to actual at year end.				
6/30/2021	GRANT REVENUE	444.000.510.000 444	1,205.24	
	FUND BALANCE	444.000.310.000 444		1,205.24
To remove grant revenue recognized in previous periods in the Capital Projects Fund.				
6/30/2021	ALASKA PERMANENT CAPITAL MANAGEMENT - PF	600.000.122.000 600	1,374.50	
	INTEREST INCOME REVENUE	600.000.455.000 600		1,374.50
To record year end accrued interest income in the Permanent Fund.				



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CITY OF DELTA JUNCTION, ALASKA

**BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
SUPPLEMENTARY INFORMATION AND SINGLE AUDIT REPORTS**

YEAR ENDED JUNE 30, 2021

and

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS



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CITY OF DELTA JUNCTION, ALASKA

**BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION,
SUPPLEMENTARY INFORMATION AND SINGLE AUDIT REPORTS**

YEAR ENDED JUNE 30, 2021

and

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

CITY OF DELTA JUNCTION, ALASKA
BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION,
SUPPLEMENTARY INFORMATION AND SINGLE AUDIT REPORTS

Year Ended June 30, 2021

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CITY OF DELTA JUNCTION, ALASKA
BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION,
SUPPLEMENTARY INFORMATION AND SINGLE AUDIT REPORTS

Year Ended June 30, 2021

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119 N. Cushman Street, Suite 300
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Report of Independent Certified Public Accountants

Honorable Mayor and Members of the City Council
City of Delta Junction, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Delta Junction, Alaska (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Delta Junction, Alaska, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Supplementary and Other Information

Our audit for the year ended June 30, 2021 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedule of expenditures of federal awards 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 for the year ended June 30, 2021 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

We have previously audited the City's 2020 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the combining and individual fund financial statements in our report dated March 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it was derived.

The financial statements include prior year summarized comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2020, from which such summarized information was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2023 on our consideration of the City of Delta Junction's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Alliance CPAs LLC

January 13, 2023

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BASIC FINANCIAL STATEMENTS

CITY OF DELTA JUNCTION, ALASKA

STATEMENT OF NET POSITION

June 30, 2021

	<u>Governmental Activities</u>
<u>Assets and Deferred Outflows of Resources</u>	
Assets	
Cash and investments	\$ 7,336,681
Receivables:	
Grants	13,270
Accounts	37,348
Land and land improvements	3,834,482
Construction in progress	794,181
Other capital assets, net of accumulated depreciation	7,425,096
Net OPEB asset	<u>46,500</u>
Total assets	<u>19,487,558</u>
Deferred outflows of resources	
Deferred outflows of resources related to pensions	63,625
Deferred outflows of resources related to OPEB	<u>52,889</u>
Total deferred outflows of resources	<u>116,514</u>
Total assets and deferred outflows of resources	<u><u>\$ 19,604,072</u></u>

The accompanying notes are an integral
part of these basic financial statements.

Governmental
Activities

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities	
Accounts payable	\$ 78,798
Unearned revenue	49,548
Accrued payroll and related liabilities	6,446
Noncurrent liabilities:	
Due within one year:	
Accrued leave	38,421
Note payable	50,000
Due in more than one year:	
Note payable	350,000
Landfill closure liability	530,435
Net pension liability	590,441
Total liabilities	<u>1,694,089</u>
Deferred inflows of resources	
Deferred inflows of resources related to pensions	7,631
Deferred inflows of resources related to OPEB	39,353
Total deferred inflows of resources	<u>46,984</u>
Net position	
Net investment in capital assets	12,053,759
Unrestricted	5,809,240
Total net position	<u>17,862,999</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 19,604,072</u>

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CITY OF DELTA JUNCTION, ALASKA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental Activities					
General government	\$ 1,028,964	\$ 84,359	\$ 44,973	\$	\$ (899,632)
Public safety	328,363	42,511		5,600	(280,252)
Community services	531,446	54,624	8,560	440,217	(28,045)
General maintenance	430,078				(430,078)
Land sales		277,450			277,450
Sanitary landfill	459,907	518,634			58,727
Total Governmental Activities	<u>\$ 2,778,758</u>	<u>\$ 977,578</u>	<u>\$ 53,533</u>	<u>\$ 445,817</u>	<u>\$ (1,301,830)</u>
General Revenues					
Payment in lieu of taxes					1,102,977
Corporate donation - SMM POGO					150,000
Grants and entitlements not restricted to a specific purpose					86,212
Investment income					<u>381,525</u>
Total general revenues					<u>1,720,714</u>
Other financing sources (uses)					12,227
Change in net position					431,111
Net position, beginning					<u>17,431,888</u>
Net position, ending					<u>\$ 17,862,999</u>

The accompanying notes are an integral
part of these basic financial statements.

CITY OF DELTA JUNCTION, ALASKA

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2021

	Major Governmental Funds			Total Governmental Funds
	General	Permanent Fund Special Revenue	Nonmajor Governmental Funds	
<u>Assets</u>				
Cash and investments	\$ 5,293,764	\$ 1,967,154	\$ 75,763	\$ 7,336,681
Receivables:				
Grants			13,270	13,270
Accounts	37,348			37,348
Due from other funds	13,468			13,468
Total assets	<u>\$ 5,344,580</u>	<u>\$ 1,967,154</u>	<u>\$ 89,033</u>	<u>\$ 7,400,767</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 72,623	\$	\$ 6,175	\$ 78,798
Unearned revenue			49,548	49,548
Due to other funds			13,468	13,468
Accrued payroll and related liabilities	6,446			6,446
Total liabilities	<u>79,069</u>		<u>69,191</u>	<u>148,260</u>
Fund balances				
Restricted			19,842	19,842
Committed	200,000	1,967,154		2,167,154
Unassigned	5,065,511			5,065,511
Total fund balances	<u>5,265,511</u>	<u>1,967,154</u>	<u>19,842</u>	<u>7,252,507</u>
Total liabilities and fund balances	<u>\$ 5,344,580</u>	<u>\$ 1,967,154</u>	<u>\$ 89,033</u>	<u>\$ 7,400,767</u>

The accompanying notes are an integral
part of these basic financial statements.

CITY OF DELTA JUNCTION, ALASKA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION

June 30, 2021

Total fund balances of governmental funds		\$ 7,252,507
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of:		
Land and land improvements	\$ 3,834,482	
Construction in progress	794,181	
Buildings	14,499,327	
Equipment	2,672,031	
Infrastructure	6,834,766	
Less accumulated depreciation	<u>(16,581,028)</u>	
Total capital assets, net of accumulated depreciation		12,053,759
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Net OPEB asset		46,500
The following long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities.		
Note payable	(400,000)	
Landfill closure and postclosure liability	(530,435)	
Accrued leave	<u>(38,421)</u>	
Total long-term liabilities		(968,856)
Net pension and OPEB liabilities and associated deferred outflows and inflows are not due and payable in the current period and are therefore not reported in the fund financial statements.		
Net pension (liability)/asset	(590,441)	
Deferred outflows related to pensions	63,625	
Deferred inflows related to pensions	(7,631)	
Deferred outflows related to OPEB	52,889	
Deferred inflows related to OPEB	<u>(39,353)</u>	
Total deferred pension and OPEB items		(520,911)
Total net position of governmental activities		<u>\$ 17,862,999</u>

The accompanying notes are an integral
part of these basic financial statements.

CITY OF DELTA JUNCTION, ALASKA

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended June 30, 2021

	Major Governmental Funds			Total Governmental Funds
	General	Permanent Fund Special Revenue	Nonmajor Governmental Funds	
Revenues				
Intergovernmental	\$ 1,223,260	\$	\$ 445,791	\$ 1,669,051
Charges for services	569,850			569,850
Corporate donation - SMM Pogo	150,000			150,000
Investment income	18,644	362,881	26	381,551
Other	407,728			407,728
Total revenues	<u>2,369,482</u>	<u>362,881</u>	<u>445,817</u>	<u>3,178,180</u>
Expenditures				
Current				
General government	544,581	15,890	439,262	999,733
Public safety	233,857		12,489	246,346
Community services	322,207		2,958	325,165
General maintenance	261,503			261,503
Sanitary landfill	296,956			296,956
Debt service payment	50,000			50,000
Capital outlay	69,627			69,627
Total expenditures	<u>1,778,731</u>	<u>15,890</u>	<u>454,709</u>	<u>2,249,330</u>
Excess of revenues over (under) expenditures	<u>590,751</u>	<u>346,991</u>	<u>(8,892)</u>	<u>928,850</u>
Other financing sources (uses)				
Transfers in	3,022		4,853	7,875
Transfers out	(4,853)		(3,022)	(7,875)
Net other financing sources (uses)	<u>(1,831)</u>		<u>1,831</u>	
Net changes in fund balances	588,920	346,991	(7,061)	928,850
Fund balances, beginning	<u>4,676,591</u>	<u>1,620,163</u>	<u>26,903</u>	<u>6,323,657</u>
Fund balances, ending	<u>\$ 5,265,511</u>	<u>\$ 1,967,154</u>	<u>\$ 19,842</u>	<u>\$ 7,252,507</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF DELTA JUNCTION, ALASKA
RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Net changes in fund balances - total governmental funds \$ 928,850

The changes in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives.

Capital outlay	\$	54,554	
Disposals		12,227	
Depreciation		<u>(662,705)</u>	(595,924)

The net effects of other transactions involving capital assets (i.e., sales, disposals and donations) is to increase (decrease) net position.

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 is the amount of the (increase) decrease:

Landfill closure liability	(35,143)		
Accrued leave	(14,676)		
Net pension liability and related balances	26,412		
Net postemployment liability and related balances	<u>71,592</u>		48,185

Repayment of the principal of long-term debt consumes current financial resources of governmental funds, but has no effect on net position.

50,000

Changes in net position of governmental activities \$ 431,111

The accompanying notes are an integral part of these basic financial statements.

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CITY OF DELTA JUNCTION, ALASKA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Delta Junction, Alaska (the City) was incorporated in 1960 under the provisions of Alaska Statute, Title 29, as amended, as a second-class city. The City operates under a Council-Administrator form of government and provides services to its citizens including general and administrative, public safety (fire and ambulance), community library, community parks, cemetery, landfill, ice arena, community center, and air strip.

The financial statements included in this report are for City of Delta Junction only. There are no component units for which City of Delta Junction is financially accountable, nor do any special financial relationships exist between the City and any other entity.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. The City reports all of its activities in governmental funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and 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 operational or capital requirements of a particular function or segment. Payments in lieu of taxes, investment income, and other items properly not included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days after year end. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The City reports the following major funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

The *Permanent Fund Special Revenue Fund* accounts for monies received from land sales.

Prepaid Items

When certain payments made to vendors reflect costs applicable to future accounting periods they are recorded as prepaid items in both government-wide and fund financial statements. The prepaid assets do not reflect current available resources and, thus, an equivalent portion of fund balance is classified as nonspendable in the governmental fund financial statements.

Central Treasury

A central treasury is used to account for cash from all funds of the City to maximize investment income. Investments are carried at fair value.

Accrued Leave

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost at the time of acquisition or construction. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

	Years
Equipment	3 - 8
Buildings	20 - 40
Infrastructure	20 - 50

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. *Nonspendable fund balance* includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

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

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

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

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at year end, if any, are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

Unearned Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended uses are shown as unearned revenue.

CITY OF DELTA JUNCTION, ALASKA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Grants and Other Intergovernmental Revenues

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

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Budgetary Accounting

An operating budget is adopted each fiscal year for the General Fund on the same modified accrual basis used to reflect actual revenues and expenditures. Appropriations for this fund lapse at year end to the extent that they have not been expended or encumbered. Supplemental appropriations that amend the total expenditures of any department or fund require Council approval. The budgeted financial statements presented in this report reflect the final budget authorization, including amendments made during the year. The City did not adopt a budget for the Permanent Fund Special Revenue fund because it is not legally required to do so.

The City follows these procedures in establishing the budgetary data reflected in the Required Supplementary Information:

- a. The Mayor must submit to the City Council by May 1 a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the City Council to provide an opportunity for public comment.
- c. By June 30, by City Council action, the budget is legally enacted through passage of an ordinance. If the City Council fails to pass an ordinance, the budget submitted by the Mayor becomes the adopted budget.

Pension Plan

Substantially all employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska. 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 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.

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Comparative Data/Reclassifications

The financial statements include partial prior-year comparative information in order to provide an understanding of the changes in the financial position and operations of the City's funds. Such comparative information does not include the level of detail required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ending June 30, 2020, from which partial information was derived. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

2. CASH AND INVESTMENTS

The City of Delta Junction utilizes a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as cash and investments or in the case of negative cash, is included in due to other funds.

Reconciliation of Cash and Investment Balances

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of June 30, 2021:

Bank deposits and petty cash	\$	1,013,654
Investments		<u>6,323,027</u>
Total cash and investments	\$	<u>7,336,681</u>

Investments

Investment Policy - The City's investment policy is to apply the prudent-investor rule in accordance with State of Alaska Statute AS 37.13.120, which requires judgement and care be taken to ensure preservation of investment assets while maximizing expected total investment return. The City's investment policy authorizes investments in:

1. Money market, bond, and equity mutual funds with published fair values per share (unit) for each fund.
2. Treasury bonds, bills, notes or other general obligation evidences of indebtedness of the United States or an agency or instrumentality of the United States, or of the State of Alaska, or of other states of the United States, or of this City, or of other cities or boroughs of this State;
3. Fully insured or fully collateralized certificates of deposit, savings deposits, and other interest bearing deposit accounts in member banks insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC);
4. Repurchase agreements where the general checking balance at the end of each business day is used to buy a security from the bank and held overnight; and/or
5. The Alaska Municipal League Investment Pool, made in accordance with terms of the Pool's "Common Investment Agreement."

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The Permanent Fund special revenue fund investment policy provides additional fund level investment guidelines for maintaining low cost, low risk investment vehicles as well as product level investment guidelines to maintain a risk averse investment portfolio mix.

The Alaska Municipal League Investment Pool, Inc. (Pool) is not SEC-registered, but is a 2a7-like money market fund, operating in a manner consistent with that rule. In December 2019, Standard & Poor's affirmed its AAAm principal stability fund rating to the Pool. Stand-alone financial statements can be obtained by writing to the Alaska Permanent Capital Management Co., 900 West Fifth Avenue, Suite 601, Anchorage, Alaska 99501.

Regulatory oversight of the Pool is established by Alaska Statute 37.23. The law sets forth numerous requirements regarding authorized investments and reporting. The Pool is incorporated in the State of Alaska as a nonprofit corporation and reports to a board of directors. Alaska Statute 37.23.050 requires the retention of an investment manager. The manager is required to produce monthly disclosure statements for the Pool. The Pool also has retained an investment advisor who monitors the performance of the investment manager to ensure compliance with investment policies. All participation in the Pool is voluntary. The Pool typically maintains a dollar-weighted average maturity of 90 days or less, and only purchases instruments that have remaining maturities of 13 months or less. On a monthly basis, the investments in the Pool are reviewed for fair value by an independent pricing service. As of June 30, 2021, the fair value of the investments in the Pool approximates the amortized cost at which the investments were reported. The fair value of the City's investments in the Pool is the same as the value of its Pool units.

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City did not have an investment policy limiting its investment choices based upon ratings set by such statistical rating organizations for the year ended June 30, 2021. All of the investments in U.S. government agencies are rated AAA by Moody's Investors Services.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City did not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates during the year ended June 30, 2021.

Custodial Credit Risk Related to Deposits - For deposits, custodial credit risk is the risk that, in the event of the failure of the banking institution counterparty, the City will not be able to recover the value of its deposits that are in the possession of an outside party. The City places no limit on the amount the City may deposit in any one counterparty.

The City maintains its cash balances at financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, the City maintains a Tri-Party Collateral agreement with Wells Fargo Bank, N.A. and The Bank of New York Mellon to collateralize daily cash balances in excess of the FDIC limits. The City believes it is not exposed to any significant credit risk on cash and cash equivalents.

Fair Value Measurement - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF DELTA JUNCTION, ALASKA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The City has the following recurring fair value measurements as of June 30, 2021:

Investments are classified in the fair value hierarchy as follows:

Investment Type	Level 1	Level 2	Level 3	Fair Value
Exchange traded funds:				
Equities	\$ 1,857,471	\$	\$	\$ 1,857,471
Money market funds	2,127,530			2,127,530
Certificates of deposit	825,014			825,014
Pooled investments (AMLIP)		1,513,012		1,513,012
Total Investments at Fair Value	\$ 4,810,015	\$ 1,513,012	\$	\$ 6,323,027

The City has investments in money market funds totaling \$2,127,530 that are not held at fair value, but instead are recorded at amortized cost at June 30, 2021.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 follows:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021
Governmental Activities				
Capital assets not being depreciated:				
Land and land improvements	\$ 3,858,504	\$ 67,487	\$ (91,509)	\$ 3,834,482
Construction in progress	792,041	69,627	(67,487)	794,181
Total assets not being depreciated	4,650,545	137,114	(158,996)	4,628,663
Capital assets being depreciated:				
Buildings	14,499,327			14,499,327
Equipment	2,607,822	76,436	(12,227)	2,672,031
Infrastructure	6,834,766			6,834,766
Total assets being depreciated	23,941,915	76,436	(12,227)	24,006,124
Less accumulated depreciation for:				
Buildings	(8,145,450)	(441,083)		(8,586,533)
Equipment	(2,274,162)	(128,488)	12,227	(2,390,423)
Infrastructure	(5,510,938)	(93,134)		(5,604,072)
Total accumulated depreciation	(15,930,550)	(662,705)	12,227	(16,581,028)
Total capital assets being depreciated, net	8,011,365	(586,269)		7,425,096
Governmental activities capital assets, net	\$ 12,661,910	\$ (449,155)	\$ (158,996)	\$ 12,053,759

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to the functions for the year ended June 30, 2021 as follows:

General government	\$	61,579
Public safety		79,407
Community services		205,116
General maintenance		179,469
Sanitary landfill		<u>137,134</u>
Total depreciation expense	\$	<u>662,705</u>

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A schedule of interfund balances and transfers for the year ended June 30, 2021, follows:

Due to Governmental Funds:

Due to the General Fund for short-term operating and capital costs from nonmajor governmental funds	\$	<u>13,468</u>
Total due to Governmental Funds	\$	<u>13,468</u>

Transfers (to) from other funds:

From nonmajor governmental funds to the General Fund for supplies		<u>(1,831)</u>
Total transfers (to) from other funds - Governmental Funds	\$	<u>(1,831)</u>

5. LONG-TERM LIABILITIES

In October, 2004, the City received a loan from the State of Alaska in the amount of \$1,200,000 to pay the balance due on a legal settlement with Delta Corrections Group. The legal settlement arose out of the failed effort of the City to establish a private prison in the vicinity of the City. The noninterest-bearing note is payable in annual installments of \$50,000 beginning July 31, 2005.

Long-term liabilities activity for the year ended June 30, 2021, follows:

	Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021	Due Within One Year
Governmental Activities:					
Note payable - State of Alaska	\$ 450,000	\$	\$ (50,000)	\$ 400,000	\$ 50,000
Landfill closure and postclosure liability	495,292	35,143		530,435	
Net pension liability	572,853	17,588		590,441	
Net other postemployment benefits liability/(asset)	18,872		(63,065)	(44,193)	
Accrued leave	<u>23,745</u>	<u>52,128</u>	<u>(37,452)</u>	<u>38,421</u>	<u>38,421</u>
Total long-term liabilities	<u>\$ 1,560,762</u>	<u>\$ 104,859</u>	<u>\$ (150,517)</u>	<u>\$ 1,515,104</u>	<u>\$ 88,421</u>

Historically, long-term liabilities have been liquidated by the General Fund.

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Annual debt service requirements to maturity for the noninterest-bearing note payable follow:

Year ending June 30:	
2022	50,000
2023	50,000
2024	50,000
2025	50,000
2026	50,000
2027 - 2029	150,000
	<u>\$ 400,000</u>

6. LANDFILL CLOSURE AND POSTCLOSURE LIABILITY

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

The City estimates that total future closure and post closure costs will be \$881,860. The \$530,435 reported as landfill closure costs payable at June 30, 2021 represents the cumulative amount reported to date based on estimated usage of the landfill. The City will recognize the remaining \$351,425 as the landfill is used. These amounts are based on what it would cost to close the landfill in 2021. Actual amounts could be higher due to inflation, changes in technology or changes in regulations. The landfill has an expected remaining life of approximately 11 years. Estimated closure and post closure costs and estimated useful life do not include the north cell of the landfill which was under construction at June 30, 2021.

At June 30, 2021 the City had an accumulated balance of \$626,962 in a landfill closure reserve fund, in a continuing effort to demonstrate financial responsibility for estimated landfill closure and post closure costs. The accumulated reserves are included in General Fund cash and were invested in certificates of deposit at June 30, 2021.

7. FUND BALANCES/NET POSITION

Fund balances, reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	General Fund	Permanent Fund Special Revenue	Nonmajor Funds	Total
Restricted	\$	\$	\$ 19,842	\$ 19,842
Committed	200,000	1,967,154		2,167,154
Unassigned	5,065,511			5,065,511
Total fund balances	<u>\$ 5,265,511</u>	<u>\$ 1,967,154</u>	<u>\$ 19,842</u>	<u>\$ 7,252,507</u>

CITY OF DELTA JUNCTION, ALASKA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8. DEFINED BENEFIT (DB) PENSION PLAN

General Information About the Plan

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

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available by writing to the Alaska Department of Administration, Division of Retirement and Benefits, Finance Section, P.O. Box 110203, Juneau, Alaska 99811-0203, by calling 800-821-2251, or by sending a request by email to doa.drb.accountants@alaska.gov. Financial statements are also available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and post-employment healthcare benefits. There are three tiers of employees within the Defined Benefit (DB) plan, based on entry date. For all tiers within the DB plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, cost of living adjustments, and other postemployment benefits (OPEB). A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

Effective July 1, 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the total contribution rate as adopted by the ARM Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows and outflows of resources, and disclosures on this basis.

The City recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP pursuant to the relevant basis of accounting based on fund type.

It is important to note that the legislature has the power and authority to change the aforementioned statute through the legislative process.

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Contribution rates

Regular employees are required to contribute 6.75% of their annual covered salary, while police and firefighters are required to contribute 7.5% of their annual covered salary.

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

Employer statutory contribution rate: This is the employer pay-in rate set by Alaska Statutes which is required to be applied by the City. Under current legislation, this rate is set at the greater of 22% of eligible wages or the actuarially determined normal cost rate. When the 22% exceeds the normal cost rate, the excess is applied to the past service liability of the plan, subject to a wage floor, and other termination events. This 22% rate is calculated on all PERS participating wages, 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 formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. 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.

On-behalf contribution rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

The GASB rate and the ARM Board adopted rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the year ended June 30, 2021 were determined in the June 30, 2020 actuarial valuation and are as follows:

	Employer Statutory Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	14.57%	20.66%	8.85%
Postemployment healthcare (see Note 10)	7.43%	4.27%	0.00%
Total PERS DB contribution rates	22.00%	24.93%	8.85%

The ARM Board adopted rate is set at 30.85 percent, which includes an additional 5.92 percent for the normal cost of the Deferred Contribution Hybrid (DCH) Plan. The statutory employer rate of 22.00 percent includes the required contribution to the DCH plan.

CITY OF DELTA JUNCTION, ALASKA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

In 2021, the City was credited with the following contributions to the pension plan:

	Measurement Period	
	2021	2020
Employer contributions (including DBUL)	\$ 37,721	\$ 34,281
Nonemployer contributions (on-behalf)	25,511	19,841
Total contributions	<u>\$ 63,232</u>	<u>\$ 54,122</u>

In addition, employee contributions to the Plan totaled \$9,395 during the City's fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2021	2020
City's proportionate share of NPL	\$ 590,441	\$ 572,853
State's proportionate share of NPL associated with the City	243,262	224,717
Total net pension liability	<u>\$ 833,703</u>	<u>\$ 797,570</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2021, the City's proportion was 0.001001 percent, which was a decrease of 0.00045 from its proportion measured as of the prior measurement date.

For the year ended June 30, 2021, the City recognized a reduction of pension expense of \$26,412 and on-behalf revenue of \$31,437 for support provided by the State. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,873	
Changes in assumptions		
Net difference between projected and actual earnings on pension plan investments	24,031	
Changes in proportion and differences between City contributions and proportionate share of contributions		7,631
City contributions subsequent to the measurement date	<u>37,721</u>	
Total deferred outflows and deferred inflows related to pensions	<u>\$ 63,625</u>	<u>\$ 7,631</u>

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The \$37,721 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	8,451
2023	8,932
2024	6,223

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2021 (City fiscal year 2022) was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2021. The actuarial assumptions used in the June 30, 2020 actuarial valuation (latest available) were used to determine the actuarial normal cost rate for fiscal year 2021.

Inflation rate	2.50%
Salary increases	Graded by service, from 7.75% to 2.75% for Peace Officer/Firefighter Graded by age and service, from 6.75% to 2.75% for all others
Investment rate of return	7.38%, net of pension plan investment expenses. This is based on average inflation rate of 2.50% and a real rate of return of 4.88%.

Pre-termination mortality rates were based upon the 2013-2017 actual mortality experience. Pre-termination mortality rates were based on 100% of the RP-2014 table with MP-2017 generational improvement. Post-termination mortality rates were based on 91% male and 96% female rates of the RP-2014 table with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/firefighters, 40% of the time for all others.

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Long-Term Expected Rate of Return

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, excluding the inflation component of 2.50%, for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	6.24%
Global equity (non-U.S.)	6.67
Aggregate Bonds	(0.16)
Opportunistic	3.01
Real assets	3.82
Private equity	10.00
Cash equivalents	(1.09)

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. 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 PERS net pension liability and the City's proportionate share of the net pension liability calculated using the discount rate of 7.38 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.38 percent) or 1-percentage-point higher (8.38 percent) than the current rate:

	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
PERS net pension liability	\$ 7,672,776,000	\$ 5,901,176,000	\$ 4,415,297,000
City's proportionate share of the net pension liability	\$ 767,698	\$ 590,441	\$ 441,772

Pension Plan Fiduciary Net Position

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

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9. DEFINED CONTRIBUTION (DC) PENSION PLAN

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan provides pension, occupational disability, death, and healthcare benefits, and is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan 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, a 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 report for PERS.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the City contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

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.

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended June 30, 2021, the City was required to contribute 22% of eligible compensation into the Plan. The 22% rate is comprised of five elements: 5% to each member's individual pension account, 1.27% into the Retiree Medical Plan, and 0.31% for general members for occupational death and disability benefits, a flat dollar amount per employee based on 3% of the average annual compensation of all PERS employees of all employers in the plan (into the individual employee's Health Reimbursement Arrangement account), and a residual contribution applied as a payment to the PERS Defined Benefit Plan's unfunded liability (DBUL). In addition, during 2020, the State on-behalf contribution rate for OPEB was 0%.

The City and employee contributions to PERS for DC pensions for the year ended June 30, 2021 were \$7,675 and \$12,280, respectively. The City's contribution amount was recognized as pension expense/expenditures. Forfeitures totaling \$4,599 are included as part of pension expense/expenditures at June 30, 2021.

10. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

Defined Benefit (DB) OPEB Plan

As part of its participation in the PERS DB Plan (Tiers I, II, III), the City participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT 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 Pension Plan described earlier in these notes.

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Defined Contribution (DC) OPEB Plan

Defined Contribution Pension Plan participants (PERS Tier IV) 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 PERS Plan noted above. These plans provide for death, disability, and post-employment healthcare benefits.

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement (HRA) Plan. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of all employees of all employers in the plan". As of July 1, 2020, for actual remittance, this amount is calculated as a flat rate of \$83.04 per pay period for each full-time employee or \$1.38 per hour for each part-time employee.

Contribution Rates

The City is required to contribute 8.75% of covered payroll into the DB OPEB plan. Employees do not contribute. Employees do not contribute to the DC OPEB plans. Employer contributions include those portions of the required contributions to the PERS Defined Benefit plans which are statutorily allocated to the DC Plan's other postemployment benefits.

Annual Postemployment Healthcare Cost

Actual contributions into the PERS ARHCT Plan by the City for the last three years were as follows:

	2021	2020	2019
Employer contributions	\$ 30,209	\$ 16,016	\$ 16,082

Amounts contributed by the City for DC OPEB healthcare and other benefits were as follows at June 30:

	2021	2020	2019
Employer contributions	\$ 2,425	\$ 2,256	\$ 2,109

Contributions for the DC OPEB HRA plan were as follows at June 30:

	2021	2020	2019
Employer contributions	\$ 6,228	\$ 5,249	\$ 6,331

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

At June 30, 2021, the City reported a liability/(asset) for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided by the State. The amounts recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	<u>2021</u>
City's proportionate share of the DB Plan:	
Alaska Retiree Healthcare Trust net OPEB liability/(asset)	\$ (44,942)
DCH Plan:	
Retiree Medical Plan net OPEB liability/(asset)	749
Occupational Death and Disability Plan	
net OPEB liability/(asset)	(2,307)
State's proportionate share of the net OPEB liability/(asset)	
associated with the City	<u>18,609</u>
Total net OPEB liability/(asset)	<u>\$ (27,891)</u>

The net OPEB asset and liability for fiscal year June 30, 2021 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability for the three plans was determined by an actuarial valuation as of June 30, 2019 which was rolled forward to June 30, 2020.

The City's proportion of the net OPEB liability for the Alaska Retiree Healthcare Trust was based on the ratio of the present value of projected future contributions of all participating PERS employers and the State of Alaska to the total present value of projected future contributions for the fiscal years 2021 to 2039 to the plan.

The Retiree Medical Plan proportion was based on the ratio of contributions made for each employer to the total contributions made to the Plan during the year ended June 30, 2020.

The Occupational Death and Disability Plan proportion used was based on the ratio of contributions made for each employer to total contributions made to the Plan during the year ended June 30, 2020.

The proportions and changes for each plan were as follows at June 30:

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
DB Plan:			
Alaska Retiree Healthcare Trust	0.01001%	0.01046%	0.00227%
DCH Plan:			
Retiree Medical Plan	0.01057%	0.01408%	0.00872%
Occupational Death and Disability Plan	0.00846%	0.01119%	0.00583%

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2021, the City recognized a reduction of OPEB expense of \$71,592 and on-behalf revenue of \$11,975 for support provided by the State. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4	\$ 4,540
Changes in assumptions	1,053	33,298
Net difference between projected and actual earnings on OPEB plan investments	18,447	
Changes in proportion and differences between City contributions and proportionate share of contributions	3,176	1,514
City contributions subsequent to the measurement date	30,209	
Total	<u>\$ 52,889</u>	<u>\$ 39,352</u>

The \$30,209 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2022	6,408
2023	6,881
2024	4,824
2025	(144)
Thereafter	(499)
	<u>\$ 6,444</u>

Actuarial Assumptions

The total OPEB liability for the measurement period ended June 30, 2020 (City fiscal year 2021) was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2020. The actuarial assumptions used in the June 30, 2019 actuarial valuation (latest available) was used to determine the actuarial normal cost rate for fiscal year 2021.

Inflation rate	2.50%
Salary increases	Graded by service, from 7.75% to 2.75% for Peace Officer/Firefighter. Graded by age and service from 6.75% to 2.75% for all others.

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

Investment rate of return	7.38% net of OPEB plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%
Healthcare cost trend rates (ARHCT and RMP)	Pre-65 medical: 7.5% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Prescription drugs: 8.0% grading down to 4.5% Employer Group Waiver Plans (EGWP): 8.0% grading down to 4.5%
Healthcare Participation	100% of system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.
Mortality	Pre-termination mortality rates were based on the 2013-2017 actual mortality experience. Post-termination mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table projected with MP-2017 generational improvement. The rates for pre-termination mortality were 100% of the RP-2014 employee table with MP-2017 generational improvement.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB 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 OPEB 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, excluding the inflation component of 2.50%, for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	6.24%
Global equity (non-U.S.)	6.67
Aggregate Bonds	(0.16)
Opportunistic	3.01
Real assets	3.82
Private equity	10.00
Cash equivalents	(1.09)

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.38 percent. 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 total OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity

The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 7.38 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.38 percent) or 1-percentage-point higher (8.38 percent) than the current rate:

	Proportionate Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
City's proportionate share of the net OPEB liability:				
Alaska Retiree Healthcare Trust	0.00990%	\$ 46,896	\$ (44,942)	\$ (121,011)
Retiree Medical Plan	0.01057%	(2,630)	749	5,346
Occupational Death and Disability	0.00846%	(2,168)	(2,307)	(2,419)

11. RISK MANAGEMENT

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City participates in the Alaska Municipal League Joint Insurance Association (AML/ JIA) which provides insurance coverage for property and contents damage, torts, general and automobile liability, and workers' compensation. The AML/ JIA is a public entity risk pool organized to share risks among its members. The Association'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. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2021. The City has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the policies have stayed relatively constant for the past few years.

CITY OF DELTA JUNCTION, ALASKA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12. ENVIRONMENTAL REMEDIATION LIABILITIES

Effective April 5, 2000, the United States Environmental Protection Agency (EPA) instituted regulations which prohibited the new construction of motor vehicle waste disposal wells, and required the closure of all such wells by January 1, 2005. On July 11, 2018 the EPA performed an inspection of City facilities, and the City was found to be in violation of this rule by disposing of the effluent of several oil/water separators into two septic systems, one located at the City Landfill, the other serving the combined output of the Public Works Building and the Fire/Emergency Medical Services Building. These systems were designed and approved by registered professional engineers with stamped drawings.

An original penalty of approximately \$33,000 for the violation was proposed, which rose to the \$50,000 range and was subsequently lowered to \$22,000 as a result of negotiations between the City and the EPA. An additional finding was identified due to a legacy septic system that was not properly closed with the EPA/Alaska Department of Environmental Conservation; the penalty for that violation was absorbed into the current septic system violation.

The City submitted a proposed remediation plan in November 2019 and a revised plan was submitted in December 2020. The revised remediation plan was approved and remediation was completed during fiscal year 2022 with a total cost to the City of \$4,272. In August 2022 case closing documents were sent for approval with an expected response from the EPA in December 2022.

13. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, would become a liability of the City.

CITY OF DELTA JUNCTION, ALASKA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

14. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, Leases (GASB 87) was issued by the GASB in June 2017. The objective of GASB 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases, based on the principle that leases are financings of the right to use an underlying asset. GASB 87 requires lessees to recognize a lease liability and an intangible right-to-use asset, and requires a lessor to recognize a lease receivable and a deferred inflow of resources. GASB 87 is effective for the fiscal year ending June 30, 2022. The City has not implemented GASB 87 and is currently evaluating the impact on future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DELTA JUNCTION, ALASKA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance
Revenues				
Intergovernmental	\$ 1,123,254	\$ 1,123,254	\$ 1,223,260	\$ 100,006
Charges for services	353,000	353,000	569,850	216,850
Corporate donation - SMM Pogo	150,000	150,000	150,000	
Investment income	40,000	40,000	18,644	(21,356)
Other revenues	52,030	55,530	407,728	352,198
Total revenues	<u>1,718,284</u>	<u>1,721,784</u>	<u>2,369,482</u>	<u>647,698</u>
Expenditures				
General government	592,804	646,531	544,581	101,950
Public safety	142,428	185,154	233,857	(48,703)
Community services	358,670	358,670	322,207	36,463
General maintenance	294,312	294,312	261,503	32,809
Sanitary landfill	283,848	283,848	296,956	(13,108)
Debt service payment	50,000	50,000	50,000	
Capital outlay	50,000	50,000	69,627	(19,627)
Total expenditures	<u>1,772,062</u>	<u>1,868,515</u>	<u>1,778,731</u>	<u>89,784</u>
Excess (deficiency) of revenues over expenditures	<u>(53,778)</u>	<u>(146,731)</u>	<u>590,751</u>	<u>737,482</u>
Other financing sources (uses)				
Transfers in	100,000	100,000	3,022	(96,978)
Transfers out			(4,853)	(4,853)
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>(1,831)</u>	<u>(101,831)</u>
Net change in fund balance	<u>\$ 46,222</u>	<u>\$ (46,731)</u>	<u>588,920</u>	<u>\$ 635,651</u>
Fund balance, beginning			<u>4,676,591</u>	
Fund balance, ending			<u>\$ 5,265,511</u>	

See accompanying notes to
required supplementary information.

CITY OF DELTA JUNCTION, ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
SCHEDULE OF THE CITY'S INFORMATION ON THE NET PENSION LIABILITY

Years Ended June 30,	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.01001%	\$ 590,441	\$ 243,262	\$ 833,703	\$ 142,903	413.18%	65.19%
2020	0.10460%	572,853	224,717	797,570	142,977	400.66%	63.42%
2019	0.01274%	633,043	182,367	815,410	135,444	467.38%	65.19%
2018	0.01503%	777,212	291,574	1,068,786	132,066	588.50%	63.37%
2017	0.01437%	802,992	103,191	906,183	132,593	605.61%	59.55%
2016	0.00973%	471,713	125,167	596,880	154,961	119.52%	63.96%
2015	0.00706%	329,281	302,521	631,802	172,396	109.08%	62.37%
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*

* Information for these years was not available.

See accompanying notes to
required supplementary information.

CITY OF DELTA JUNCTION, ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 37,721	\$ 32,660	\$ 5,061	\$ 139,183	23.47%
2020	34,281	34,446	(165)	142,903	24.10%
2019	38,347	38,512	(165)	142,977	26.94%
2018	44,676	45,059	(383)	135,444	33.27%
2017	41,129	41,129	-	132,066	31.14%
2016	40,055	40,055	-	132,593	30.21%
2015	29,487	29,487	-	154,961	19.03%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*

* Information for these years was not available.

See accompanying notes to
required supplementary information.

CITY OF DELTA JUNCTION, ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
SCHEDULE OF THE CITY'S INFORMATION ON THE NET OPEB (ASSET) LIABILITY

Years Ended June 30,	City's Proportion of the Net OPEB (Asset)/ Liability	City's Proportionate Share of the Net OPEB (Asset)/ Liability	State of Alaska Proportionate Share of the Net OPEB (Asset)/ Liability	Total Net OPEB (Asset)/ Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB (Asset)/ Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/ Liability
2021	0.01376%	\$ (46,500)	\$ 18,609	\$ (27,891)	\$ 285,681	-16.28%	61.61%
2020	0.01504%	16,159	6,104	22,263	319,283	5.06%	98.17%
2019	0.01642%	129,341	38,040	167,381	360,802	35.85%	88.36%
2018	0.01492%	124,725	47,178	171,903	395,651	31.52%	89.91%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*

* Information for these years was not available.

See accompanying notes to
required supplementary information.

CITY OF DELTA JUNCTION, ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution (Excess) Deficiency	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 30,209	\$ 30,209	\$ -	\$ 293,986	10.28%
2020	16,016	16,016	-	285,681	5.61%
2019	16,082	16,082	-	319,283	5.04%
2018	15,416	15,416	-	360,802	4.27%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*

* Information for these years was not available.

See accompanying notes to
required supplementary information.

CITY OF DELTA JUNCTION, ALASKA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

1. GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

The General fund budgetary comparison schedule is presented on the modified accrual basis of accounting.

2. SCHEDULES OF THE CITY'S INFORMATION ON THE NET PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITIES

These schedules are presented based on the measurement date of the Plans. For June 30, 2021, the Plan measurement date was June 30, 2019. There were no changes in benefit terms, assumptions, or allocation methodology from the prior measurement period.

3. SCHEDULES OF THE CITY'S PENSION AND OPEB PLAN CONTRIBUTIONS

These schedules are based on the City's contributions for each fiscal year presented. Contributions have been reported as a deferred outflow on the statement of net position.

These schedules are intended to present 10 years of information. Additional years' information will be added as it becomes available.

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SUPPLEMENTARY INFORMATION

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GENERAL FUND

The general fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City including administrative services, rescue squad and fire protection, general maintenance, planning, library, other community services, and sanitary landfill. General fund revenues come from a variety of sources including the federal government, the State of Alaska, charges for services, and interest. General fund expenditures are made primarily for current day-to-day operating purposes.

CITY OF DELTA JUNCTION, ALASKA

GENERAL FUND

BALANCE SHEET

June 30, 2021 and 2020

	2021	2020
<u>Assets</u>		
Cash and investments	\$ 5,293,764	\$ 4,697,249
Accounts receivable	37,348	30,470
Due from other funds	13,468	4,868
	<u>5,344,580</u>	<u>4,732,587</u>
Total assets	\$ 5,344,580	\$ 4,732,587
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 72,623	\$ 35,928
Accrued payroll and related liabilities	6,446	20,068
	<u>79,069</u>	<u>55,996</u>
Total liabilities	79,069	55,996
Fund Balance		
Committed	200,000	200,000
Unassigned	5,065,511	4,476,591
	<u>5,265,511</u>	<u>4,676,591</u>
Total fund balance	5,265,511	4,676,591
Total liabilities and fund balance	\$ 5,344,580	\$ 4,732,587

See accompanying notes to the financial statements.

CITY OF DELTA JUNCTION, ALASKA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

Years Ended June 30, 2021 and 2020

	Budget	2021 Actual	Variance	2020 Actual
Revenues				
Intergovernmental:				
Federal government:				
Payment in lieu of taxes	\$ 1,030,579	\$ 1,102,977	\$ 72,398	\$ 1,104,188
State of Alaska:				
Community assistance	75,175	75,389	214	91,668
PERS relief		25,511	25,511	19,841
Library grant	7,000	8,560	1,560	7,000
Telephone and electric co-op tax	8,000	10,823	2,823	10,278
Shared taxes - alcohol	2,500		(2,500)	
Total State of Alaska	92,675	120,283	27,608	128,787
Total intergovernmental	1,123,254	1,223,260	100,006	1,232,975
Charges for services:				
Fire service and subscriptions	15,000	12,304	(2,696)	18,413
Sanitary landfill	300,000	518,634	218,634	433,617
Airport tie downs	3,000	8,705	5,705	4,526
E911 revenues	35,000	30,207	(4,793)	28,340
Total charges for services	353,000	569,850	216,850	484,896
Corporate donation - SMM Pogo	150,000	150,000		150,000
Investment income, including net unrealized gains/losses	40,000	18,644	(21,356)	99,957
Other revenues:				
Hockey rink	17,630	4,500	(13,130)	17,630
Cemetery	3,000	18,650	15,650	12,760
Community center	2,600	5,052	2,452	1,461
Library	21,500	11,313	(10,187)	19,984
Miscellaneous fees	8,800	17,717	8,917	20,345
Land sale		277,450		
Other	2,000	73,046	71,046	25,312
Total other revenues	55,530	407,728	74,748	97,492
Total revenues	1,721,784	2,369,482	370,248	2,065,320

CITY OF DELTA JUNCTION, ALASKA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL, CONTINUED

Years Ended June 30, 2021 and 2020

	2021			2020
	Budget	Actual	Variance	Actual
Expenditures				
General government:				
Personnel	\$ 392,100	\$ 390,242	\$ 1,858	\$ 353,597
Legal fees	10,000	11,310	(1,310)	9,024
Communications	8,500	8,791	(291)	9,846
Contracted services	6,000	19,407	(13,407)	16,715
Repairs and maintenance	7,000	4,248	2,752	4,382
Advertising	5,700	808	4,892	470
Donations	30,000	32,250	(2,250)	6,000
Insurance	5,504	7,974	(2,470)	8,190
Travel and per diem	12,000	258	11,742	41
Training	3,500	500	3,000	784
Audit and accounting	30,000	38,439	(8,439)	41,647
Dues and memberships	2,500	2,303	197	2,506
Credit/debit card costs	1,500	1,881	(381)	1,782
Gas and oil	6,000	3,959	2,041	6,430
Utilities	6,000	6,338	(338)	7,634
Other	5,727	4,081	1,646	2,241
Supplies	7,500	8,830	(1,330)	10,044
Land sales - contracted services	50,000	1,276	48,724	1,070
EPA septic remediation	50,000		50,000	
Equipment and capital outlay	7,000	1,686	5,314	7,040
Total general government	646,531	544,581	101,950	489,443
Public safety:				
Rescue squad:				
Contracted services	50,000	50,000		50,000
Repairs and maintenance		21,668	(21,668)	
Insurance	2,110	4,095	(1,985)	10,301
Gas and oil	6,000		6,000	
Utilities	6,000		6,000	
Total rescue squad	64,110	75,763	(11,653)	60,301

See accompanying notes to the financial statements.

CITY OF DELTA JUNCTION, ALASKA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL, CONTINUED

Years Ended June 30, 2021 and 2020

	2021			2020
	Budget	Actual	Variance	Actual
Expenditures (continued)				
Public Safety (continued):				
Fire department:				
Personnel	\$ 1,900	\$ 1,341	\$ 559	\$ 1,840
Communications	1,300	1,090	210	1,498
Contracted services	2,000	8,346	(6,346)	1,591
Repairs and maintenance	6,000	17,492	(11,492)	7,995
Insurance	13,050	15,601	(2,551)	18,242
Travel and per diem	2,000	(9)	2,009	657
Training	7,000	4,147	2,853	5,273
Gas and oil	8,000	10,540	(2,540)	13,414
Utilities	6,000	13,151	(7,151)	13,760
Supplies	3,000	7,400	(4,400)	4,000
Equipment and capital outlay	30,068	26,193	3,875	18,821
Total fire department	80,318	105,292	(24,974)	87,091
911 activity:				
Contracted services	21,526	32,480	(10,954)	23,047
911 telephone charges	11,000	12,273	(1,273)	11,723
Total 911 activity	32,526	44,753	(12,227)	34,770
E911 activity:				
Communications	1,200	1,344	(144)	1,310
Contracted services	5,000	6,705	(1,705)	6,159
Repairs and maintenance	1,000		1,000	
Supplies	500		500	9
Equipment and capital outlay	500		500	
Total E911 activity	8,200	8,049	151	7,478
Total public safety	185,154	233,857	(48,703)	189,640

CITY OF DELTA JUNCTION, ALASKA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL, CONTINUED

Years Ended June 30, 2021 and 2020

	2021			2020
	Budget	Actual	Variance	Actual
Expenditures (continued)				
Community services:				
Cemetery:				
Contracted services	\$ 10,000	\$ 10,686	\$ (686)	\$ 11,156
Repairs and maintenance	500	803	(303)	278
Utilities	300	321	(21)	318
Supplies	1,000	1,597	(597)	2,141
Equipment and capital outlay	500			
Total cemetery	12,300	13,407	(1,607)	13,893
Community center:				
Communications	420	420		420
Repairs and maintenance	3,500	7,391	(3,891)	3,952
Insurance	2,385	4,405	(2,020)	2,584
Gas and oil	7,000	6,131	869	5,835
Utilities	3,000	3,191	(191)	3,348
Supplies	500		500	8
Equipment and capital outlay	500		500	
Total community center	17,305	21,538	(4,233)	16,147
Library:				
Personnel	168,250	158,040	10,210	171,130
Communications	6,100	7,738	(1,638)	3,066
Contracted services	3,000	2,415	585	1,708
Repairs and maintenance	9,500	7,296	2,204	7,333
Advertising	1,900	544	1,356	617
Insurance	3,916	5,936	(2,020)	13,224
Ft. Greely expenditures	1,450	4,401	(2,951)	6,697
Travel and per diem	1,200	115	1,085	740

See accompanying notes to the financial statements.

CITY OF DELTA JUNCTION, ALASKA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL, CONTINUED

Years Ended June 30, 2021 and 2020

	2021			2020
	Budget	Actual	Variance	Actual
Expenditures (continued)				
Community services (continued):				
Library (continued):				
Dues and memberships	\$ 2,000	\$ 2,217	\$ (217)	\$ 2,162
Library materials	8,600	10,787	(2,187)	6,445
Credit/debit card costs	1,000	582	418	540
Gas and oil	7,000	4,324	2,676	5,890
Utilities	7,500	7,128	372	8,381
Supplies	4,000	4,390	(390)	4,025
Equipment and capital outlay	4,500	563	3,937	6,727
Total library	229,916	216,476	13,440	238,685
Parks and recreation:				
Contracted services	10,000	8,055	1,945	8,289
Pioneer Park	40,000	3,500	36,500	4,400
Repairs and maintenance	2,000	2,967	(967)	1,533
Insurance	348	2,396	(2,048)	2,584
Gas and oil	50	35	15	
Utilities	600	755	(155)	520
Supplies	1,200	1,508	(308)	1,532
Equipment and capital outlay	500		500	
Total parks and recreation	54,698	19,216	35,482	18,858
Hockey rink:				
Contracted services	1,500		1,500	1,500
Repairs and maintenance	4,000	15,073	(11,073)	7,764
Insurance	12,951	15,168	(2,217)	424
Gas and oil	14,000	12,347	1,653	16,964
Utilities	7,000	8,923	(1,923)	8,811
Supplies	3,000	59	2,941	6,693
Equipment and capital outlay	2,000		2,000	
Total hockey rink	44,451	51,570	(7,119)	42,156
Total community services	358,670	322,207	36,463	329,739

CITY OF DELTA JUNCTION, ALASKA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL, CONTINUED

Years Ended June 30, 2021 and 2020

	2021			2020
	Budget	Actual	Variance	Actual
Expenditures (continued)				
General maintenance:				
Facility maintenance:				
Personnel	\$ 105,100	\$ 91,675	\$ 13,425	\$ 101,562
Contracted services		100	(100)	178
Repairs and maintenance	3,000	82	2,918	37
Insurance	2,052	2,052		2,584
Travel and per diem	1,000	244	756	700
Supplies	3,000	1,737	1,263	2,999
Equipment and capital outlay	3,000		3,000	400
Total facility maintenance	117,152	95,890	21,262	108,460
Streets and runway maintenance:				
Personnel	37,400	32,956	4,444	96,341
Communications	800	1,305	(505)	1,051
Contracted services	3,000	1,495	1,505	3,162
Repairs and maintenance	15,000	9,579	5,421	17,268
Roads and grounds	10,750	7,666	3,084	22,734
Insurance	14,410	16,523	(2,113)	32,176
Dues and memberships		2,360	(2,360)	
Gas and oil	22,000	22,393	(393)	24,857
Utilities	9,300	9,801	(501)	9,398
Supplies	2,500	3,167	(667)	1,533
Equipment and capital outlay	62,000	58,368	3,632	
Total streets and runway maintenance	177,160	165,613	11,547	208,520
Total general maintenance	294,312	261,503	32,809	316,980

See accompanying notes to the financial statements.

CITY OF DELTA JUNCTION, ALASKA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL, CONTINUED

Years Ended June 30, 2021 and 2020

	2021			2020
	Budget	Actual	Variance	Actual
Expenditures (continued)				
Sanitary landfill:				
Personnel	\$ 117,100	\$ 154,169	\$ (37,069)	\$ 79,521
Communications	800	1,350	(550)	876
Contracted services	10,000	12,237	(2,237)	3,389
Repairs and maintenance	45,000	47,568	(2,568)	54,233
Insurance	4,848	6,852	(2,004)	16,879
Travel and per diem	500		500	119
Training	500	229	271	
Dues and memberships	12,000	8,930	3,070	6,252
Credit/debit card costs	4,000	5,718	(1,718)	5,260
Gas and oil	23,000	23,345	(345)	21,952
Utilities	10,000	8,997	1,003	10,964
Supplies	3,000	4,214	(1,214)	3,246
Closure fund	25,000		25,000	
Equipment sinking fund	25,000		25,000	
Equipment and capital outlay	3,000	23,347	(20,347)	220
Clean up day	100			
Total sanitary landfill	283,848	296,956	(13,108)	202,911
Debt service payment	50,000	50,000		50,000
Capital outlay	50,000	69,627	(19,627)	19,908
Total expenditures	1,868,515	1,778,731	89,784	1,598,621
Excess (deficiency) of revenues over expenditures	(146,731)	590,751	737,482	466,699
Other financing sources (uses)				
Transfers in	100,000	3,022	(96,978)	25,179
Transfers out		(4,853)	(4,853)	
Total other financing sources (uses)	100,000	(1,831)	(101,831)	25,179
Net change in fund balance	\$ (46,731)	588,920	\$ 635,651	491,878
Fund balance, beginning		4,676,591		4,184,713
Fund balance, ending		\$ 5,265,511		\$ 4,676,591

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SPECIAL REVENUE FUNDS

Special revenue funds are established to finance particular activities and are created from receipts of designated revenues that are restricted for expenditures for specified purposes.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital assets and City facilities. These funds evolved from the need for special accounting for grants and contributions for the acquisition or construction of capital assets.

Capital projects funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain capital related purpose are used only for that purpose and further enables them to report to granting agencies that their requirements regarding the use of the proceeds were satisfied.

CITY OF DELTA JUNCTION, ALASKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
Year Ended June 30, 2021

	<u>Special Revenue Funds</u>			
	<u>COVID-19 Relief</u>	<u>State Homeland Security</u>	<u>Minding the Gap - Library</u>	<u>Bridging the Gap - Library</u>
<u>Assets</u>				
Cash and investments	\$ 33,471	\$	\$	\$ 13,686
Grants receivable		13,270		
Total assets	<u>\$ 33,471</u>	<u>\$ 13,270</u>	<u>\$</u>	<u>\$ 13,686</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$	\$	\$	\$ 470
Due to other funds		13,270		198
Unearned revenue	33,437			13,216
Total liabilities	<u>33,437</u>	<u>13,270</u>		<u>13,884</u>
Fund balances				
(deficit) - restricted	34			(198)
Total liabilities and fund balances	<u>\$ 33,471</u>	<u>\$ 13,270</u>	<u>\$</u>	<u>\$ 13,686</u>

See accompanying notes to the financial statements.

Special Revenue Funds (continued)				Capital Projects Fund	
Rural Library Grant	VFA Forestry	2011 Ambulance	Total Special Revenue Funds	Public Works Building Improvements	Total Nonmajor Governmental Funds
\$ 3,000	\$ 5,600	\$ 20,006	\$ 75,763 13,270	\$	\$ 75,763 13,270
<u>\$ 3,000</u>	<u>\$ 5,600</u>	<u>\$ 20,006</u>	<u>\$ 89,033</u>	<u>\$</u>	<u>\$ 89,033</u>
\$ 105	\$ 5,600	\$	\$ 6,175 13,468 49,548	\$	\$ 6,175 13,468 49,548
<u>2,895</u>					
<u>3,000</u>	<u>5,600</u>		<u>69,191</u>		<u>69,191</u>
		<u>20,006</u>	<u>19,842</u>		<u>19,842</u>
<u>\$ 3,000</u>	<u>\$ 5,600</u>	<u>\$ 20,006</u>	<u>\$ 89,033</u>	<u>\$</u>	<u>\$ 89,033</u>

See accompanying notes to the financial statements.

CITY OF DELTA JUNCTION, ALASKA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2021

	Special Revenue Funds			
	COVID-19 Relief	State Homeland Security	Minding the Gap - Library	Bridging the Gap - Library
Revenues				
Intergovernmental	\$ 424,321	\$ 13,270	\$	\$ 2,424
Investment income	26			
Total revenues	424,347	13,270		2,424
Expenditures				
Current				
Personnel				2,424
Contracted services				
Supplies	8,174	17,694	429	
Economic support	413,323			
Total expenditures	421,497	17,694	429	2,424
Excess (deficiency) of revenues over expenditures	2,850	(4,424)	(429)	
Other financing sources (uses)				
Transfers in		4,424	429	
Transfers out	(2,824)			(198)
Total other financing sources (uses)	(2,824)	4,424	429	(198)
Net changes in fund balances	26			(198)
Fund balances, beginning	8			
Fund balances (deficit), ending	\$ 34	\$	\$	\$ (198)

See accompanying notes to the financial statements.

Special Revenue Funds (continued)				Capital Projects Fund	
Rural Library Grant	VFA Forestry	2011 Ambulance	Total Special Revenue Funds	Public Works Building Improvements	Total Nonmajor Governmental Funds
\$ 105	\$ 5,600	\$	\$ 445,720 26	\$ 71	\$ 445,791 26
105	5,600		445,746	71	445,817
105	5,600	6,389 500	14,518 26,797 413,323	71	14,518 26,868 413,323
105	5,600	6,889	454,638	71	454,709
		(6,889)	(8,892)		(8,892)
			4,853 (3,022)		4,853 (3,022)
			1,831		1,831
		(6,889)	(7,061)		(7,061)
		26,895	26,903		26,903
\$	\$	\$ 20,006	\$ 19,842	\$	\$ 19,842

See accompanying notes to the financial statements.

CITY OF DELTA JUNCTION, ALASKA
PERMANENT FUND SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues		
Interest income	\$ 30,167	\$ 34,904
Net capital gain on investments	40,453	(26,335)
Unrealized gain/(loss) on investments	<u>292,261</u>	<u>10,098</u>
Total revenues	<u>362,881</u>	<u>18,667</u>
Expenditures		
Investment fees	<u>15,890</u>	<u>12,133</u>
Total expenditures	<u>15,890</u>	<u>12,133</u>
Excess of revenues over expenditures	<u>346,991</u>	<u>6,534</u>
Other financing sources (uses)		
Transfers out	<u></u>	<u>(31,984)</u>
Total other financing sources (uses)	<u></u>	<u>(31,984)</u>
Net change in fund balance	346,991	(25,450)
Fund balance, beginning	<u>1,620,163</u>	<u>1,645,613</u>
Fund balance, ending	<u>\$ 1,967,154</u>	<u>\$ 1,620,163</u>

See accompanying notes to the financial statements.

SINGLE AUDIT INFORMATION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and Members of the City Council
City of Delta Junction, Alaska

Independent Auditor's Report

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Delta Junction (City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 13, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

City of Delta Junction, Alaska's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

Purpose of this Report

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

Alliance CPAs LLC

Fairbanks, Alaska
January 13, 2023



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Members of the City Council
City of Delta Junction, Alaska

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited City of Delta Junction's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City of Delta Junction Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Delta Junction complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-002 that we consider to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Alliance CPAs LLC

CITY OF DELTA JUNCTION, ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture Passed through the State of Alaska Department of Natural Resources Volunteer Fire Assistance Grant	10.664	N/A	\$	\$ 5,600
U.S. Department of the Interior Passed through the State of Alaska Department of Commerce, Community and Economic Development Payments in Lieu of Taxes	15.226	N/A		1,102,977
U.S. Department of Treasury Passed through the State of Alaska Department of Commerce, Community and Economic Development COVID-19 CARES Act Funds	21.019	20-CRF-049		424,321
Passed through the State of Alaska Institute of Library and Museum Services Passed through the American Library Association Libraries Transforming Communities: Focus on Small and Rural Libraries	45.313			105
Passed through the State of Alaska Institute of Library and Museum Services COVID-19 CARES Act Funds - Bridging the Gap	45.310	LS-246519-OLS-20		2,424
U.S. Department of Homeland Security Passed through the State of Alaska Department of Military and Veteran Affairs 2020 Homeland Security Grant Program	97.067	EMW-2020-SS-00012-S01		13,270
Total Federal Financial Assistance			\$	\$ 1,548,697

See accompanying notes to
Schedule of Expenditures of Federal Awards.

CITY OF DELTA JUNCTION, ALASKA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of City of Delta Junction, Alaska (the City) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF DELTA JUNCTION, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes X No

Significant deficiency(ies) identified?

Yes X None reported

Noncompliance material to financial statements noted?

Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

Yes X No

Significant deficiency(ies) identified?

Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes X No

Identification of major federal programs:

<u>Assistance Number</u>	<u>Name of Federal Program or Cluster</u>
15.226	Payments in Lieu of Taxes
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes X No

CITY OF DELTA JUNCTION, ALASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2021-001 Financial Reporting and the Schedule of Expenditures of Federal Awards - Significant Deficiency in Internal Control

Criteria Internal controls and procedures should be established to ensure accurate and complete financial reporting of all federal award related expenditures within the Schedule of Expenditures of Federal Awards (SEFA) in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Condition Multiple federal grant awards were identified during the audit process which were not initially included in the Schedule of Expenditures of Federal Awards, as originally prepared.

Cause The City's Finance Officer was the only employee of the finance department. Because the City is relatively small, the number of federal awards normally received has historically been limited. The City's Finance Officer had not previously acquired the experience of accounting for multiple federal grants including new grant awards made available to local governments as a result of the COVID-19 pandemic.

Effect Several corrections were necessary to ensure the completeness of the SEFA. Many of the adjustments were identified as a result of audit procedures performed for the basic financial statements.

Recommendation In order to ensure the accuracy and completeness of the SEFA it is important to identify the appropriate funding source of all grant awards received. This should be determined at the time the City makes an application for a new grant award or when grant funds are received by the City if no specific grant application is made.

Views of responsible officials See the corrective action plan.

CITY OF DELTA JUNCTION, ALASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended June 30, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-002	Reporting - Material Weakness in Internal Control over Compliance
<i>Criteria</i>	The City is required to submit the single audit report package and Form SF-SAC within nine months of the fiscal year end. For the fiscal year ended June 30, 2021 the due date for timely submittal of the single audit reporting package and Form SF-FAC was extended to September 30, 2022.
<i>Condition</i>	The Form SF-SAC for the fiscal year ended June 30, 2021 was not filed on time.
<i>Cause</i>	The audit was not completed in time to file the form. Due to turnover of accounting staff there was a delay in the closing of the books and records.
<i>Effect</i>	The Schedule of Expenditures of Federal Awards was not available in a timely manner in order to allow for timely submission of the Form SF-SAC.
<i>Questioned Costs</i>	No questioned costs were identified.
<i>Context</i>	The fiscal year 2021 Form SF-SAC was due by September 30, 2022. The June 30, 2021 Form SF-SAC has not yet been filed.
<i>Recommendation</i>	We recommend the Form SF-SAC be filed timely in the future.
<i>Views of responsible officials and planned</i>	See the corrective action plan.



City of Delta Junction

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Welcome to the Friendly Frontier

Corrective Action Plan, Finding 2021-001: Financial Reporting and the Schedule of Expenditures of Federal Awards - Significant Deficiency in Internal Control

Corrective Action: The City and Finance Officer will work more diligently to determine what grants are federal and which are not. The City will work to create an application process for employees to use when applying for grants.

Implementation: Immediate

Corrective Action Plan, Finding 2021-002: Reporting - Material Weakness in Internal Control over Compliance

Corrective Action: The City will work to create a Standard Operating Procedure to ensure that any future lack of staff will not result in a delay in compliance.

Implementation: Immediate