



Petersburg Borough, Alaska

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

Petersburg Borough, Alaska

Basic Financial Statements, Required Supplementary Information,
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Year Ended June 30, 2014

Petersburg Borough, Alaska

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Financial Section

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Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and Borough Assembly
Petersburg Borough

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Petersburg Borough, Alaska, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 17 and page 60 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.

Supplementary Information

Our audit for the year ended June 30, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise Petersburg Borough's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2014 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Petersburg Borough as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated November 6, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2013 financial statements. The information has been subjected to the auditing procedures applied in the audit of the June 30, 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of Petersburg Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Petersburg Borough's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
November 26, 2014

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Management's Discussion & Analysis

Petersburg Borough

Management's Discussion and Analysis

This section offers readers of the Petersburg Borough's financial statements a narrative overview and analysis of the financial activities of the Borough for the fiscal year that ended June 30, 2014. The intent of this section is to provide the reader with some comparative discussion and analysis. We encourage readers to consider the information presented here in conjunction with the Borough's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of the Borough exceed its liabilities at the close of the most recent year by \$129.1 million. Of this amount, \$25.1 million (unrestricted net assets) is legally unreserved and may therefore be used to meet the Borough's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4.9 million and was available for spending. The unassigned fund balance for the General Fund represented 54% of total General Fund expenditures exclusive of transfers out.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Petersburg Borough's basic financial statements. The Borough's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Borough's finances. The *Statement of Net Position* and the *Statement of Activities* provide information about all of the Borough's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Borough is improving or deteriorating.

The Statement of Activities provides information which shows how the Borough's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid.

The government-wide financial statements distinguish functions of the Borough that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Borough include general government, public safety, public works, community development, parks and recreation, library and community services. The business-type activities of the Borough include the electric, water, sewer and sanitation utilities; the port and harbors; elderly housing and assisted living facilities; and the motor pool operations.

Petersburg Borough

Management's Discussion and Analysis

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements also report the Borough's operations in more detail than the government-wide statements by providing information about the Borough's most significant funds. The Petersburg Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Petersburg Borough can be divided into two categories: governmental funds and proprietary funds (also known as enterprise funds and internal service funds).

- **Governmental Funds.** Most of the Borough's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. This information is useful in evaluating a government's short-term financial requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it provides information that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs.

The financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance, beginning on page 22. The Borough has one major governmental fund, the General Fund. Data from thirteen other governmental funds are combined into a single, aggregated presentation, labeled the Non-major Funds. The thirteen Non-major governmental funds report revenues and expenditures for: Miscellaneous Grants, National Forest Receipts - Schools, National Forest Receipts - Streets & Roads, Property Development, E911 Surcharge, Borough Organizational, Debt Service, Library Construction, Fishing Park, Birch Street Rebuild, Downtown Paving Project, Rasmus Enge Bridge, and Economic Development. The combining financial statement presentation for the Non-major funds can be found on pages 62 and 63 of this report.

The Borough adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided as required supplementary information to the basic financial statements for the General Fund to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 22-25 of this report. The budgetary comparison schedule is on page 60.

- **Proprietary Funds.** The Borough's Enterprise Funds and Motor Pool Internal Service Fund report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. The Proprietary Funds are made up of five major Enterprise Funds: the Electric, Water and Wastewater Utility Funds; the Port & Harbor Fund; and the Assisted Living Facility Fund. The Borough has two non-major Enterprise Funds: the Sanitation and Elderly Housing Funds and one Internal Service Fund, the Motor Pool Fund.

Notes to the Financial Statements. The notes to the financial statements begin on page 32. The notes provide information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information.

Petersburg Borough

Management's Discussion and Analysis

The combining balance sheet and statement of revenues, expenditures, and changes in fund balance for the non-major governmental funds are presented on pages 62-63. Other combining and individual fund statements and schedules can be found on pages 64 through 121.

Government Wide Financial Statements

Net position serves over time as a useful indicator of a government's financial position.

In the case of the Petersburg Borough, assets and deferred outflows exceeded liabilities by \$129,147,266 at the close of the most recent fiscal year. This was an increase of \$8,900,433 from the previous year.

The largest portion of the Borough's net position, 77.3%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The Borough uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. A substantial portion of these capital assets were paid for with the assistance of Federal and State grants.

Table 1
Petersburg Borough's Net Position

	Governmental activities		Business-type activities		Total activities	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 17,308,443	\$ 17,296,431	\$ 14,076,400	\$ 16,981,593	\$ 31,384,843	\$ 34,278,024
Restricted cash and investments	-	-	17,470	1,187,164	17,470	1,187,164
Capital assets, net of depreciation	46,897,982	45,780,079	72,450,932	63,851,344	119,348,914	109,631,423
Deferred outflows	187,335	206,068	132,462	147,772	319,797	353,840
Total Assets and Deferred Outflows	64,393,760	63,282,578	86,677,264	82,167,873	151,071,024	145,450,451
Liabilities						
Long-term liabilities outstanding	9,036,970	9,595,472	11,484,697	11,843,192	20,521,667	21,438,664
Other liabilities	567,431	1,018,653	834,660	2,746,301	1,402,091	3,764,954
Total Liabilities	9,604,401	10,614,125	12,319,357	14,589,493	21,923,758	25,203,618
Net Position						
Net investment in capital assets	38,447,568	36,757,989	61,492,784	52,522,542	99,940,352	89,280,531
Restricted	4,139,928	4,425,761	-	-	4,139,928	4,425,761
Unrestricted	12,201,863	11,484,703	12,865,123	15,055,838	25,066,986	26,540,541
Total Net Position	\$ 54,789,359	\$ 52,668,453	\$ 74,357,907	\$ 67,578,380	\$ 129,147,266	\$ 120,246,833

Petersburg Borough

Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the Borough's net position by \$2.1 million. Key elements of this follows:

- The National Forest Receipts - School Fund spent all of the \$1,148,861 payment the fund received this year decreasing the year end fund balance to \$3,957,752 million. This expenditure was due to providing a 30% match to an State of Alaska Department of Education grant that was used to pay for the Stedman Elementary School siding project.
- The Borough Organizational Fund retained a balance of \$244,147 at fiscal year end.

The net position for the Borough's governmental activities is \$54.8 million. A substantial portion (70%) of the net position is invested in capital assets net of related debt. The Borough uses these assets to provide services to the citizens. The unrestricted net position of the governmental activities is \$12.3 million as of June 30, 2014.

Business-type Activities

The net position for the Borough's business-type activities is \$74.4 million, an increase of \$6.8 million. This is primarily due to grant funded capital projects in the Harbor. As with governmental activities, a substantial portion (83%) of the net position is invested in capital assets net of related debt. The Borough uses these assets to provide services to the citizens.

The unrestricted net position of the business-type activities was \$12.9 million as of June 30, 2014. This is a decrease in unrestricted net position of \$2,190,715. This change is primarily caused by using Harbor reserves for the North Harbor capital replacement project.

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Petersburg Borough
Management's Discussion and Analysis

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Activities	
	2014	2013	2014	2013	2014	2012
Revenues						
Program revenues:						
Charges for services	\$ 838,410	\$ 703,498	\$ 10,949,933	\$ 10,508,928	\$ 11,788,343	\$ 11,212,426
Operating grants and contributions	3,335,713	2,955,317	338,942	330,162	3,674,655	3,285,479
Capital grants and contributions	1,372,912	3,782,521	8,443,219	2,829,597	9,816,131	6,612,118
General Revenues:						
Property Tax	2,958,589	2,857,833	-	-	2,958,589	2,857,833
Sales Tax	3,032,354	2,822,595	-	-	3,032,354	2,822,595
Payment in lieu of taxes	1,173,133	534,395	-	-	1,173,133	534,395
Other taxes	50,056	40,472	-	-	50,056	40,472
Grants and entitlements not restricted to a specific purpose	1,329,995	1,428,387	-	-	1,329,995	1,428,387
Investment Income	647,408	484,592	99,165	42,420	746,573	527,012
Other	10,056	38,251	-	-	10,056	38,251
Total revenues	14,748,626	15,647,861	19,831,259	13,711,107	34,579,885	29,358,968
Expenses						
General Government	1,563,272	1,326,115	-	-	1,563,272	1,326,115
Public Safety	2,447,611	2,440,073	-	-	2,447,611	2,440,073
Public Works	1,481,843	2,282,842	-	-	1,481,843	2,282,842
Community Services	803,540	351,316	-	-	803,540	351,316
Culture & Recreation	2,137,278	2,202,632	-	-	2,137,278	2,202,632
Education	3,333,951	2,135,741	-	-	3,333,951	2,135,741
Electric utility	-	-	6,172,640	5,994,851	6,172,640	5,994,851
Water utility	-	-	1,612,628	1,453,716	1,612,628	1,453,716
Wastewater utility	-	-	881,000	853,845	881,000	853,845
Sanitation utility	-	-	1,230,136	1,119,786	1,230,136	1,119,786
Harbor/Port Facilities	-	-	2,469,455	5,684,945	2,469,455	5,684,945
Elderly Housing	-	-	410,415	379,175	410,415	379,175
Assisted Living	-	-	1,135,683	1,007,089	1,135,683	1,007,089
Total expenses	11,767,495	10,738,719	13,911,957	16,493,407	25,679,452	27,232,126
Increase (decrease) in net position before transfers	2,981,131	4,909,142	5,919,302	(2,782,300)	8,900,433	2,126,842
Transfers	(860,225)	(1,267,780)	860,225	1,267,780	-	-
Increase (decrease) in net position	2,120,906	3,641,362	6,779,527	(1,514,520)	8,900,433	2,126,842
Beginning net position	52,668,453	49,027,091	67,578,380	69,092,900	120,246,833	118,119,991
Ending net position	\$ 54,789,359	\$ 52,668,453	\$ 74,357,907	\$ 67,578,380	\$ 129,147,266	\$ 120,246,833

Figure 1 shows governmental activities, expenses and the related revenues dedicated to each activity. It shows the amount of dedicated revenues associated with the various kinds of activities, exclusive of other revenues. Other revenues also support government activities, but are general in nature and apply to all categories, so they are not included in this graph. They include property and sales taxes, payments in lieu of taxes, investment income, and other general revenues. Figure 1 presents a picture of the information that can be found on page 21 of the financial statements.

Petersburg Borough

Management's Discussion and Analysis

Figure 1

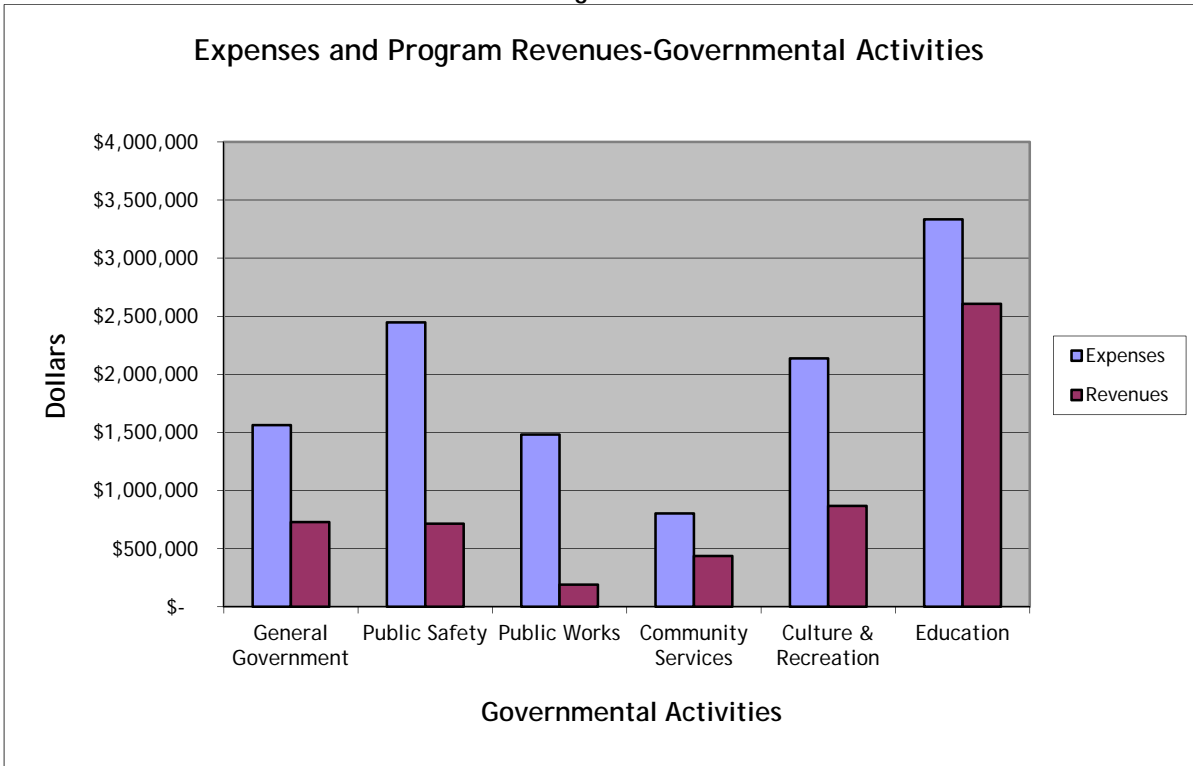
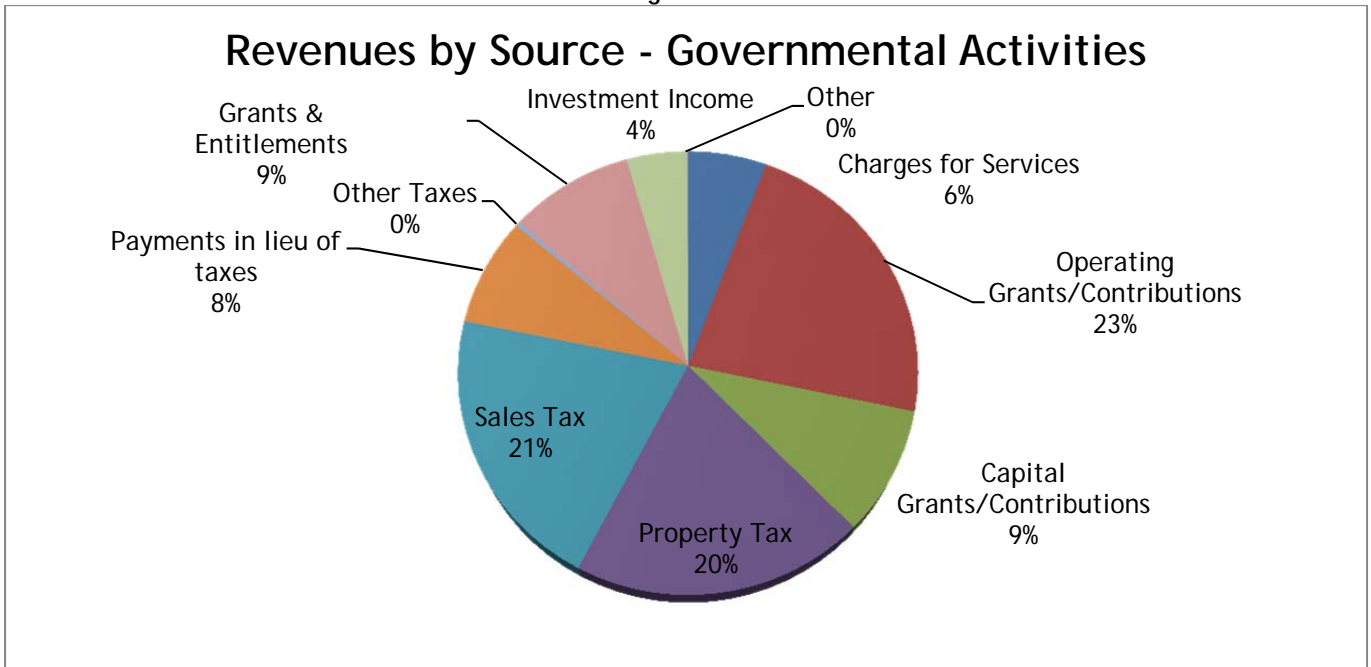


Figure 2 shows the percentages of all revenue sources for governmental activities, both program and general. In 2014, sales taxes and property tax totaled 21% and 20%, respectively, of revenues, both increasing from the prior year's proportion composition of 18%.

Figure 2



Petersburg Borough

Management's Discussion and Analysis

Business Type Activities. Net position increased by \$6.8 million for the Borough's business-type activities.

Figure 3 shows expenses and program revenues for all of the business-type activities. Not included in the program revenues are capital grants and contributions, investment earnings, transfers, and some other miscellaneous revenues. Depreciation is included in the expenses. All funds show expenses in excess of revenues. It should be noted that covering depreciation of capital assets is difficult when a large portion of the Borough's infrastructure was originally paid for by capital grants or with the assistance of grants.

Figure 3

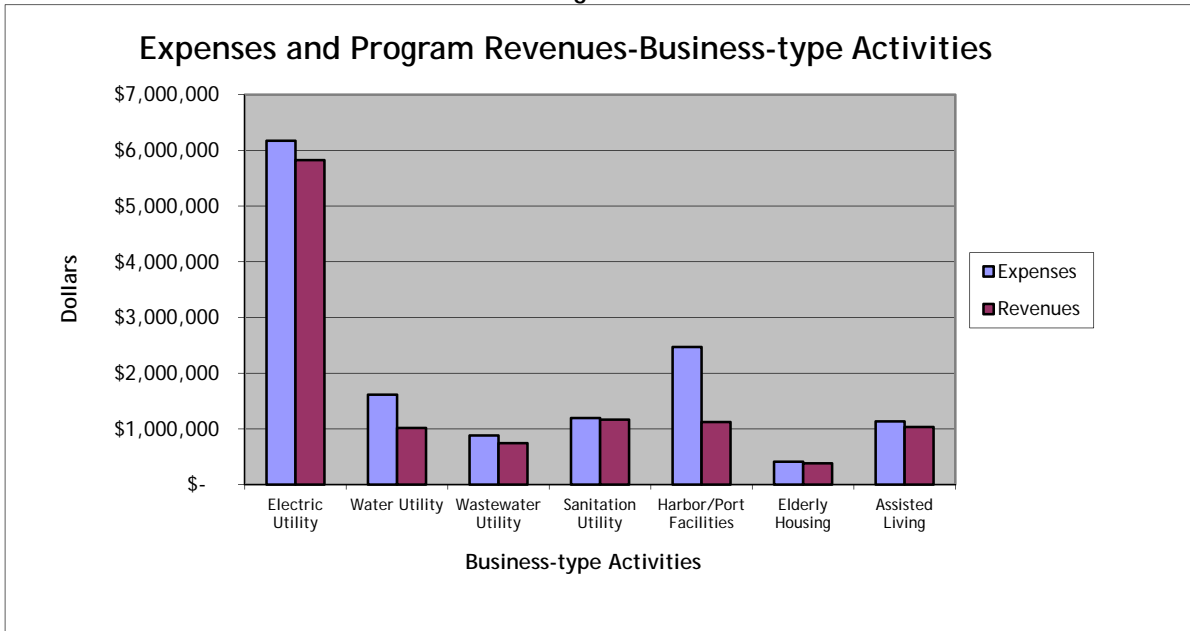
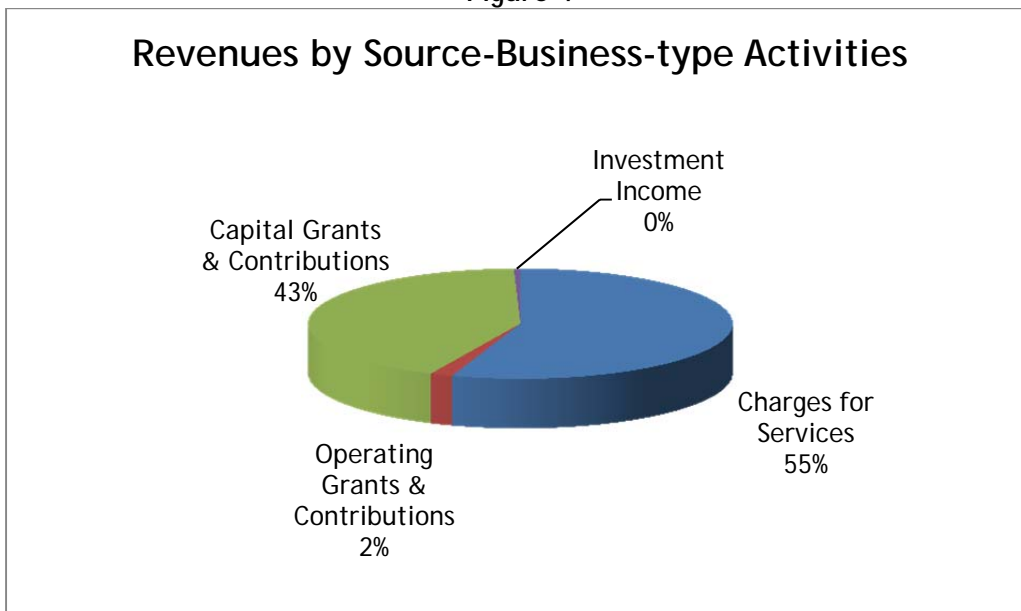


Figure 4



Petersburg Borough

Management's Discussion and Analysis

Financial Analysis

As noted earlier, the Petersburg Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Borough can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. The focus of the Petersburg Borough's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Petersburg Borough's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Petersburg Borough's governmental funds reported combined ending fund balances of \$14,600,242, an increase of \$206,681 in comparison with the prior year.

The total fund balances of the governmental funds are made up of five components. \$62,347 nonspendable, which is the General Fund's prepaid health insurance, \$4,139,928 restricted (National Forest Receipts School and Public Roads funding), \$5,113,297 committed (primarily for economic development and capital projects), \$383,200 assigned (Debt Service and Borough Organizational), and \$4,901,470 unassigned.

The General Fund is the chief operating fund of the Borough. At the end of the current fiscal year, the unassigned fund balance was \$4,901,470, while total fund balance was \$4,963,817. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 55% of total General Fund expenditures. This is an increase of 9% from the previous year. Prior years 2013 had shown an increase of 4%, 2012 had actually shown a decrease of 2% from the prior year.

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

- The Electric Utility Fund's unrestricted net position was \$6,397,613, a decrease of \$53,721 from the prior year.
- The Water Utility Fund's unrestricted net position was \$747,434, an increase of \$169,786.
- The Wastewater Utility Fund's unrestricted net position totaled \$1,271,312 at the end of the year, an increase of 39,937.
- The Sanitation Utility Fund is showing a large decrease in this year's unrestricted net position due to spending on the Landfill Slope Stabilization project. Unrestricted funds were \$307,340 which is a decrease of \$561,218 from the prior year.
- The Harbor Fund decreased its unrestricted net position by \$1,988,784, for a total of \$1,124,446. The majority of this decrease is due to the North Harbor Capital project.
- The Elderly Housing Facility's unrestricted net position showed a slight increase in fiscal year 2014 of just \$12,435, for a total of \$574,252.

Petersburg Borough

Management's Discussion and Analysis

- The Assisted Living Fund presents an unrestricted net position of \$151,142 at year end. This is due in part from the transfer of General Fund property tax revenue for debt retirement, and a \$100,000 subsidy from the General Fund. This is the facility's second year that it has ever had a positive unrestricted fund balance since the facility was completed in 2004.
- The Motor Pool Fund's unrestricted net position increased to \$4,513,498 (8%) from the prior year 2013, a 13% increase from the prior year of 2012 was shown.

General Fund Budgetary Highlights

- The General Fund showed a surplus of \$950,730 after transfers in and transfers out. \$600,000 of this surplus was from receiving the Federal PILT payment twice in one fiscal year, due to timing issues.
- Sales Tax had a positive variance of \$120,462.
- The General Fund transferred out a \$100,000 subsidy as well as the property tax collected for debt retirement on the Assisted Living GO bond.
- Fisheries Business tax showed a positive variance of \$260,516 from what was budgeted, that additional revenue was transferred out to the Harbor Fund which is shown in the negative variance of the same amount in transfers out.
- General government - other, contains the State PERS Relief expense which had a negative variance of \$49,403. This is explainable as the PERS - On behalf revenue showed a positive \$49,403 variance. This is the amount the State subsidized the General Fund for retirement costs for our employees. The excess revenue and the excess expense offset each other.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2014, the Borough had invested \$119.3 million in capital assets net of accumulated depreciation as presented in Table 3. This investment includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. This is an increase over the previous year of \$9.7 million.

Major capital asset additions during the current fiscal year include the following:

- \$1,046,540 million was spent in fiscal year 2014 on the new Library capital project.
- A 30% match of \$922,618 was transferred to the school from the National Forest receipts fund to construct the Elementary School's siding replacement project.
- The Rasmus Enge Bridge underwent a plank and rail replacement for a cost of \$131,369.
- The Museum and Shooting Range each had improvements paid for with State of Alaska Legislative grants. The museum had a retaining wall and site improvements costing \$101,639. The shooting range spent \$65,030 of grant funds on site improvements.

Petersburg Borough

Management's Discussion and Analysis

- \$183,125 of State Legislating grant revenues was passed through the Borough to the Sons of Norway for improvements to the hall.
- The Electric Standby Diesel Generator project was capitalized in FY 2014 in the amount of \$1,897,649.
- Water Treatment Plant - Phase III & IV were capitalized in FY 2014 in the amount of \$1,897,649.
- The Sanitation Fund's Landfill slope stabilization project nearly came to completing in FY 2014 with expenses totaling \$558,888.
- The Harbor Department had multiple projects in FY 2014 such as the Troller Float (\$16,845) and the Fish Cleaning Station (\$22,848) each paid for by federal grants. The North Harbor project had expenditures totaling \$7,436,889 in FY 2014 and was in operation as of the end of the fiscal year. FY 2014 also saw the start-up expenses for the Commercial Drive Down Dock and the Crane Dock Upgrade project, both projects to be completed in FY 2015.
- The Elderly Housing Facility replaced carpet in the upper and lower main rooms of the facility (\$19,695.00). Two ADA walk in showers were installed in two units of the facility (\$16,431). The carpet and the showers were paid for by State Legislative grants. \$6,000 was also expensed this year on window replacements.
- The Assisted Living facility installed a Jacuzzi bath tub for the residents (\$12,699) the majority of the cost was paid for by donation to the facility and the Rotary Club.
- New motor pool vehicles purchased this year were a new Ford Explorer SUV for use by Public Works and Admin (\$24,560). A 2015 Ford truck was purchased for the Electric Utility for \$35,097.

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Petersburg Borough
Management's Discussion and Analysis

Table 3
Petersburg Borough's Capital Assets
(Net of Depreciation)

	Governmental activities		Business-type activities		Total activities	
	2014	2013	2014	2013	2014	2013
Land and improvements	\$ 3,574,725	\$ 3,574,725	\$ 2,399,493	\$ 2,399,493	\$ 5,974,218	\$ 5,974,218
Infrastructure	15,666,277	15,241,004	-	-	15,666,277	15,241,004
Buildings	23,905,321	19,150,822	13,645,515	12,243,505	37,550,836	31,394,327
Improvements other than buildings	39,803	29,473	46,014,003	36,729,090	46,053,806	36,758,563
Machinery and equipment	2,686,547	2,984,856	5,123,289	5,617,078	7,809,836	8,601,934
Construction in progress	1,025,309	4,799,199	5,268,632	6,862,178	6,293,941	11,661,377
Total Capital Assets	\$46,897,982	\$ 45,780,079	\$ 72,450,932	\$63,851,344	\$ 119,348,914	\$ 109,631,423

Additional information on the Borough's capital assets can be found in note 6 on pages 45 through 47 of this report.

Long-term Debt. At the end of the current fiscal year, the Borough had total long-term debt outstanding of \$19.6 million. Of this amount, \$13.3 million comprises debt backed by the full faith and credit of the government (i.e., general obligation bonds). \$0.7 million is employee accrued leave and \$5.6 million is water and wastewater loans from the Alaska Department of Environmental Conservation. It should be noted that the State reimburses the Borough between 60-70% for a majority of the school G.O. Bond debt service, and that the ADEC loans are at a 1.5% interest rate.

Table 4
Borough of Petersburg Outstanding Debt
General Obligation Bonds, Loans and Other Long-term Debt

	Governmental activities		Business-type activities		Total activities	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 8,160,030	\$ 8,707,533	\$ 5,119,971	\$ 5,472,468	\$ 13,280,001	\$ 14,180,001
Accrued leave and pension obligation	399,221	367,314	267,687	274,285	666,908	641,599
Loans, long-term	-	-	5,646,070	5,645,577	5,646,070	5,645,577
Landfill closure liability	-	-	126,400	92,333	126,400	92,333
Total Long-Term Debt	\$ 8,559,251	\$ 9,074,847	\$ 11,160,128	\$11,484,663	\$ 19,719,379	\$ 20,559,510

The Borough's governmental activity debt decreased by \$515,596 during the current year. The Borough's business-type debt decreased by \$324,535. Additional information on the Petersburg Borough's long-term debt can be found in note 7 on pages 47 through 51.

Petersburg Borough

Management's Discussion and Analysis

Economic Forecast and Rates for Next Fiscal Year

- Water (2%), Wastewater (4.5%) and Sanitation (2%) rates are set to increase on July 1, 2014.
- The 2014-2015 Fiscal Year budget was approved at a mill rate of 11.14 mills, the prior year was 11.14 mills.
- Construction projects scheduled for the 2015 fiscal year include Pump Station #1 and #5 upgrades, Commercial Drive Down Dock, Harbor Crane Dock Upgrade, Library Landscaping, and other smaller projects.

For a copy of the Fiscal Year 2015 budget go to the Borough's website at www.petersburgak.gov.

Financial Information Contact

The Borough's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Borough's finances and to demonstrate the Borough's accountability. If you have questions about the report or need financial information, please contact the Petersburg Borough, Attn: Jody Tow, Finance Director, P.O. Box 329, Petersburg, Alaska 99833 or e-mail jtow@petersburgak.gov.

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Basic Financial Statements

Petersburg Borough, Alaska

Statement of Net Position

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Petersburg City School District	Petersburg Medical Center
<i>June 30, 2014</i>					
Assets					
Cash and investments	\$ 18,790,820	\$ 9,751,546	\$ 28,542,366	\$ 3,741,714	\$ 2,591,588
Receivables, net	743,967	1,636,881	2,380,848	219,664	2,818,981
Internal balances	(2,291,584)	2,291,584	-	-	-
Inventory	-	353,250	353,250	5,959	206,904
Prepaid items	65,240	43,139	108,379	110,577	101,861
Restricted cash and investments	-	17,470	17,470	-	3,184,069
Land and construction in progress	4,600,034	7,668,125	12,268,159	-	394,149
Other capital assets, net of accumulated depreciation	42,297,948	64,782,807	107,080,755	276,438	4,580,030
Total Assets	64,206,425	86,544,802	150,751,227	4,354,352	13,877,582
Deferred Outflows					
Deferred charges on refunding	187,335	132,462	319,797	-	-
Total Assets and Deferred Outflows	\$ 64,393,760	\$ 86,677,264	\$ 151,071,024	\$ 4,354,352	\$ 13,877,582
Liabilities					
Accounts payable	\$ 191,022	\$ 376,822	\$ 567,844	\$ 948,524	\$ 1,404,240
Accrued payroll and employee benefits	230,635	165,195	395,830	554	213,298
Unearned revenue	45,652	117,628	163,280	723,320	-
Customer deposits	-	64,953	64,953	-	-
Accrued interest	100,122	110,062	210,184	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued leave	399,221	267,687	666,908	36,997	606,367
Bonds payable	393,337	356,633	749,970	-	-
Loans payable	-	293,187	293,187	-	23,227
Capital lease	-	-	-	-	72,489
Due in more than one year:					
Bonds payable	7,766,693	4,763,338	12,530,031	-	-
Bond premium, net	477,719	324,569	802,288	-	-
Loans payable	-	5,352,883	5,352,883	-	153,273
Capital lease	-	-	-	-	101,559
Landfill closure costs	-	126,400	126,400	-	-
Total Liabilities	9,604,401	12,319,357	21,923,758	1,709,395	2,574,453
Net Position					
Net investment in capital assets	38,447,568	61,492,784	99,940,352	276,438	4,623,631
Restricted:					
School support and roads	4,139,928	-	4,139,928	-	-
Scholarships	-	-	-	52,822	-
Foundation	-	-	-	-	373,335
Unrestricted	12,201,863	12,865,123	25,066,986	2,315,697	6,306,163
Total Net Position	54,789,359	74,357,907	129,147,266	2,644,957	11,303,129
Total Liabilities and Net Position	\$ 64,393,760	\$ 86,677,264	\$ 151,071,024	\$ 4,354,352	\$ 13,877,582

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Statement of Activities

Year Ended June 30, 2014	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Primary Government		Total	Component Units	
					Govern- mental Activities	Business- type Activities		Petersburg City School District	Petersburg Medical Center
Primary Government									
Governmental:									
General government	\$ 1,563,272	\$ 136,088	\$ 593,153	\$ -	\$ (834,031)	\$ -	\$ (834,031)		
Public safety	2,447,611	513,536	201,225	-	(1,732,850)	-	(1,732,850)		
Public works	1,481,843	5,501	171,475	13,425	(1,291,442)	-	(1,291,442)		
Community services	803,540	1,330	435,599	-	(366,611)	-	(366,611)		
Culture and recreation	2,137,278	181,955	287,397	399,097	(1,268,829)	-	(1,268,829)		
Education	3,333,951	-	1,646,864	960,390	(726,697)	-	(726,697)		
Total governmental activities	11,767,495	838,410	3,335,713	1,372,912	(6,220,460)		(6,220,460)		
Business-type:									
Electric Utility	6,172,640	5,662,347	162,473	-	-	(347,820)	(347,820)		
Water Utility	1,612,628	999,271	18,065	310,962	-	(284,330)	(284,330)		
Wastewater Utility	881,000	718,981	23,530	118,387	-	(20,102)	(20,102)		
Sanitation Utility	1,230,136	1,137,684	28,643	-	-	(63,809)	(63,809)		
Harbor and Port Facilities	2,469,455	1,077,536	45,282	7,977,744	-	6,631,107	6,631,107		
Elderly Housing	410,415	374,067	-	36,126	-	(222)	(222)		
Assisted Living Facilities	1,135,683	980,047	60,949	-	-	(94,687)	(94,687)		
Total business-type activities	13,911,957	10,949,933	338,942	8,443,219	-	5,820,137	5,820,137		
Total Primary Government	\$ 25,679,452	\$ 11,788,343	\$ 3,674,655	\$ 9,816,131	(6,220,460)	5,820,137	(400,323)		
Component Units									
School district - education	\$ 11,843,366	\$ 91,648	\$ 4,067,031	\$ -			\$ (7,684,687)	\$ -	
Medical center	\$ 14,061,804	\$ 12,009,484	\$ 1,683,745	\$ -			\$ -	\$ (368,575)	
General Revenues									
Property taxes					2,958,589	-	2,958,589	-	-
Sales taxes					3,032,354	-	3,032,354	-	-
Payments in lieu of taxes					1,173,133	-	1,173,133	-	-
Other taxes					50,056	-	50,056	-	-
Contributions from primary government					-	-	-	1,800,000	-
Grants and entitlements not restricted to a specific purpose					1,329,995	-	1,329,995	6,096,549	-
Investment income					647,408	99,165	746,573	609	430,958
Other					10,056	-	10,056	75,559	646
Transfers					(860,225)	860,225	-	-	-
Total General Revenues and Transfers					8,341,366	959,390	9,300,756	7,972,717	431,604
Change in Net Position					2,120,906	6,779,527	8,900,433	288,030	63,029
Net Position, beginning of year					52,668,453	67,578,380	120,246,833	2,356,927	11,240,100
Net Position, end of year					\$ 54,789,359	\$ 74,357,907	\$ 129,147,266	\$ 2,644,957	\$ 11,303,129

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Governmental Funds

Balance Sheet

<i>June 30, 2014</i>	<u>Major Fund</u> General	Nonmajor Funds	Total Govern- mental Funds
Assets			
Cash and investments	\$ 4,724,979	\$ 9,526,425	\$ 14,251,404
Receivables, net of allowance for doubtful accounts:			
Property taxes	40,875	-	40,875
Sales taxes	337,199	-	337,199
Grants and shared revenues	-	269,679	269,679
Accounts	33,114	-	33,114
Interest	54,609	4,372	58,981
Prepaid insurance	62,347	-	62,347
Due from other funds	2,305	-	2,305
Total Assets	\$ 5,255,428	\$ 9,800,476	\$ 15,055,904
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 70,286	\$ 116,036	\$ 186,322
Accrued payroll and related liabilities	221,028	355	221,383
Unearned revenue	297	45,355	45,652
Due to other funds	-	2,305	2,305
Total Liabilities	291,611	164,051	455,662
Fund Balances			
Nonspendable	62,347	-	62,347
Restricted	-	4,139,928	4,139,928
Committed	-	5,113,297	5,113,297
Assigned	-	383,200	383,200
Unassigned	4,901,470	-	4,901,470
Total Fund Balances	4,963,817	9,636,425	14,600,242
Total Liabilities and Fund Balances	\$ 5,255,428	\$ 9,800,476	\$ 15,055,904

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2014

Total fund balances for governmental funds \$ 14,600,242

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	\$ 3,574,725	
Construction in progress	1,025,309	
Buildings	49,137,103	
Improvements other than buildings	172,261	
Infrastructure	17,045,591	
Machinery and equipment	2,081,059	
Accumulated depreciation	<u>(28,214,571)</u>	
Total capital assets		44,821,477

An internal service fund is used by the Borough to charge the cost
of certain activities, such as motor pool charges, to individual
funds. A portion of the assets and liabilities of the internal
service fund is included in the governmental activities in the
Statement of Net Position.

4,298,419

Long-term liabilities, including bonds payable and accrued leave,
are not due and payable in the current period and therefore are
not reported as fund liabilities. These liabilities consist of:

General obligation bonds payable	(8,160,030)	
Deferred charge on refunding, net of accumulated amortization	187,335	
Bond premium, net of accumulated amortization	(477,719)	
Accrued interest	(100,122)	
Accrued leave	<u>(380,243)</u>	
Total long term liabilities		<u>(8,930,779)</u>

Total Net Position of Governmental Activities

\$ 54,789,359

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year Ended June 30, 2014</i>	<u>Major Fund</u> General	Nonmajor Funds	Total Govern- mental Funds
Revenues			
Property taxes	\$ 2,958,589	\$ -	\$ 2,958,589
Sales taxes	3,032,354	-	3,032,354
Other taxes	83,927	-	83,927
Intergovernmental	3,387,228	3,122,569	6,509,797
Licenses and permits	6,796	-	6,796
Charges for services	321,930	116,161	438,091
Fines and forfeitures	18,511	-	18,511
Overhead charges	518,582	-	518,582
Investment income	105,979	542,561	648,540
Other	11,631	80,000	91,631
Total Revenues	10,445,527	3,861,291	14,306,818
Expenditures			
Current:			
General government	1,938,433	210,961	2,149,394
Public safety	1,982,633	129,884	2,112,517
Public works	1,754,903	-	1,754,903
Community services	202,254	435,599	637,853
Culture and recreation	1,294,157	279,222	1,573,379
Education - contribution to school district	1,800,000	922,618	2,722,618
Debt service	-	918,370	918,370
Capital outlay	-	1,370,878	1,370,878
Total Expenditures	8,972,380	4,267,532	13,239,912
Excess of Revenues Over (Under) Expenditures	1,473,147	(406,241)	1,066,906
Other Financing Sources (Uses)			
Transfers in	655,000	482,192	1,137,192
Transfers out	(1,177,417)	(820,000)	(1,997,417)
Net Other Financing Sources (Uses)	(522,417)	(337,808)	(860,225)
Net Change in Fund Balances	950,730	(744,049)	206,681
Fund Balances, beginning of year	4,013,087	10,380,474	14,393,561
Fund Balances, end of year	\$ 4,963,817	\$ 9,636,425	\$ 14,600,242

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended June 30, 2014

Net change in fund balances - total governmental funds		\$ 206,681
<p>The change in net position reported for governmental activities in the Statement of Activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$1,562,366), contributed assets (\$960,390) and other capital asset transactions (\$286,281) exceeded depreciation (\$1,451,262).</p>		1,357,775
<p>Repayment of the principal of the long-term debt (\$547,503) consumes current financial resources of governmental funds. This transaction, however, has no effect on net position. Also, governmental funds report the effect of bond premiums and deferred losses at the time the debt is issued. These amounts are deferred and amortized in the Statement of Activities. The net amount of these transactions (\$24,173) is reflected here.</p>		571,676
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount of the increase in:</p>		
Accrued leave	\$ (32,686)	
Accrued interest	(42,475)	
	(75,161)	
<p>The Internal Service Fund is used by management to charge the costs of vehicle operations and the replacement cost of vehicles to individual funds. A portion of the net revenue of these activities is reported with governmental activities.</p>		59,935
Change in Net Position of Governmental Activities		\$ 2,120,906

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Proprietary Funds
Statement of Net Position

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<i>June 30, 2014</i>								
Assets								
Current Assets								
Cash and investments	\$ 6,200,735	\$ 628,321	\$ 1,132,340	\$ 575,286	\$ 246,419	\$ 968,445	\$ 9,751,546	\$ 4,539,416
Receivables, net of allowance for doubtful accounts	445,241	118,527	160,495	805,674	-	106,944	1,636,881	4,119
Inventories	260,864	64,214	28,172	-	-	-	353,250	-
Prepaid expenses	11,174	2,893	4,273	8,058	10,782	5,959	43,139	2,893
Total Current Assets	6,918,014	813,955	1,325,280	1,389,018	257,201	1,081,348	11,784,816	4,546,428
Restricted Cash								
Security deposits	-	-	-	-	-	17,470	17,470	-
Property, Plant and Equipment								
Land and land improvements	1,848,295	-	-	360,059	-	191,139	2,399,493	-
Buildings	2,964,910	5,178,330	9,091,647	339,690	3,920,170	5,109,153	26,603,900	-
Improvements other than buildings	5,068,706	26,797,940	8,417,986	26,763,226	-	297,069	67,344,927	-
Machinery and equipment	17,018,539	3,000,849	391,030	536,247	89,262	326,163	21,362,090	6,118,464
Construction in progress	-	-	1,074,943	3,594,556	-	599,133	5,268,632	-
Total property, plant and equipment	26,900,450	34,977,119	18,975,606	31,593,778	4,009,432	6,522,657	122,979,042	6,118,464
Accumulated depreciation	(15,730,317)	(12,152,856)	(10,260,007)	(7,859,246)	(1,100,319)	(3,425,365)	(50,528,110)	(4,041,959)
Net Property, Plant and Equipment	11,170,133	22,824,263	8,715,599	23,734,532	2,909,113	3,097,292	72,450,932	2,076,505
Total Assets	18,088,147	23,638,218	10,040,879	25,123,550	3,166,314	4,196,110	84,253,218	6,622,933
Deferred Outflows								
Deferred charge on refunding	-	-	-	18,723	85,304	28,435	132,462	-
Total Assets and Deferred Outflows	\$ 18,088,147	\$ 23,638,218	\$ 10,040,879	\$ 25,142,273	\$ 3,251,618	\$ 4,224,545	\$ 84,385,680	\$ 6,622,933

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Proprietary Funds
Statement of Net Position, continued

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<i>June 30, 2014</i>								
Liabilities and Net Position								
Liabilities								
Current liabilities:								
Accounts payable	\$ 284,307	\$ 1,693	\$ 12,207	\$ 49,439	\$ 5,265	\$ 23,911	\$ 376,822	\$ 4,700
Accrued payroll and employee benefits	56,901	12,153	13,270	27,769	33,789	21,313	165,195	9,252
Accrued leave	115,591	8,365	17,201	70,152	37,208	19,170	267,687	18,978
Unearned revenue	-	-	-	114,082	2,447	1,099	117,628	-
Customer deposits	29,603	6,907	5,427	-	5,100	17,916	64,953	-
Accrued interest	33,999	37,403	5,863	3,130	22,250	7,417	110,062	-
Current portion:								
General obligation bonds	105,000	-	-	91,633	120,000	40,000	356,633	-
ADEC loans	-	260,000	33,187	-	-	-	293,187	-
Total current liabilities	625,401	326,521	87,155	356,205	226,059	130,826	1,752,167	32,930
Long term debt, net of current portion:								
General obligation bonds	2,390,000	-	-	633,338	1,305,000	435,000	4,763,338	-
Bond premium, net of accumulated amortization	49,304	-	-	9,269	199,497	66,499	324,569	-
ADEC loans	-	3,488,649	1,864,234	-	-	-	5,352,883	-
Landfill closure costs	-	-	-	-	-	126,400	126,400	-
Total long-term debt	2,439,304	3,488,649	1,864,234	642,607	1,504,497	627,899	10,567,190	-
Total Liabilities	3,064,705	3,815,170	1,951,389	998,812	1,730,556	758,725	12,319,357	32,930
Net Position								
Net investment in capital assets	8,625,829	19,075,614	6,818,178	23,019,015	1,369,920	2,584,228	61,492,784	2,076,505
Unrestricted	6,397,613	747,434	1,271,312	1,124,446	151,142	881,592	10,573,539	4,513,498
Total Net Position	15,023,442	19,823,048	8,089,490	24,143,461	1,521,062	3,465,820	72,066,323	6,590,003
Total Liabilities and Net Position	\$ 18,088,147	\$ 23,638,218	\$ 10,040,879	\$ 25,142,273	\$ 3,251,618	\$ 4,224,545		\$ 6,622,933
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							2,291,584	
Net Position of Business-Type Activities							\$ 74,357,907	

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2014</i>	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
Operating Revenues	\$ 5,461,809	\$ 999,271	\$ 718,981	\$ 1,077,536	\$ 980,047	\$ 1,511,751	\$ 10,749,395	\$ 919,959
Operating Expenses								
Salaries and benefits	1,304,253	315,807	292,886	617,499	730,453	501,187	3,762,085	203,253
Services, supplies, and other charges	3,845,938	299,384	168,451	265,119	194,962	721,306	5,495,160	285,533
Allocated overhead and motor pool charges	309,860	98,835	120,622	97,537	52,318	257,535	936,707	16,129
Depreciation	596,300	856,280	298,918	805,693	103,097	160,495	2,820,783	325,570
Total Operating Expenses	6,056,351	1,570,306	880,877	1,785,848	1,080,830	1,640,523	13,014,735	830,485
Income (Loss) from Operations	(594,542)	(571,035)	(161,896)	(708,312)	(100,783)	(128,772)	(2,265,340)	89,474
Nonoperating Revenues (Expenses)								
Investment income	61,397	5,254	9,770	7,351	3,178	12,215	99,165	-
SEAPA distribution	200,538	-	-	-	-	-	200,538	-
Interest expense	(131,338)	(46,230)	(6,396)	(36,500)	(55,187)	(18,396)	(294,047)	-
Loss on disposal of capital assets	-	-	-	(650,000)	-	-	(650,000)	-
Federal interest subsidy	31,821	-	-	-	-	-	31,821	-
State PERS relief	130,652	18,065	23,530	45,282	54,399	35,193	307,121	17,285
Net Nonoperating Revenues (Expenses)	293,070	(22,911)	26,904	(633,867)	2,390	29,012	(305,402)	17,285
Income (loss) before contributions and transfers	(301,472)	(593,946)	(134,992)	(1,342,179)	(98,393)	(99,760)	(2,570,742)	106,759
Capital contributions	-	310,962	118,387	7,977,744	-	36,126	8,443,219	-
Transfers in	-	165,000	-	410,516	284,709	-	860,225	-
Change in Net Position	(301,472)	(117,984)	(16,605)	7,046,081	186,316	(63,634)	6,732,702	106,759
Net Position, beginning of year	15,324,914	19,941,032	8,106,095	17,097,380	1,334,746	3,529,454		6,483,244
Net Position, end of year	\$ 15,023,442	\$ 19,823,048	\$ 8,089,490	\$ 24,143,461	\$ 1,521,062	\$ 3,465,820		\$ 6,590,003
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							46,825	
							<u>\$ 6,779,527</u>	

See accompanying notes to basic financial statements.

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Petersburg Borough, Alaska

Proprietary Funds
Statement of Cash Flows

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<i>Year Ended June 30, 2014</i>								
Cash Flows from Operating Activities								
Receipts from customers and users	\$ 5,643,065	\$ 995,947	\$ 627,536	\$ 1,091,880	\$ 984,646	\$ 1,506,037	\$ 10,849,111	\$ 915,840
Payments for interfund services used	(309,860)	(98,835)	(120,622)	(97,537)	(52,318)	(257,535)	(936,707)	(16,129)
Payments to suppliers	(3,651,116)	(380,454)	(191,297)	(315,369)	(191,457)	(668,589)	(5,398,282)	(282,597)
Payments to employees	(1,206,197)	(298,132)	(268,929)	(573,579)	(661,448)	(461,632)	(3,469,917)	(185,693)
Net cash flows from operating activities	475,892	218,526	46,688	105,395	79,423	118,281	1,044,205	431,421
Cash Flows for Capital and Related Financing Activities								
Principal paid on long-term debt	(105,000)	(526,702)	(32,696)	(87,497)	(120,000)	(40,000)	(911,895)	-
Interest paid on long-term debt	(134,419)	(46,230)	(6,396)	(35,151)	(67,876)	(22,625)	(312,697)	-
Proceeds from issuance of debt	-	-	559,891	-	-	-	559,891	-
Purchase of property, plant and equipment	(240,468)	(41,808)	(769,571)	(10,404,410)	(12,699)	(601,415)	(12,070,371)	(85,698)
Decrease in unearned revenue	-	-	-	(1,935,330)	-	-	(1,935,330)	-
Decrease in due to other funds	-	-	-	-	-	-	-	-
Transfers in	-	165,000	-	410,516	284,709	-	860,225	-
Capital contributions received	-	487,648	325,886	7,473,750	-	36,126	8,323,410	-
Federal interest subsidy received	31,821	-	-	-	-	-	31,821	-
Net cash flows from (for) capital and related financing activities	(448,066)	37,908	77,114	(4,578,122)	84,134	(627,914)	(5,454,946)	(85,698)
Cash Flows from Investing Activities								
Investment income received	61,397	5,254	9,770	10,533	3,178	12,215	102,347	-
Net increase (decrease) in cash and investments	89,223	261,688	133,572	(4,462,194)	166,735	(497,418)	(4,308,394)	345,723
Cash and Investments, beginning of year	6,111,512	366,633	998,768	5,037,480	79,684	1,483,333	14,077,410	4,193,693
Cash and Investments, end of year	\$ 6,200,735	\$ 628,321	\$ 1,132,340	\$ 575,286	\$ 246,419	\$ 985,915	\$ 9,769,016	\$ 4,539,416

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Proprietary Funds
Statement of Cash Flows, continued

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<i>Year Ended June 30, 2014</i>								
Reconciliation of Income (Loss) from Operations to Net Cash								
Flows from Operating Activities								
Income (loss) from operations	\$ (594,542)	\$ (571,035)	\$ (161,896)	\$ (708,312)	\$ (100,783)	\$ (128,772)	\$ (2,265,340)	\$ 89,474
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:								
Depreciation	596,300	856,280	298,918	805,693	103,097	160,495	2,820,783	325,570
Noncash expense - PERS relief	130,652	18,065	23,530	45,282	54,399	35,193	307,121	17,285
Nonoperating revenues received	200,538	-	-	-	-	-	200,538	-
Increase (decrease) in allowance for doubtful accounts	5,795	1,017	25	(25,009)	-	2,108	(16,064)	-
(Increase) decrease in assets:								
Accounts receivable	(25,330)	(4,993)	(91,604)	24,296	8,433	(8,151)	(97,349)	(4,119)
Inventories	(16,951)	3,801	4,549	-	-	-	(8,601)	-
Prepaid expenses	52,038	(268)	(396)	591	(62)	56	51,959	(268)
Increase (decrease) in liabilities:								
Accounts payable	159,735	(84,603)	(26,999)	(50,841)	3,567	18,594	19,453	3,204
Accrued payroll and employee benefits	(9,607)	766	(3,395)	49	3,051	781	(8,355)	1,054
Accrued leave	(22,989)	(1,156)	3,822	(1,411)	11,555	3,581	(6,598)	(779)
Unearned revenue	-	-	-	-	(3,534)	225	(3,309)	-
Customer deposits	253	652	134	-	(300)	104	843	-
Landfill closure liability	-	-	-	-	-	34,067	34,067	-
Prepaid moorage	-	-	-	15,057	-	-	15,057	-
Net Cash Flows from Operating Activities	\$ 475,892	\$ 218,526	\$ 46,688	\$ 105,395	\$ 79,423	\$ 118,281	\$ 1,044,205	\$ 431,421

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Petersburg (City) was incorporated in 1910 as a home rule municipality under the laws of the State of Alaska. It operated as a home rule city until January 3, 2013, at which time it was incorporated and certified as a home rule borough by the State of Alaska. On January 3, 2013, the Petersburg Borough (the Borough) was created and the City of Petersburg was dissolved. The Petersburg Borough immediately succeeded to all rights, powers, duties, assets, and liabilities of the former City of Petersburg.

The Borough operates under an assembly-manager form of government and performs municipal duties allowed by Alaska statutes and as directed by its residents.

As required by generally accepted accounting principles, these financial statements present the Petersburg Borough (the primary government) and its component units. The component units discussed below are included in the Borough's reporting entity because of the significance of their operational or financial relationships with the Borough.

The component unit columns in the financial statements include the financial data of the Borough's component units. They are discretely presented in a separate column to emphasize that they are legally separate organizations from the Borough.

Petersburg School District is responsible for elementary and secondary education within the Borough. The members of the School Board are elected by the voters; however, the School District is fiscally dependent upon the Borough because the Borough Assembly approves the total annual budget of the School District, levies and remits the local funding contribution, and issues and pays the debt for School construction.

Complete financial statements of Petersburg School District can be obtained from its administrative office at the address below:

Petersburg School District
P.O. Box 289
Petersburg, AK 99833

Petersburg Medical Center provides health care, including long-term care, in the Petersburg area. The voters elect the members of the hospital board, who are given the greatest possible autonomy by the Borough Assembly to operate and maintain the hospital. The hospital board approves the annual budget. The Borough Assembly and local voters approve the issuance of any bonds or long-term debt.

Complete financial statements of Petersburg Medical Center can be obtained from its administrative office at the address below:

Petersburg Medical Center
PO Box 589
Petersburg, AK 99833

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Related Organization

Thomas Bay Power Authority (TBPA), a related organization, was formed as a joint venture between the boroughs of Petersburg and Wrangell to operate and maintain the Tye Lake hydroelectric project. TBPA's board is composed of three members from each community with a seventh member selected by the six that are appointed. The Four Dam Pool Power Agency purchased the Tye Lake facility along with other hydroelectric facilities in the State from the State of Alaska in January 2002. In February 2009, two of the members of the Four Dam Pool assumed ownership of their respective dams, leaving Thomas Bay Power Authority and one other member remaining. Commensurate with this reorganization, the name was changed to Southeast Alaska Power Agency (SEAPA). The operating costs, excluding the charge for kilowatts used, is shared by Petersburg and Wrangell and is reimbursed each month.

The charge for kilowatts is billed monthly by SEAPA to each Borough based on usage. The accounting for TBPA is handled by the City and Borough of Wrangell. TBPA's financial statements are not included in Petersburg Borough's financial statements.

Complete financial statements of Thomas Bay Power Authority can be obtained from its administrative office at the address below:

Thomas Bay Power Authority
P.O. Box 531
Wrangell, AK 99929

The accounting policies of the Borough 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 of the activities of the Borough. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Petersburg Borough, Alaska
Notes to Basic Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough 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 service expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

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

The Borough reports the following major funds:

Major governmental 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.

Major proprietary funds:

The *Electric Utility Enterprise Fund* is used to account for the operations of the Borough electric utility.

The *Water Utility Enterprise Fund* is used to account for the operations of the Borough water system.

The *Wastewater Utility Enterprise Fund* is used to account for the operations of the Borough wastewater utility.

The *Harbor and Port Facilities Enterprise Fund* is used to account for the operations of the Borough harbors and port.

The *Assisted Living Enterprise Fund* is used to account for the operation of the Borough facility that assists individuals with their every day living tasks.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

The Borough also reports one Internal Service Fund. The Motor Pool Fund accounts for the cost of operations of the vehicles and the replacement cost of vehicles. This fund reports revenue charged to the other funds based on vehicle usage and estimated replacement costs.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the proprietary funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

Central Treasury

A central treasury is used to account for cash from most funds of the Borough to maximize interest income. Investments are stated at fair value. Investment earnings are allocated to most funds based on their respective cash balances. The School District and Medical Center maintain separate cash accounts from the Borough.

Cash and Cash Equivalents

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

Inventory

Inventories are valued at the lower of cost or market in the proprietary funds. Cost is determined by the first-in, first-out method. The cost is recorded as an expense at the time individual inventory items are consumed.

Petersburg Borough, Alaska
Notes to Basic Financial Statements

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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.

Property Taxes

Property taxes are assessed on real property on January 1 of each year. Mill rates are established annually by Borough resolution. Tax bills are mailed on July 1 of each year and are due September 30. Property taxes are recorded as revenue when available.

Interfund Transactions

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

Compensated Absences

The Borough allows employees to accumulate earned but unused vacation and sick leave benefits. All personal leave is accrued when earned in the government-wide and proprietary fund 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, equipment and infrastructure assets (e.g. roads and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets 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 Borough is depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings	20-40
Improvements other than buildings	10-50
Infrastructure	20-50
Machinery and equipment	3-8

Long-Term Debt

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

The spendable portion of the fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

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.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the Borough Assembly—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Borough Assembly 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 Borough’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Borough Assembly and Borough Manager have 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 Borough’s policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

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. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances only if they meet the definitions and criteria as outlined above.

Unearned Grant Revenue

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

Pension Plan

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

Petersburg Borough, Alaska
Notes to Basic Financial Statements

2. Stewardship, Compliance and Accountability

Budgetary Accounting

The Borough follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- A. During or prior to the sixth week preceding July 1, the Borough Manager submits to the Assembly a proposed operating budget for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and the means of financing them.
- B. Notice of public hearings is published and public hearings are conducted to obtain taxpayer comments.
- C. Prior to June 20, the budget is adopted and the Assembly, by ordinance, makes an appropriation for the monies required.
- D. Unencumbered appropriation balances may be transferred within a department by the Borough Manager at any time. At the request of the Borough Manager, or on its own initiative, the Assembly may transfer unencumbered balances from one department or fund to another.
- E. Formal budgetary integration is employed as a management control device during the year for most funds. Appropriations lapse at year-end, except for capital projects which adopt project-length budgets.
- F. Budgets for the governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts included in the financial statements are as originally adopted, or as amended by the Assembly.

3. Interfund Receivables, Payables, and Transfers

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

Due from other funds:

Due to the General Fund from nonmajor governmental funds for short-term advances to cover capital costs	\$ 2,305
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Petersburg Borough, Alaska

Notes to Basic Financial Statements

Transfers:

From General Fund to:	
Harbor and Port Facilities Enterprise Fund to cover capital costs	\$ 410,516
Assisted Living Enterprise Fund to cover capital costs	284,709
Nonmajor governmental fund to cover debt service costs	422,192
Nonmajor governmental funds to cover capital costs	60,000
Total transfers from General Fund	1,177,417
From nonmajor governmental funds to:	
General Fund to cover operating costs	655,000
Water Utility Enterprise Fund to cover capital costs	165,000
Total transfers from nonmajor governmental funds	820,000
Total Transfers to Other Funds	\$ 1,997,417

4. Cash and Investments

The Petersburg Borough 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 Deposit and Investment Balances

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

	Pooled Cash And Investments	Economic Fund	Totals
Bank deposits	\$ 725,145	\$ -	\$ 725,145
Investments	23,305,665	4,529,026	27,834,691
	\$ 24,030,810	\$ 4,529,026	\$ 28,559,836

	Pooled Cash And Investments	Economic Fund	Totals
Cash and investments	\$ 24,013,340	\$ 4,529,026	\$ 28,542,366
Restricted cash and investments	17,470	-	17,470
	\$ 24,030,810	\$ 4,529,026	\$ 28,559,836

Petersburg Borough, Alaska
Notes to Basic Financial Statements

Investment Policy

The Borough's general investment policy authorizes investments in:

- A. U.S. Treasury bills;
- B. Notes or bonds issued by the United States of America Treasury, U.S. government agencies, or government-sponsored enterprises, or the State of Alaska or its political subdivisions or other states of the United States;
- C. Federally insured or fully collateralized certificates of deposit of banks, credit unions, and savings and loan associations;
- D. Repurchase agreements collateralized by U.S. Treasury securities and marked-to-market; if repurchase agreements are overnight investments marked-to-market, it is not necessary if securities are over-collateralized (at least to one hundred two percent);
- E. Money market mutual funds whose portfolios consist entirely of U.S. government securities; and
- F. An investment pool authorized by Alaska statutes.

In addition to the above investments, the Borough's Economic Fund investment policy authorizes investments in:

- A. Corporate debt obligations of U.S. domiciled corporations with a credit rating of AA- or AA3 from Standard and Poor's or Moodys;
- B. Common and preferred stock of U.S. domiciled corporations listed on a national exchange or NASDAQ with a minimum market capitalization of five hundred million dollars, with concurrence of the finance committee. Domestic stock and mutual stock fund purchases are allowed for up to 60% of the total stock investment of the Economic Fund. Except in mutual funds, no individual stock may have a total cost that exceeds 5% of the total stock investment of the fund. However, market value of a stock, not in a mutual fund, may exceed 5% of the total stock investment of the fund;
- C. Equity/stock mutual funds listed on a national exchange with concurrence of the finance committee; and
- D. Bond mutual funds investing in high grade corporate government bonds with a minimum of a five-year track record and at least five hundred million dollars in asset value.

Investment transactions shall be made to insure long-term growth and future income recognizing that short-term market losses may result. All participants in the investment process shall seek to act responsibly as custodians of public trust. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To limit its exposure to custodial credit risk, Borough policy requires that all deposits and investments be fully insured or collateralized.

Investment maturities in general investments at June 30, 2014 are as follows:

	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1-5	Greater Than 5
Investment type:				
Money market funds	\$ 45,257	\$ 45,257	\$ -	\$ -
U.S. government agencies	834,749	-	579,083	255,666
Municipal bonds	2,659,410	573,533	2,085,877	-
Certificates of deposit	18,144,212	5,059,523	13,084,689	-
Pooled investments	1,622,037	1,622,037	-	-
Total Investments	\$ 23,305,665	\$ 7,300,350	\$ 15,749,649	\$ 255,666

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. All of the U.S. government agency investments are rated AA+ by Standard and Poor's and AAA by Moody. The Borough's municipal bonds of \$2,659,410 were rated as follows; muni bonds rated by Standard and Poor's: \$639,965 rated AA+, \$302,440 rated AA, \$251,615 rated AA-, \$535,210 rated A; muni bonds not rated by Standard and Poor's were rated by Moody's as follows: \$573,533 rated Aa3 and \$356,647 rated Aa2.

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

Petersburg Borough, Alaska
Notes to Basic Financial Statements

Investment maturities in the Economic Fund investments at June 30, 2014 are as follows:

	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
Investment type:			
Certificates of deposit	\$ 2,010,257	\$ 340,694	\$ 1,669,563
Money market funds	143,797	143,797	-
Total subject to interest rate risk	2,154,054	\$ 484,491	\$ 1,669,563
International equity securities	291,938		
U.S. equity securities	2,083,034		
Total Investments	\$ 4,529,026		

5. Accounts Receivable and Valuation Allowances

The Borough maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At June 30, 2014, receivables for the Borough's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor Governmental Funds	Electric Utility	Water Utility
Grants, loans and shared revenues	\$ -	\$ 269,679	\$ -	\$ 26,525
Property and sales taxes	378,074	-	-	-
Accounts	39,889	-	457,608	94,888
Interest	54,609	4,372	-	-
Total receivables	472,572	274,051	457,608	121,413
Less allowance for doubtful accounts	(6,775)	-	(12,367)	(2,886)
Net Receivables	\$ 465,797	\$ 274,051	\$ 445,241	\$ 118,527

Petersburg Borough, Alaska

Notes to Basic Financial Statements

	Wastewater Utility	Harbor and Port	Nonmajor Enterprise and Internal Service Funds	Total
Grants, loans and shared revenues	\$ -	\$ 680,113	\$ -	\$ 976,317
Property and sales taxes	-	-	-	378,074
Accounts	162,823	133,240	114,155	1,002,603
Interest	-	-	-	58,981
Total receivables	162,823	813,353	114,155	2,415,975
Less allowance for doubtful accounts	(2,328)	(7,679)	(3,092)	(35,127)
Net Receivables	\$ 160,495	\$ 805,674	\$ 111,063	\$ 2,380,848

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At June 30, 2014, *unearned revenue* was composed of \$45,652 in grant drawdowns prior to meeting all eligibility requirements.

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Petersburg Borough, Alaska

Notes to Basic Financial Statements

6. Capital Assets

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

Governmental Activities	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,574,725	\$ -	\$ -	\$ 3,574,725
Construction in progress	4,799,199	1,023,595	(4,797,485)	1,025,309
Total assets not being depreciated	8,373,924	1,023,595	(4,797,485)	4,600,034
<i>Capital assets being depreciated:</i>				
Buildings	43,260,678	5,876,425	-	49,137,103
Improvements other than buildings	154,948	17,313	-	172,261
Machinery and equipment*	8,031,645	190,566	(22,688)	8,199,523
Infrastructure	16,747,551	298,040	-	17,045,591
Total assets being depreciated	68,194,822	6,382,344	(22,688)	74,554,478
<i>Less accumulated depreciation for:</i>				
Buildings	24,109,856	1,121,926	-	25,231,782
Improvements other than buildings	125,475	6,983	-	132,458
Machinery and equipment	5,046,789	488,875	(22,688)	5,512,976
Infrastructure	1,506,547	159,048	(286,281)	1,379,314
Total accumulated depreciation	30,788,667	1,776,832	(308,969)	32,256,530
Total capital assets being depreciated, net	37,406,155	4,605,512	286,281	42,297,948
Governmental Activity Capital Assets, net	\$ 45,780,079	\$ 5,629,107	\$ (4,511,204)	\$ 46,897,982

* The ending balances include \$6,118,464 and \$4,041,959 of equipment cost and accumulated depreciation, respectively, related to the Motor Pool Internal Service Fund.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,399,493	\$ -	\$ -	\$ 2,399,493
Construction in progress	6,862,178	4,202,798	(5,796,344)	5,268,632
Total assets not being depreciated	9,261,671	4,202,798	(5,796,344)	7,668,125
<i>Capital assets being depreciated:</i>				
Buildings	24,687,152	1,916,748	-	26,603,900
Improvements other than buildings	57,048,320	11,693,679	(1,397,072)	67,344,927
Machinery and equipment	21,311,835	53,490	(3,235)	21,362,090 *
Total assets being depreciated	103,047,307	13,663,917	(1,400,307)	115,310,917
Less accumulated depreciation for:				
Buildings	12,443,648	514,737	-	12,958,385
Improvements other than buildings	20,319,230	1,758,766	(747,072)	21,330,924
Machinery and equipment*	15,694,756	547,280	(3,235)	16,238,801 *
Total accumulated depreciation	48,457,634	2,820,783	(750,307)	50,528,110
Total capital assets being depreciated, net	54,589,673	10,843,134	(650,000)	64,782,807
Business-Type Activity				
Capital Assets, net	\$ 63,851,344	\$ 15,045,932	\$ (6,446,344)	\$ 72,450,932

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Depreciation expense was charged to the functions as follows:

Governmental Activities	Depreciation Excluding Internal Service Fund	Internal Service Fund Allocation	Total Depreciation
General government	\$ 72,225	\$ 146,506	\$ 218,731
Public safety	331,505	87,904	419,409
Public works	303,364	87,904	391,268
Culture and recreation	473,648	3,256	476,904
Education	270,520	-	270,520
Total Governmental Activities	\$ 1,451,262	\$ 325,570	\$ 1,776,832

Business-Type Activities	Depreciation
Electric utility	\$ 596,300
Water utility	856,280
Wastewater utility	298,918
Sanitation utility	72,993
Harbor and port facilities	805,693
Elderly housing	87,502
Assisted living	103,097
Total Business-Type Activities	\$ 2,820,783

7. Long-Term Debt

Bonds and notes payable at June 30, 2014, are comprised of the following:

Governmental Activities	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
<i>General Obligation Bonds:</i>					
\$1,205,000 2007 general obligation pool bonds, due in annual installments of \$50,000 to \$90,000 through 2027, plus interest at 3.875% to 5.5%	\$ 950,000	\$ -	\$ 50,000	\$ 900,000	\$ 50,000
\$197,540 2007 general obligation pool refunding bonds, due in annual installments of \$18,337 to \$24,172 through 2021, plus interest at 3.875% to 5.5%	162,533	-	17,503	145,030	18,337

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Governmental Activities	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
<i>General Obligation Bonds, continued:</i>					
\$5,850,000 2005 general obligation school bonds, due in annual installments of \$265,000 to \$420,000 through 2026, plus interest at 4% to 5%	\$ 4,330,000	\$ -	\$ 255,000	\$ 4,075,000	\$ 265,000
\$3,507,000 2004 general obligation school bonds, due in final a installment of \$165,000 in 2014, plus interest at 4%	165,000	-	165,000	-	-
\$2,010,000 2012 general obligation refunding school bonds, due in annual installments of \$10,000 to \$240,000 through 2025, plus interest at 2.0% to 5.0%	2,000,000	-	-	2,000,000	-
\$1,150,000 2012 Series 3 general obligation library bonds, due in annual installments of \$60,000 to \$100,000 through 2028, plus interest at 2.0% to 5.0%	1,100,000	-	60,000	1,040,000	60,000
*Accrued leave (net)	367,314	31,907	-	399,221	399,221
Total Governmental Activities	\$ 9,074,847	\$ 31,907	\$ 547,503	8,559,251	\$ 792,558
Unamortized bond premium				<u>477,719</u>	
				<u>\$ 9,036,970</u>	

* The ending balance includes \$18,978 of accrued leave, related to the Motor Pool Internal Service Fund.

Other long-term liabilities related to governmental activities, such as accrued leave, are generally liquidated by the General Fund.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
<i>General Obligation Bonds:</i>					
\$987,460 2007 general obligation harbor refunding bonds, due in annual installments of \$91,633 to \$120,828 through 2021, plus interest at 3.875% to 5.5%	\$ 812,468	\$ -	\$ 87,497	\$ 724,971	\$ 91,633
\$3,420,000 2004 general obligation elderly housing and assisted living bonds, due in a final installment of \$160,000 in 2014, plus interest at 3.75%	160,000	-	160,000	-	-
\$1,910,000 2012 general obligation elderly housing and assisted living refunding bonds, due in annual installments of \$160,000 to \$220,000 through 2024, plus interest at 2.0% to 5.0%	1,900,000	-	-	1,900,000	160,000
\$2,800,000 2010 general obligation electric bonds, due in annual installments of \$105,000 to \$200,000 through 2031, plus interest at 2.0% to 6.34% with partial rebate subsidy of interest	2,600,000	-	105,000	2,495,000	105,000
<i>Notes payable:</i>					
\$1,900,000 Water Utility note, due in annual installments of \$94,766 through 2020, plus interest at 1.5%	663,362	-	94,766	568,596	94,776
\$1,989,840 Water Utility note, due in annual installments of \$122,320 through 2025, including interest at 1.5%	1,334,202	-	102,307	1,231,895	103,841
\$643,823 Wastewater Utility note, due in annual installments of \$39,093 through 2025, including interest at 1.5%	426,406	-	32,696	393,710	33,187

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
<i>Notes payable, continued:</i>					
\$1,317,577 Water Utility note, due in annual installments of \$76,743 through 2029, including interest at 1.5%	\$ 1,084,479	\$ -	\$ 60,476	\$ 1,024,003	\$ 61,383
\$600,000 (maximum) Water Utility note, terms not yet established; interest at 1.5%	550,848	-	269,153**	281,695	-
\$642,460 Water Utility note, terms not yet established; interest at 1.5%	642,460	-	-	642,460	-
\$629,191 Wastewater Utility note, terms not yet established; interest at 1.5%	629,191	-	-	629,191	-
\$728,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5%	196,002	504,152	-	700,154	-
\$270,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5%	118,627	55,739	-	174,366	-
Accrued leave (net)	274,285	-	6,598	267,687	267,687
Total Business-Type Activities	\$ 11,392,330	\$ 559,891	\$ 918,493	11,033,728	\$ 917,507
Unamortized bond premium				<u>324,569</u>	
				<u>\$ 11,358,297</u>	

** This amount has been retired via a federal subsidy. No actual payment was issued from the Borough.

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Petersburg Borough, Alaska

Notes to Basic Financial Statements

Annual debt service requirements to maturity for all of the above obligations except loans not yet in repayment status and accrued leave follow:

Governmental Activities

<i>Year Ending June 30,</i>	General Obligation Bonds		
	Principal	Interest	Total
2015	\$ 393,337	\$ 346,869	\$ 740,206
2016	583,337	322,498	905,835
2017	605,004	297,218	902,222
2018	635,004	271,442	906,446
2019	656,671	244,396	901,067
2020-2024	3,676,677	758,390	4,435,067
2025-2028	1,610,000	72,228	1,682,228
	\$ 8,160,030	\$ 2,313,041	\$ 10,473,071

Business-Type Activities

<i>Year Ending June 30,</i>	General Obligation Bonds		
	Principal	Interest	Total
2015	\$ 356,633	\$ 244,311	\$ 600,944
2016	366,693	231,063	597,756
2017	384,996	215,392	600,388
2018	394,996	198,993	593,989
2019	413,329	181,261	594,590
2020-2024	1,963,324	624,062	2,587,386
2025-2029	850,000	261,703	1,111,703
2030-2031	390,000	25,047	415,047
	\$ 5,119,971	\$ 1,981,832	\$ 7,101,803

<i>Year Ending June 30,</i>	Notes Payable		
	Principal	Interest	Total
2015	\$ 293,187	\$ 48,273	\$ 341,460
2016	296,146	43,875	340,021
2017	299,175	39,434	338,609
2018	302,241	34,945	337,186
2019	305,353	30,411	335,764
2020-2024	1,196,043	90,926	1,286,969
2025-2029	526,059	19,067	545,126
	\$ 3,218,204	\$ 306,931	\$ 3,525,135

In May 2012, the Borough issued general obligation refunding bonds to advance refund \$2,025,000 of 2004 Assisted Living and Elderly Housing general obligation bonds and \$2,120,000 of 2004 School general obligation bonds. The net proceeds of these advance refundings were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the old bonds. The 2004 defeased bonds were called and retired on July 1, 2014.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

8. Fund Balances

Fund balances reported for the Borough's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	General	Total Nonmajor Funds	Totals
Nonspendable - prepaid insurance	\$ 62,347	\$ -	\$ 62,347
Restricted:			
School support	-	3,957,752	3,957,752
Streets and roads	-	182,176	182,176
Total restricted	-	4,139,928	4,139,928
Committed:			
Economic development	-	4,533,398	4,533,398
Public works	-	244,684	244,684
Public safety	-	29,706	29,706
Capital projects	-	305,509	305,509
Total committed	-	5,113,297	5,113,297
Assigned:			
General government	-	243,443	243,443
Debt service	-	139,451	139,451
Subsequent year's expenditures	-	306	306
Total assigned	-	383,200	383,200
Unassigned	4,901,470	-	4,901,470
Total Fund Balances	\$ 4,963,817	\$ 9,636,425	\$ 14,600,242

9. Municipal Landfill Closure and Postclosure Liability

On March 16, 1998, the Borough entered into an agreement with Regional Disposal Company to transport and dispose of municipal solid waste. As a result, the Borough is no longer using the landfill for solid waste. The Borough has no intentions of closing the landfill in case it is needed again in the future. State and federal laws and regulations require the Borough to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for 30 years after closure. In 2014, the Borough conducted an analysis of the closure liability and recommended that the liability be increased to better reflect the anticipated costs.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

The Borough believes the cost to close the landfill will be \$433,000. To date, the Borough has recorded \$126,400 of those costs. The remaining liability will be recorded in \$34,067 installments over the next nine years. This is believed to be the earliest date in which the Borough would actually begin the closure process. This liability is based on what it would cost to perform all closure and post-closure care in 2014. Actual costs may be higher due to inflation, changes in technology or changes in regulations. At June 30, 2014, the Borough has not committed or assigned any fund balance to fund the cost of closure and post-closure monitoring, nor have any assets been restricted for this purpose.

10. Defined Benefit Pension Plan

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

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

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

Conversion to Cost Sharing

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

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

Employee Contribution Rates

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Employer and Other Contribution Rates

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

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

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

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

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

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

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

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Annual Pension and Postemployment Healthcare Cost

The Borough is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.68% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, this contribution is considered an on-behalf payment and is recorded as revenue and expense/expenditures in these financial statements. However, because the Borough is not statutorily obligated for these payments, the State's contributions, in the amounts of \$717,559, \$695,524, and \$570,604 for 2014, 2013, and 2012, respectively, have been excluded from pension and OPEB cost as shown below.

<i>Year Ended June 30,</i>	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	Borough Contributions	% of TBC Contributed
2014	\$ 427,961	\$ 456,988	\$ 884,949	\$ 884,949	100%
2013	388,794	495,834	884,628	884,628	100%
2012	434,783	478,050	912,833	912,833	100%

11. Defined Contribution Pension Plan

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

Employee Contribution Rates

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

Employer Contribution Rates

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

	Other Tier IV	Police/Fire Tier IV
Individual account	5.00%	5.00%
Retiree medical plan	0.48%	0.48%
Occupational death and disability benefits	0.20%	1.14%
	5.68%	6.62%

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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

Finally, the total employer contribution must equal 22% of covered payroll. After subtracting the defined contribution (DC) rates and the HRA contribution, any residual amount of the 22% will be deposited into the defined benefit (DB) plan. Known as the DBUL payment, this amount is intended to mitigate against the declining payroll base that resulted from the creation of the DC plan.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The Borough and employee contributions to PERS including the HRA contribution for the year ended June 30, 2014 were \$198,875 and \$166,588, respectively.

12. Deferred Compensation Plan

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with the Internal Revenue Code, all assets and income of the Plan are held in trust for the exclusive benefit of participants and their beneficiaries.

13. Risk Management

The Borough 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 and certain other coverages. The Borough is a member of Alaska Public Entity Insurance (APEI), a governmental insurance pool. APEI provides insurance coverage for property and contents damage, torts, general and automobile liability, public officials and employees' liability, law enforcement professional liability and workers' compensation. The Borough has no coverage for potential losses from environmental damages. APEI 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, 2014.

Coverage limits and the deductibles on the policies have stayed relatively constant for the last several years.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

14. Contingencies

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

15. Subsequent Events

SEAPA/TBPA

Subsequent to year-end, an agreement was reached by Southeast Alaska Power Agency (SEAPA), Thomas Bay Power Authority (TBPA), the Petersburg Borough, and the City and Borough of Wrangell to transfer operations and management of the Tye Hydroelectric Project to SEAPA effective August 16, 2014. TBPA will go into an inactive state, rather than be eliminated, so it may be reactivated in the future if the need arises.

Bond Refunding

Subsequent to the year end, the Borough has begun the process of Advance Refunding its 2005 general obligation school bonds. Preliminary terms call for the defeasance of \$3,530,000 in bonds through the issuance of \$3,185,000 in refunding debt. The Borough expects to realize approximately \$315,000 in savings related to this transaction.

16. New Accounting Pronouncements

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

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

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

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

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Required Supplementary Information

Petersburg Borough, Alaska
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2014</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 2,968,279	\$ 2,968,279	\$ 2,958,589	\$ (9,690)
Sales taxes	2,911,892	2,911,892	3,032,354	120,462
Other taxes	79,000	79,000	83,927	4,927
Intergovernmental	2,368,479	2,368,479	3,387,228	1,018,749
Licenses and permits	10,600	10,600	6,796	(3,804)
Charges for services	333,800	333,800	321,930	(11,870)
Fines and forfeitures	17,000	17,000	18,511	1,511
Overhead charges	518,582	518,582	518,582	-
Investment income	80,000	80,000	105,979	25,979
Other revenues	34,000	34,000	11,631	(22,369)
Total Revenues	9,321,632	9,321,632	10,445,527	1,123,895
Expenditures				
General government	1,857,556	1,857,556	1,938,433	(80,877)
Public safety	2,091,708	2,091,708	1,982,633	109,075
Public works	1,906,964	1,906,964	1,754,903	152,061
Community services	207,000	207,000	202,254	4,746
Culture and recreation	1,255,163	1,255,163	1,294,157	(38,994)
Education - contribution to school district	1,800,000	1,800,000	1,800,000	-
Total Expenditures	9,118,391	9,118,391	8,972,380	146,011
Excess of Revenues Over (Under) Expenditures	203,241	203,241	1,473,147	1,269,906
Other Financing Sources (Uses)				
Transfers in	655,000	655,000	655,000	-
Transfers out	(858,241)	(858,241)	(1,177,417)	(319,176)
Net Other Financing Sources (Uses)	(203,241)	(203,241)	(522,417)	(319,176)
Net Change in Fund Balance	\$ -	\$ -	950,730	\$ 950,730
Fund Balance, beginning of year			<u>4,013,087</u>	
Fund Balance, end of year			<u>\$ 4,963,817</u>	

Supplementary Financial Information

Petersburg Borough, Alaska
 Nonmajor Governmental Funds
 Combining Balance Sheet

June 30, 2014	Special Revenue Funds						Capital Project Funds						Total Nonmajor Governmental Funds	
	Miscellaneous Grants	National Forest Receipts - School	National Forest Receipts - Streets and Roads	Property Development	E911 Surcharge	Borough Organizational	Debt Service Fund	Library Construction	Fishing Park	Birch Street Rebuild	Paving Project	Rasmus Enge Bridge Rehab		Economic Development
Assets														
Cash and investments	\$ 19,036	\$ 3,957,752	\$ 182,176	\$ 244,684	\$ 29,706	\$ 244,147	\$ 16,674	\$ -	\$ 99,927	\$ 23,708	\$ 160,218	\$ 19,371	\$ 4,529,026	\$ 9,526,425
Receivables:														
Grants and shared revenues	27,805	-	-	-	-	-	122,777	119,097	-	-	-	-	-	269,679
Interest	-	-	-	-	-	-	-	-	-	-	-	-	4,372	4,372
Total Assets	\$ 46,841	\$ 3,957,752	\$ 182,176	\$ 244,684	\$ 29,706	\$ 244,147	\$ 139,451	\$ 119,097	\$ 99,927	\$ 23,708	\$ 160,218	\$ 19,371	\$ 4,533,398	\$ 9,800,476
Liabilities and Fund Balances														
Liabilities														
Accounts payable	\$ 825	\$ -	\$ -	\$ -	\$ -	\$ 704	\$ -	\$ 114,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,036
Accrued payroll and related liabilities	355	-	-	-	-	-	-	-	-	-	-	-	-	355
Unearned revenue	45,355	-	-	-	-	-	-	-	-	-	-	-	-	45,355
Due to other funds	-	-	-	-	-	-	-	2,305	-	-	-	-	-	2,305
Total Liabilities	46,535	-	-	-	-	704	-	116,812	-	-	-	-	-	164,051
Fund Balances														
Restricted:														
Streets and roads	-	-	182,176	-	-	-	-	-	-	-	-	-	-	182,176
School support	-	3,957,752	-	-	-	-	-	-	-	-	-	-	-	3,957,752
Committed:														
Economic development	-	-	-	-	-	-	-	-	-	-	-	-	4,533,398	4,533,398
Public works	-	-	-	244,684	-	-	-	-	-	-	-	-	-	244,684
Public safety	-	-	-	-	29,706	-	-	-	-	-	-	-	-	29,706
Capital projects	-	-	-	-	-	-	-	2,285	99,927	23,708	160,218	19,371	-	305,509
Assigned:														
General government	-	-	-	-	-	243,443	-	-	-	-	-	-	-	243,443
Debt service	-	-	-	-	-	-	139,451	-	-	-	-	-	-	139,451
Subsequent year's expenditures	306	-	-	-	-	-	-	-	-	-	-	-	-	306
Total Fund Balances	306	3,957,752	182,176	244,684	29,706	243,443	139,451	2,285	99,927	23,708	160,218	19,371	4,533,398	9,636,425
Total Liabilities and Fund Balances	\$ 46,841	\$ 3,957,752	\$ 182,176	\$ 244,684	\$ 29,706	\$ 244,147	\$ 139,451	\$ 119,097	\$ 99,927	\$ 23,708	\$ 160,218	\$ 19,371	\$ 4,533,398	\$ 9,800,476

Petersburg Borough, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2014	Special Revenue Funds						Capital Project Funds						Total Nonmajor Governmental Funds	
	Miscellaneous Grants	National Forest Receipts - School	National Forest Receipts - Streets and Roads	Property Development	E911 Surcharge	Borough Organizational	Debt Service Fund	Library Construction	Fishing Park	Birch Street Rebuild	Paving Project	Rasmus Enge Bridge Rehab		Economic Development
Revenues														
Intergovernmental	\$ 836,458	\$ 1,148,861	\$ 106,725	\$ -	\$ -	\$ 200,000	\$ 498,003	\$ 319,097	\$ -	\$ -	\$ -	\$ 13,425	\$ -	\$ 3,122,569
Charges for services	\$ -	-	-	78,950	37,211	-	-	-	-	-	-	-	-	116,161
Investment income	-	35,197	1,002	2,082	-	-	-	-	253	-	-	-	504,027	542,561
Other revenues	-	-	-	-	-	-	-	80,000	-	-	-	-	-	80,000
Total Revenues	836,458	1,184,058	107,727	81,032	37,211	200,000	498,003	399,097	253	-	-	13,425	504,027	3,861,291
Expenditures														
General government	-	-	-	868	-	210,093	-	-	-	-	-	-	-	210,961
Public safety	121,637	-	-	-	8,247	-	-	-	-	-	-	-	-	129,884
Community services	435,599	-	-	-	-	-	-	-	-	-	-	-	-	435,599
Culture and recreation	279,222	-	-	-	-	-	-	-	-	-	-	-	-	279,222
Education	-	922,618	-	-	-	-	-	-	-	-	-	-	-	922,618
Debt service:														
Principal	-	-	-	-	-	-	547,503	-	-	-	-	-	-	547,503
Interest	-	-	-	-	-	-	370,867	-	-	-	-	-	-	370,867
Capital outlay	-	-	-	-	-	-	-	1,046,540	-	-	27,657	131,370	165,311	1,370,878
Total Expenditures	836,458	922,618	-	868	8,247	210,093	918,370	1,046,540	-	-	27,657	131,370	165,311	4,267,532
Excess of Revenues Over (Under) Expenditures	-	261,440	107,727	80,164	28,964	(10,093)	(420,367)	(647,443)	253	-	(27,657)	(117,945)	338,716	(406,241)
Other Financing Sources (Uses)														
Transfers in	-	-	-	-	-	-	422,192	-	-	-	-	60,000	-	482,192
Transfers out	-	(655,000)	-	-	-	-	-	-	-	-	-	-	(165,000)	(820,000)
Net Other Financing Sources (Uses)	-	(655,000)	-	-	-	-	422,192	-	-	-	-	60,000	(165,000)	(337,808)
Net Change in Fund Balances	-	(393,560)	107,727	80,164	28,964	(10,093)	1,825	(647,443)	253	-	(27,657)	(57,945)	173,716	(744,049)
Fund Balances, beginning of year	306	4,351,312	74,449	164,520	742	253,536	137,626	649,728	99,674	23,708	187,875	77,316	4,359,682	10,380,474
Fund Balances, end of year	\$ 306	\$ 3,957,752	\$ 182,176	\$ 244,684	\$ 29,706	\$ 243,443	\$ 139,451	\$ 2,285	\$ 99,927	\$ 23,708	\$ 160,218	\$ 19,371	\$ 4,533,398	\$ 9,636,425

Petersburg Borough, Alaska
Nonmajor Enterprise Funds
Combining Statement of Net Position

<i>June 30, 2014</i>	Sanitation Utility	Elderly Housing	Total
Assets			
Current Assets			
Cash and investments	\$ 384,978	\$ 583,467	\$ 968,445
Receivables, net of allowance for doubtful accounts	106,944	-	106,944
Prepaid expenses	5,116	843	5,959
Total Current Assets	497,038	584,310	1,081,348
Restricted Cash - security deposits	-	17,470	17,470
Property, Plant and Equipment			
Land and land improvements	63,720	127,419	191,139
Buildings	2,211,180	2,897,973	5,109,153
Improvements other than buildings	115,220	181,849	297,069
Machinery and equipment	219,767	106,396	326,163
Construction in progress	599,133	-	599,133
Total property, plant and equipment	3,209,020	3,313,637	6,522,657
Accumulated depreciation	(1,181,548)	(2,243,817)	(3,425,365)
Net Property, Plant and Equipment	2,027,472	1,069,820	3,097,292
Total Assets	2,524,510	1,671,600	4,196,110
Deferred Outflows			
Loss on refunding	-	28,435	28,435
Total Assets and Deferred Outflows	\$ 2,524,510	\$ 1,700,035	\$ 4,224,545
Liabilities and Net Position			
Liabilities			
Current liabilities:			
Accounts payable	\$ 21,620	\$ 2,291	\$ 23,911
Accrued payroll and employee benefits	17,429	3,884	21,313
Accrued leave	16,848	2,322	19,170
Unearned revenue	-	1,099	1,099
Customer deposits	7,401	10,515	17,916
Accrued interest	-	7,417	7,417
Current portion of general obligation bonds	-	40,000	40,000
Total current liabilities	63,298	67,528	130,826
Long-term debt, net of current portion:			
General obligation bonds	-	435,000	435,000
Bond premium, net of accumulated amortization	-	66,499	66,499
Landfill closure costs	126,400	-	126,400
Total long-term debt	126,400	501,499	627,899
Total Liabilities	189,698	569,027	758,725
Net Position			
Net investment in capital assets	2,027,472	556,756	2,584,228
Unrestricted	307,340	574,252	881,592
Total Net Position	2,334,812	1,131,008	3,465,820
Total Liabilities and Net Position	\$ 2,524,510	\$ 1,700,035	\$ 4,224,545

Petersburg Borough, Alaska
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2014</i>	Sanitation Utility	Elderly Housing	Total
Operating Revenues	\$ 1,137,684	\$ 374,067	\$ 1,511,751
Operating Expenses			
Salaries and benefits	409,044	92,143	501,187
Services, supplies, and other charges	535,326	185,980	721,306
Allocated overhead and motor pool charges	230,807	26,728	257,535
Depreciation	72,993	87,502	160,495
Total Operating Expenses	1,248,170	392,353	1,640,523
Loss from Operations	(110,486)	(18,286)	(128,772)
Nonoperating Revenues (Expenses)			
Investment income	6,521	5,694	12,215
Interest expense	-	(18,396)	(18,396)
State PERS relief	28,643	6,550	35,193
Net Nonoperating Revenues (Expenses)	35,164	(6,152)	29,012
Loss before contributions	(75,322)	(24,438)	(99,760)
Capital contributions	-	36,126	36,126
Change in Net Position	(75,322)	11,688	(63,634)
Net Position, beginning of year	2,410,134	1,119,320	3,529,454
Net Position, end of year	\$ 2,334,812	\$ 1,131,008	\$ 3,465,820

Petersburg Borough, Alaska
Nonmajor Enterprise Funds
Combining Statement of Cash Flows

<i>Year Ended June 30, 2014</i>	Sanitation Utility	Elderly Housing	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,131,825	\$ 374,212	\$ 1,506,037
Payments for interfund services used	(230,807)	(26,728)	(257,535)
Payments to suppliers	(483,824)	(184,765)	(668,589)
Payments to employees	(376,206)	(85,426)	(461,632)
Net cash flows from operating activities	40,988	77,293	118,281
Cash Flows for Capital and Related Financing Activities			
Principal paid on long-term debt	-	(40,000)	(40,000)
Interest paid on long-term debt	-	(22,625)	(22,625)
Purchase of property, plant and equipment	(558,889)	(42,526)	(601,415)
Capital contributions received	-	36,126	36,126
Transfers in	-	-	-
Net cash flows for capital and related financing activities	(558,889)	(69,025)	(627,914)
Cash Flows from Investing Activities			
Investment income received	6,521	5,694	12,215
Net increase (decrease) in cash and investments	(511,380)	13,962	(497,418)
Cash and Investments, beginning of year	896,358	586,975	1,483,333
Cash and Investments, end of year	\$ 384,978	\$ 600,937	\$ 985,915
Cash and Investments at End of Year			
Cash and investments	\$ 384,978	\$ 583,467	\$ 968,445
Restricted cash	-	17,470	17,470
	\$ 384,978	\$ 600,937	\$ 985,915
Reconciliation of Loss from Operations to Net Cash			
Flows from Operating Activities			
Loss from operations	\$ (110,486)	\$ (18,286)	\$ (128,772)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:			
Depreciation	72,993	87,502	160,495
Noncash expense - PERS relief	28,643	6,550	35,193
Increase in allowance for doubtful accounts	2,108	-	2,108
(Increase) decrease in assets:			
Accounts receivable	(8,151)	-	(8,151)
Prepaid expenses	134	(78)	56
Increase (decrease) in liabilities:			
Accounts payable	17,301	1,293	18,594
Accrued payroll and employee benefits	425	356	781
Accrued leave	3,770	(189)	3,581
Unearned revenue	-	225	225
Customer deposits	184	(80)	104
Landfill closure liability	34,067	-	34,067
Net Cash Flows from Operating Activities	\$ 40,988	\$ 77,293	\$ 118,281

General Fund

The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the Borough such as public safety, public works, recreation, library, community development, administrative services, etc. Appropriations are made from the General Fund annually.

Revenue is recorded by source, i.e., taxes, charges for services, intergovernmental, etc. Expenditures are recorded first by function, then by activity and object of expenditure.

Petersburg Borough, Alaska

General Fund
Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 4,724,979	\$ 3,742,879
Receivables		
Property taxes	40,875	50,902
Sales taxes	337,199	402,600
Accounts	33,114	65,303
Interest	54,609	-
Total Receivables	465,797	518,805
Prepaid insurance	62,347	61,800
Due from other funds	2,305	24,149
Total Assets	\$ 5,255,428	\$ 4,347,633
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 70,286	\$ 93,660
Accrued payroll and related liabilities	221,028	239,386
Unearned revenue	297	1,500
Total Liabilities	291,611	334,546
Fund Balance		
Nonspendable - prepaid insurance	62,347	61,800
Unassigned	4,901,470	3,951,287
Total Fund Balance	4,963,817	4,013,087
Total Liabilities and Fund Balance	\$ 5,255,428	\$ 4,347,633

Petersburg Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	2014			2013
	Budget	Actual	Variance with Budget	Actual
Revenues				
Taxes:				
Property taxes	\$ 2,968,279	\$ 2,958,589	\$ (9,690)	\$ 2,857,833
Sales taxes	2,911,892	3,032,354	120,462	2,822,595
Motor vehicle registration	34,000	33,871	(129)	32,198
Transient room taxes	45,000	50,056	5,056	40,472
Total taxes	5,959,171	6,074,870	115,699	5,753,098
Intergovernmental:				
Payments in lieu of taxes	510,000	1,173,133	663,133	534,395
Library grants	6,250	6,600	350	10,027
Fisheries business tax	500,000	760,516	260,516	1,036,385
Shared fisheries business tax and landing tax	20,000	23,555	3,555	37,759
Liquor licenses	7,500	6,800	(700)	8,800
Jail and special services contract	263,297	313,020	49,723	263,297
State PERS relief	343,750	393,153	49,403	381,838
9th officer position	91,739	91,739	-	91,739
State revenue sharing	537,104	539,124	2,020	345,443
Community oriented policing services	84,839	79,588	(5,251)	42,637
Total intergovernmental	2,364,479	3,387,228	1,022,749	2,752,320
Licenses and permits	10,600	6,796	(3,804)	8,002
Charges for services:				
Police and public safety	16,000	18,866	2,866	17,266
Ambulance fees	25,000	34,189	9,189	38,949
Public works	11,500	5,501	(5,999)	5,404
SEACAD reimbursement	59,000	64,750	5,750	59,428
Recreation activity fees	210,000	174,772	(35,228)	192,449
Tent City and park charges	-	2,703	2,703	1,500
Cemetery charges	3,000	2,433	(567)	2,900

Petersburg Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

<i>Years Ended June 30,</i>	2014			2013
	Budget	Actual	Variance with Budget	Actual
Revenues, continued				
Charges for services, continued:				
Sales	\$ -	\$ -	\$ -	\$ 46
Library charges	4,500	2,047	(2,453)	3,812
Cemetery plot sales	1,000	1,330	330	1,800
Passport services	2,000	2,050	50	1,900
Other charges for services	10,300	13,289	2,989	-
Total charges for services	342,300	321,930	(20,370)	325,454
Fines and forfeitures	12,500	18,511	6,011	12,096
Overhead charges	518,582	518,582	-	539,450
Investment income	80,000	105,979	25,979	36,435
Other revenues:				
Lease income	34,000	10,056	(23,944)	38,251
Library donations	-	1,575	1,575	1,850
Total other revenues	34,000	11,631	(22,369)	40,101
Total Revenues	9,321,632	10,445,527	1,123,895	9,466,956
Expenditures				
General government:				
Borough Assembly	118,200	117,034	1,166	138,081
Borough manager	409,927	396,536	13,391	370,379
Borough attorney	45,000	101,261	(56,261)	65,725
Information systems	86,766	88,338	(1,572)	88,217
Finance	553,079	559,951	(6,872)	530,117
Other	644,584	675,313	(30,729)	569,635
Total general government	1,857,556	1,938,433	(80,877)	1,762,154

Petersburg Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

<i>Years Ended June 30,</i>	2014			2013
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued				
Public safety:				
Police department	\$ 1,207,575	\$ 1,167,115	\$ 40,460	\$ 1,195,031
Jail	346,487	315,221	31,266	316,543
Fire department	537,646	500,297	37,349	469,989
Total public safety	2,091,708	1,982,633	109,075	1,981,563
Public works:				
Streets	1,240,554	1,119,052	121,502	1,216,947
Community development	189,865	189,599	266	180,163
Facilities maintenance	456,545	446,252	10,293	372,652
Total public works	1,886,964	1,754,903	132,061	1,769,762
Community services	207,000	202,254	4,746	175,381
Culture and recreation:				
Library	350,034	373,668	(23,634)	261,890
Parks and recreation	925,129	920,489	4,640	835,059
Total culture and recreation	1,275,163	1,294,157	(18,994)	1,096,949
Education - contribution to school district	1,800,000	1,800,000	-	1,800,000
Total Expenditures	9,118,391	8,972,380	146,011	8,585,809
Excess of Revenues Over (Under) Expenditures	203,241	1,473,147	1,269,906	881,147
Other Financing Sources (Uses)				
Transfers in	655,000	655,000	-	660,000
Transfers out	(858,241)	(1,177,417)	(319,176)	(1,248,739)
Net Other Financing Sources (Uses)	(203,241)	(522,417)	(319,176)	(588,739)
Net Change in Fund Balance	\$ -	950,730	\$ 950,730	292,408
Fund Balance, beginning of year		4,013,087		3,720,679
Fund Balance, end of year		\$ 4,963,817		\$ 4,013,087

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted to expenditures for particular purposes.

Miscellaneous Grants

This fund accounts for various operating-type grants from State and federal agencies.

National Forest Receipts - School

This fund is used to account for activity relating to National Forest Receipts that have been earmarked by the granting agency for education purposes.

National Forest Receipts - Streets and Roads

This fund is used to account for activity relating to National Forest Receipts that have been earmarked by the granting agency for street and road purposes.

Property Development

This fund is used to account for activity relating to the sale and/or purchase of Borough owned real property.

E911 Surcharge

This fund accounts for the operation, maintenance, and improvement of the Borough's enhanced 911 emergency communication system.

Borough Organizational

This fund accounts for three years of revenues received from the State of Alaska and the associated expenditures to transition to a borough.

Petersburg Borough, Alaska
Miscellaneous Grants Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 19,036	\$ 121,462
Receivables - grants	27,805	56,931
Total Assets	\$ 46,841	\$ 178,393
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 825	\$ 10,984
Accrued payroll and related liabilities	355	1,853
Unearned revenue	45,355	165,250
Total Liabilities	46,535	178,087
Fund Balance		
Assigned for subsequent year's expenditures	306	306
Total Liabilities and Fund Balance	\$ 46,841	\$ 178,393

Petersburg Borough, Alaska
Miscellaneous Grants Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	2014			2013
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 1,099,498	\$ 836,458	\$ (263,040)	\$ 593,707
Expenditures				
Public safety:				
Fire department	6,500	-	6,500	6,420
Police department	193,000	102,619	90,381	165,641
Local emergency planning committee	-	19,018	(19,018)	19,018
Community services - hospital	375,000	435,599	(60,599)	12,389
Culture and recreation:				
Library	-	2,799	(2,799)	12,000
Owl Grant	-	4,324	(4,324)	5,945
Green's Camp	-	-	-	70,026
Banana Point	5,000	-	5,000	44,120
Shooting range	75,000	65,030	9,970	27,538
Campgrounds	4,040	6,259	(2,219)	7,415
Clausen Museum expansion	90,000	95,594	(5,594)	36,991
IMLS library	42,000	32,780	9,220	64,932
Wilson Creek repairs	-	-	-	41,782
Sandy Beach shelter	25,000	14,314	10,686	13,903
Sandy Beach bathroom	15,000	3,162	11,838	7,642
ILC grant expenditures	35,958	9,530	26,428	-
National Forest Foundation	-	23,500	(23,500)	-
Community gym floor renovation	13,000	13,000	-	-
Sons of Norway	220,000	8,930	211,070	57,945
Total Expenditures	1,099,498	836,458	263,040	593,707
Net Change in Fund Balance	\$ -	-	\$ -	-
Fund Balance, beginning of year		306		306
Fund Balance, end of year		\$ 306		\$ 306

Petersburg Borough, Alaska
National Forest Receipts - School Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 3,957,752	\$ 4,351,312
Fund Balance		
Restricted for school support	\$ 3,957,752	\$ 4,351,312

Petersburg Borough, Alaska
National Forest Receipts - School Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	2014			2013
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental:				
National forest receipts	\$ 1,148,860	\$ 1,148,861	\$ 1	\$ 984,038
State Department of Education and Early Development	2,152,000	-	(2,152,000)	-
Investment income	15,000	35,197	20,197	12,825
Total Revenues	3,315,860	1,184,058	(2,131,802)	996,863
Expenditures				
Education - contribution to school district	3,500,000	922,618	(2,577,382)	-
Excess of Revenues Over (Under)				
Expenditures	(184,140)	261,440	445,580	996,863
Other Financing Uses				
Transfers out	(655,000)	(655,000)	-	(660,000)
Net Change in Fund Balance	<u>\$ (839,140)</u>	<u>(393,560)</u>	<u>\$ 445,580</u>	336,863
Fund Balance, beginning of year		<u>4,351,312</u>		<u>4,014,449</u>
Fund Balance, end of year		<u><u>\$ 3,957,752</u></u>		<u><u>\$ 4,351,312</u></u>

Petersburg Borough, Alaska
National Forest Receipts - Streets and Roads Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 182,176	\$ 74,449
Fund Balance		
Restricted for streets and roads	\$ 182,176	\$ 74,449

Petersburg Borough, Alaska

National Forest Receipts - Streets and Roads Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	2014			2013
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental - national forest receipts	\$ 106,725	\$ 106,725	\$ -	\$ 91,267
Investment income	500	1,002	502	414
Total Revenues	107,225	107,727	502	91,681
Expenditures				
Public works - paving	-	-	-	198,000
Excess of Revenues Over (Under) Expenditures	107,225	107,727	502	(106,319)
Net Change in Fund Balance	<u>\$ 107,225</u>	107,727	<u>\$ 502</u>	(106,319)
Fund Balance, beginning of year		<u>74,449</u>		<u>180,768</u>
Fund Balance, end of year		<u>\$ 182,176</u>		<u>\$ 74,449</u>

Petersburg Borough, Alaska
 Property Development Special Revenue Fund
 Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 244,684	\$ 164,520
Fund Balance		
Committed for public works	\$ 244,684	\$ 164,520

Petersburg Borough, Alaska
Property Development Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	2014			2013
	Budget	Actual	Variance with Budget	Actual
Revenues				
Charges for services/rock sales	\$ 1,000	\$ 950	\$ (50)	\$ 826
Sale of capital assets	-	78,000	78,000	-
Investment income	1,000	2,082	1,082	100
Total Revenues	2,000	81,032	79,032	926
Expenditures				
General government - professional services	1,000	868	132	-
Excess of Revenues Over Expenditures	1,000	80,164	79,164	926
Other Financing Sources (Uses)				
Transfers in	-	-	-	200,000
Transfers out	-	-	-	(400,000)
Net Other Financing Sources (Uses)	-	-	-	(200,000)
Net Change in Fund Balance	<u>\$ 1,000</u>	80,164	<u>\$ 79,164</u>	(199,074)
Fund Balance, beginning of year		<u>164,520</u>		<u>363,594</u>
Fund Balance, end of year		<u>\$ 244,684</u>		<u>\$ 164,520</u>

Petersburg Borough, Alaska
 E911 Surcharge Special Revenue Fund
 Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 29,706	\$ 742
Fund Balance		
Committed for public safety	\$ 29,706	\$ 742

Petersburg Borough, Alaska
E911 Surcharge Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	2014			2013
	Budget	Actual	Variance with Budget	Actual
Revenues				
Charges for services	\$ 31,000	\$ 37,211	\$ 6,211	\$ 30,040
Expenditures				
Public safety - professional services	1,000	8,247	(7,247)	130,043
Net Change in Fund Balance	<u>\$ 30,000</u>	28,964	<u>\$ (1,036)</u>	(100,003)
Fund Balance, beginning of year		<u>742</u>		<u>100,745</u>
Fund Balance, end of year		<u>\$ 29,706</u>		<u>\$ 742</u>

Petersburg Borough, Alaska
Borough Organizational Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 244,147	\$ 258,007
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 704	\$ 4,471
Fund Balance		
Assigned for general government	243,443	253,536
Total Liabilities and Fund Balance	\$ 244,147	\$ 258,007

Petersburg Borough, Alaska
Borough Organizational Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	2014			2013
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 200,000	\$ 200,000	\$ -	\$ 300,000
Expenditures				
General government:				
Materials and supplies	40,000	22,341	17,659	1,180
Professional services	-	17,912	(17,912)	1,350
Assessment services	70,000	70,463	(463)	27,500
Comprehensive plan/zoning/mapping	77,000	45,474	31,526	4,450
Attorney	65,000	40,076	24,924	9,613
Travel and training	-	592	(592)	-
Advertising and communications	7,000	13,235	(6,235)	2,401
Total Expenditures	259,000	210,093	48,907	46,494
Net Change in Fund Balance	<u>\$ (59,000)</u>	(10,093)	<u>\$ 48,907</u>	253,506
Fund Balance, beginning of year		<u>253,536</u>		<u>-</u>
Fund Balance, end of year		<u>\$ 243,443</u>		<u>\$ 253,506</u>

Debt Service Fund

The Debt Service Fund accounts for the accumulation of monies for payments of various general obligation bonds. Servicing of this debt requires various annual and semi-annual payments of principal and interest. Financing is provided by the State of Alaska debt reimbursement program and transfers, determined annually by budget, from the General Fund.

Petersburg Borough, Alaska

Debt Service Fund

Balance Sheet

<i>June 30,</i>	2014	2013
Assets		
Cash and investments	\$ 16,674	\$ 16,184
Receivables - grants and shared revenues	122,777	121,442
Total Assets	\$ 139,451	\$ 137,626
Fund Balance		
Assigned for debt service	\$ 139,451	\$ 137,626

Petersburg Borough, Alaska
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	2014		2013	
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 498,004	\$ 498,003	\$ (1)	\$ 490,525
Expenditures				
Debt service:				
2004 general obligation school bonds:				
Principal	165,000	165,000	-	170,000
Interest	6,600	6,600	-	82,995
2005 general obligation aquatic center/voc.ed bonds:				
Principal	255,000	255,000	-	245,000
Interest	179,929	179,929	-	191,204
2007 general obligation aquatic center refunding bonds:				
Principal	50,000	50,000	-	45,000
Interest	41,281	41,281	-	43,556
2007 general obligation pool refunding bonds:				
Principal	17,503	17,503	-	15,837
Interest	7,032	7,032	-	7,830
2012 (Series 2) general obligation refunding school bonds				
Principal	-	-	-	-
Interest	90,900	90,900	-	-
2012 (Series 3) general obligation library bonds:				
Principal	60,000	60,000	-	50,000
Interest	45,125	45,125	-	32,416
Total Expenditures	918,370	918,370	-	883,838
Excess of Revenues Over (Under) Expenditures	(420,366)	(420,367)	(1)	(393,313)
Other Financing Sources - transfers in	420,366	422,192	1,826	395,521
Net Change in Fund Balance	\$ -	1,825	\$ 1,825	2,208
Fund Balance, beginning of year		137,626		135,418
Fund Balance, end of year		\$ 139,451		\$ 137,626

Capital Project Funds

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Library Construction

This fund accounts for the library project.

Fishing Park

This fund accounts for the private donation and improvements to the Fishing Park.

Birch Street Rebuild

This fund accounts for the costs to rebuild the bridge structure to ensure safe travel for vehicles and pedestrians.

Paving Project

This fund accounts for the costs to rehabilitate and/or repave the core downtown streets of Petersburg.

Rasmus Enge Bridge Reconstruction

This fund accounts for reconstruction of the historic Rasmus Enge Bridge to ensure safe travel for vehicles and pedestrians.

Economic Development

This fund accounts for the monies received from the United States Department of Agriculture (USDA) to be used for economic assistance projects.

Petersburg Borough, Alaska

Capital Project Funds
Combining Balance Sheet

<i>June 30, 2014</i>	Library Construc- tion	Fishing Park	Birch Street Rebuild	Paving Project	Rasmus Enge Bridge Reconstruction	Economic Development	Totals
Assets							
Cash and investments	\$ -	\$ 99,927	\$ 23,708	\$ 160,218	\$ 19,371	\$ 4,529,026	\$ 4,832,250
Receivables:							
Grants	119,097	-	-	-	-	-	119,097
Accrued interest	-	-	-	-	-	4,372	4,372
Total Assets	\$ 119,097	\$ 99,927	\$ 23,708	\$ 160,218	\$ 19,371	\$ 4,533,398	\$ 4,955,719
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 114,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,507
Due to other funds	2,305	-	-	-	-	-	2,305
Total Liabilities	116,812	-	-	-	-	-	116,812
Fund Balances							
Committed:							
Economic development	-	-	-	-	-	4,533,398	4,533,398
Capital projects	2,285	99,927	23,708	160,218	19,371	-	305,509
Total Fund Balances	2,285	99,927	23,708	160,218	19,371	4,533,398	4,838,907
Total Liabilities and Fund Balances	\$ 119,097	\$ 99,927	\$ 23,708	\$ 160,218	\$ 19,371	\$ 4,533,398	\$ 4,955,719

Petersburg Borough, Alaska
Capital Project Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

<i>Year Ended June 30, 2014</i>	Library Construc- tion	Fishing Park	Birch Street Rebuild	Paving Project	Rasmus Enge Bridge Reconstruction	Economic Development	Totals
Revenues							
Intergovernmental	\$ 319,097	\$ -	\$ -	\$ -	\$ 13,425	\$ -	\$ 332,522
Other grants	80,000	-	-	-	-	-	80,000
Investment income	-	253	-	-	-	504,027	504,280
Total Revenues	399,097	253	-	-	13,425	504,027	916,802
Expenditures							
Capital projects and improvements:							
Professional services	114,245	-	-	186	55,696	15,311	185,438
Construction	368,908	-	-	27,471	75,349	-	471,728
Contributions	-	-	-	-	-	150,000	150,000
Materials and supplies	563,387	-	-	-	325	-	563,712
Total Expenditures	1,046,540	-	-	27,657	131,370	165,311	1,370,878
Excess of Revenues Over (Under) Expenditures	(647,443)	253	-	(27,657)	(117,945)	338,716	(454,076)
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	60,000	-	60,000
Transfers out	-	-	-	-	-	(165,000)	(165,000)
Net Other Financing Sources (Uses)	-	-	-	-	60,000	(165,000)	(105,000)
Net Change in Fund Balances	(647,443)	253	-	(27,657)	(57,945)	173,716	(559,076)
Fund Balances, beginning of year	649,728	99,674	23,708	187,875	77,316	4,359,682	5,397,983
Fund Balances, end of year	\$ 2,285	\$ 99,927	\$ 23,708	\$ 160,218	\$ 19,371	\$ 4,533,398	\$ 4,838,907

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's assembly is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's assembly has decided that periodic determination of net income is appropriate for accountability purposes.

Electric Utility

This fund is used to account for the operations of the electric utility.

Water Utility

This fund is used to account for the operations of the Borough water system.

Wastewater Utility

This fund is used to account for the operations of the wastewater utility.

Sanitation Utility

This fund is used to account for the Borough landfill and refuse collection activities.

Harbor and Port Facilities

This fund is used to account for the operations of the harbors and port.

Elderly Housing

This fund is used to account for the operations of the elderly housing rental units.

Assisted Living

This fund is used to account for the operations of the assisted living facility.

Petersburg Borough, Alaska
Electric Utility Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 6,200,735	\$ 6,111,512
Accounts receivable	457,608	432,278
Allowance for doubtful accounts	(12,367)	(6,572)
Inventories	260,864	243,913
Prepaid expenses	11,174	63,212
Total Current Assets	6,918,014	6,844,343
Property, Plant and Equipment		
Land and land improvements	1,848,295	1,848,295
Buildings	2,964,910	1,067,261
Improvements other than buildings	5,068,706	5,003,044
Machinery and equipment	17,018,539	17,018,539
Construction in progress	-	1,722,843
Total property, plant and equipment	26,900,450	26,659,982
Accumulated depreciation	(15,730,317)	(15,134,017)
Net Property, Plant and Equipment	11,170,133	11,525,965
Total Assets	\$ 18,088,147	\$ 18,370,308
Liabilities and Net Position		
Liabilities		
Current liabilities:		
Accounts payable	\$ 284,307	\$ 124,572
Accrued payroll and employee benefits	56,901	66,508
Accrued leave	115,591	138,580
Accrued interest	33,999	33,999
Customer deposits	29,603	29,350
Current portion of general obligation bonds	105,000	105,000
Total current liabilities	625,401	498,009
Long term debt, net of current portion:		
General obligation bonds	2,390,000	2,495,000
Bond premium, net of accumulated amortization	49,304	52,385
Total Liabilities	3,064,705	3,045,394
Net Position		
Net investment in capital assets	8,625,829	8,873,580
Unrestricted	6,397,613	6,451,334
Total Net Position	15,023,442	15,324,914
Total Liabilities and Net Position	\$ 18,088,147	\$ 18,370,308

Petersburg Borough, Alaska
Electric Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2014	2013
Operating Revenues		
Residential electric	\$ 1,968,199	\$ 2,007,972
Industrial electric	2,350,908	2,173,119
Commercial electric	763,107	733,466
Street and highway lighting	71,420	77,280
Harbor electric	215,041	222,182
Pole rental	51,400	47,920
Other	41,734	38,842
Total Operating Revenues	5,461,809	5,300,781
Operating Expenses		
Power production:		
Salaries	89,635	93,266
Employee benefits	40,909	40,040
Materials and supplies	231,336	278,115
Services and charges	62,274	32,358
SEAPA/Thomas Bay Power Authority Cost	3,080,228	2,831,639
Total power production	3,504,382	3,275,418
Distribution:		
Salaries	404,701	419,669
Employee benefits	189,771	179,556
Materials and supplies	31,063	30,505
Services and charges	18,611	12,317
Total distribution	644,146	642,047
General and administrative:		
Salaries	273,252	290,000
Employee benefits	305,985	312,117
Materials and supplies	223,018	249,151
Services and charges	199,408	150,408
Allocated overhead	183,579	190,696
Motor pool charges:		
Operation and maintenance	70,068	70,068
Equipment replacement	56,213	46,414
Total general and administrative	1,311,523	1,308,854

Petersburg Borough, Alaska
Electric Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position, continued

<i>Years Ended June 30,</i>	2014	2013
Operating Expenses, continued		
Depreciation	\$ 596,300	\$ 653,940
Total Operating Expenses	6,056,351	5,880,259
Loss from Operations	(594,542)	(579,478)
Nonoperating Revenues (Expenses)		
Investment income	61,397	23,168
SEAPA distribution	200,538	198,650
Interest expense	(131,338)	(133,413)
Federal interest subsidy	31,821	33,318
State PERS relief	130,652	138,637
Net Nonoperating Revenues (Expenses)	293,070	260,360
Loss before transfers	(301,472)	(319,118)
Transfers out	-	(1,260,000)
Change in Net Position	(301,472)	(1,579,118)
Net Position, beginning of year	15,324,914	16,904,032
Net Position, end of year	\$ 15,023,442	\$ 15,324,914

Petersburg Borough, Alaska
Electric Utility Enterprise Fund
Statement of Cash Flows

<i>Years Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 5,643,065	\$ 5,504,489
Payments for interfund services used	(309,860)	(307,178)
Payments to suppliers	(3,651,116)	(3,848,622)
Payments to employees	(1,206,197)	(1,197,334)
Net cash flows from operating activities	475,892	151,355
Cash Flows from Noncapital Financing Activities		
Transfers out	-	(1,260,000)
Cash Flows from Capital and Related Financing Activities		
Purchase of property, plant and equipment	(240,468)	(582,688)
Principal paid on long-term debt	(105,000)	(100,000)
Interest paid on long-term debt	(134,419)	(136,994)
Federal interest subsidy received	31,821	33,318
Net cash flows for capital and related financing activities	(448,066)	(786,364)
Cash Flows from Investing Activities		
Investment income received	61,397	23,168
Net increase (decrease) in cash and investments	89,223	(1,871,841)
Cash and Investments, beginning of year	6,111,512	7,983,353
Cash and Investments, end of year	\$ 6,200,735	\$ 6,111,512
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (594,542)	\$ (579,478)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	596,300	653,940
Noncash expense - PERS relief	130,652	138,637
Nonoperating revenues received	200,538	198,650
Increase in allowance for doubtful accounts	5,795	2,195
(Increase) decrease in assets:		
Accounts receivable	(25,330)	1,765
Inventories	(16,951)	46,674
Prepaid expenses	52,038	(574)
Increase (decrease) in liabilities:		
Accounts payable	159,735	(310,229)
Accrued payroll and employee benefits	(9,607)	7,623
Accrued leave	(22,989)	(8,946)
Customer deposits	253	1,098
Net Cash Flows from Operating Activities	\$ 475,892	\$ 151,355

Petersburg Borough, Alaska

Electric Utility Enterprise Fund

Schedule of Electric Utility

Capital Projects

<i>Year Ended June 30, 2014</i>	Electric Rebuild	24.9 Rebuild	Hydro Station Upgrade	Standby Diesel Generator	Totals
Funding Sources					
Electric utility	\$ 16,312	\$ 17,008	\$ 32,343	\$ 174,805	\$ 240,468
Expenditures					
Salaries and employee benefits	\$ 2,410	\$ 6,809	\$ 6,019	\$ -	\$ 15,238
Professional services	8,653	-	1,820	825	11,298
Construction and contractors	-	-	19,302	173,980	193,282
Other	5,249	10,199	5,202	-	20,650
Total Expenditures	\$ 16,312	\$ 17,008	\$ 32,343	\$ 174,805	\$ 240,468

Petersburg Borough, Alaska
Water Utility Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 628,321	\$ 366,633
Receivables:		
Grants and loans	26,525	203,211
Accounts	94,888	89,895
Allowance for doubtful accounts	(2,886)	(1,869)
Inventories	64,214	68,015
Prepaid expenses	2,893	2,625
Total Current Assets	813,955	728,510
Property, Plant and Equipment		
Buildings	5,178,330	5,178,330
Improvements other than buildings	26,797,940	24,281,418
Machinery and equipment	3,000,849	3,000,849
Construction in progress	-	2,474,714
Total property, plant and equipment	34,977,119	34,935,311
Accumulated depreciation	(12,152,856)	(11,296,576)
Net Property, Plant and Equipment	22,824,263	23,638,735
Total Assets	\$ 23,638,218	\$ 24,367,245
Liabilities and Net Position		
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,693	\$ 86,296
Accrued payroll and employee benefits	12,153	11,387
Accrued leave	8,365	9,521
Customer deposits	6,907	6,255
Accrued interest	37,403	37,403
Current portion - ADEC loans	260,000	257,549
Total current liabilities	326,521	408,411
Long term debt, net of current portion - ADEC loans	3,488,649	4,017,802
Total Liabilities	3,815,170	4,426,213
Net Position		
Net investment in capital assets	19,075,614	19,363,384
Unrestricted	747,434	577,648
Total Net Position	19,823,048	19,941,032
Total Liabilities and Net Position	\$ 23,638,218	\$ 24,367,245

Petersburg Borough, Alaska
Water Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2014	2013
Operating Revenues		
Residential water	\$ 512,943	\$ 494,965
Commercial water	464,536	360,599
Water delivery	15,093	8,831
Other	6,699	5,887
Total Operating Revenues	999,271	870,282
Operating Expenses		
Salaries	208,992	195,713
Employee benefits	106,815	108,903
Materials and supplies	152,007	127,832
Services and charges	147,377	120,381
Allocated overhead	65,745	69,682
Motor pool charges:		
Operation and maintenance	16,391	6,813
Equipment replacement	16,699	16,699
Depreciation	856,280	764,232
Total Operating Expenses	1,570,306	1,410,255
Loss from Operations	(571,035)	(539,973)
Nonoperating Revenues (Expenses)		
Investment income	5,254	-
Interest expense	(46,230)	(47,260)
State PERS relief	18,065	17,773
Net Nonoperating Revenues (Expenses)	(22,911)	(29,487)
Loss before contributions and transfers	(593,946)	(569,460)
Capital contributions	310,962	1,146,803
Transfers in	165,000	164,145
Change in Net Position	(117,984)	741,488
Net Position, beginning of year	19,941,032	19,199,544
Net Position, end of year	\$ 19,823,048	\$ 19,941,032

Petersburg Borough, Alaska
Water Utility Enterprise Fund
Statement of Cash Flows

<i>Year Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 995,947	\$ 866,088
Payments for interfund services used	(98,835)	(93,194)
Payments to suppliers	(380,454)	(281,263)
Payments to employees	(298,132)	(285,708)
Net cash flows from operating activities	218,526	205,923
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(526,702)	(255,143)
Interest paid on long-term debt	(46,230)	(50,060)
Purchase of property, plant and equipment	(41,808)	(1,689,428)
Proceeds from issuance of debt	-	580,045
Transfers in	165,000	164,145
Capital contributions received	487,648	1,327,221
Net cash flows from capital and related financing activities	37,908	76,780
Cash Flows from Investing Activities		
Investment income received	5,254	-
Net increase in cash and investments	261,688	282,703
Cash and Investments, beginning of year	366,633	83,930
Cash and Investments, end of year	\$ 628,321	\$ 366,633
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (571,035)	\$ (539,973)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	856,280	764,232
Noncash expense - PERS relief	18,065	17,773
Increase in allowance for doubtful accounts	1,017	949
(Increase) decrease in assets:		
Accounts receivable	(4,993)	(5,930)
Inventories	3,801	4,510
Prepaid expenses	(268)	634
Increase (decrease) in liabilities:		
Accounts payable	(84,603)	(38,194)
Accrued payroll and employee benefits	766	1,046
Accrued leave	(1,156)	89
Customer deposits	652	787
Net Cash Flows from Operating Activities	\$ 218,526	\$ 205,923

Petersburg Borough, Alaska
 Water Utility Enterprise Fund
 Schedule of Water Utility
 Capital Projects

	Water Treatment Plant Upgrade
<hr/>	
<i>Year Ended June 30, 2014</i>	
<hr/>	
Funding Sources	
Intergovernmental	\$ 310,962
Water utility*	(269,153)
<hr/>	
Total Funding Sources	\$ 41,809
<hr/>	
Expenditures	
Contractor	\$ 10,314
Professional services	30,874
Small tools and equipment	621
<hr/>	
Total Expenditures	\$ 41,809
<hr/>	

* This amount was contributed by the water utility in the prior year, but refunded through a federal grant subsidy recognized in the current year.

Petersburg Borough, Alaska
Wastewater Utility Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 1,132,340	\$ 998,768
Receivables:		
Grants and loan	-	207,499
Accounts	162,823	71,219
Allowance for doubtful accounts	(2,328)	(2,303)
Inventories	28,172	32,721
Prepaid expenses	4,273	3,877
Total Current Assets	1,325,280	1,311,781
Property, Plant and Equipment		
Buildings	9,091,647	9,091,647
Improvements other than buildings	8,417,986	7,729,465
Machinery and equipment	391,030	348,530
Construction in progress	1,074,943	1,036,393
Total property, plant and equipment	18,975,606	18,206,035
Accumulated depreciation	(10,260,007)	(9,961,089)
Net Property, Plant and Equipment	8,715,599	8,244,946
Total Assets	\$ 10,040,879	\$ 9,556,727
Liabilities and Net Position		
Liabilities		
Current liabilities:		
Accounts payable	\$ 12,207	\$ 39,206
Accrued payroll and employee benefits	13,270	16,665
Accrued leave	17,201	13,379
Customer deposits	5,427	5,293
Accrued interest	5,863	5,863
Current portion of ADEC loans	33,187	32,697
Total current liabilities	87,155	113,103
Long term debt, net of current portion - ADEC loans	1,864,234	1,337,529
Total Liabilities	1,951,389	1,450,632
Net Position		
Net investment in capital assets	6,818,178	6,874,720
Unrestricted	1,271,312	1,231,375
Total Net Position	8,089,490	8,106,095
Total Liabilities and Net Position	\$ 10,040,879	\$ 9,556,727

Petersburg Borough, Alaska
Wastewater Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2014	2013
Operating Revenues		
Residential sewer	\$ 518,512	\$ 488,836
Commercial sewer	182,082	164,206
Other	18,387	12,565
Total Operating Revenues	718,981	665,607
Operating Expenses		
Salaries	185,624	168,332
Employee benefits	107,262	102,618
Materials and supplies	51,130	58,447
Services and charges	117,321	111,370
Allocated overhead	47,405	50,420
Motor pool charges:		
Operation and maintenance	23,652	15,171
Equipment replacement	49,565	30,767
Depreciation	298,918	317,167
Total Operating Expenses	880,877	854,292
Loss from Operations	(161,896)	(188,685)
Nonoperating Revenues (Expenses)		
Investment income	9,770	3,310
Interest expense	(6,396)	(6,436)
State PERS relief	23,530	17,125
Net Nonoperating Revenues (Expenses)	26,904	13,999
Loss before contributions and transfers	(134,992)	(174,686)
Capital contributions	118,387	-
Transfers in	-	855
Change in Net Position	(16,605)	(173,831)
Net Position, beginning of year	8,106,095	8,279,926
Net Position, end of year	\$ 8,089,490	\$ 8,106,095

Petersburg Borough, Alaska
Wastewater Utility Enterprise Fund
Statement of Cash Flows

<i>Years Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 627,536	\$ 676,527
Payments for interfund services used	(120,622)	(96,358)
Payments to suppliers	(191,297)	(165,336)
Payments to employees	(268,929)	(249,252)
Net cash flows from operating activities	46,688	165,581
Cash Flows from Noncapital Financing Activities		
Transfers in	-	855
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(32,696)	(32,214)
Interest paid on long-term debt	(6,396)	(6,879)
Purchase of property, plant and equipment	(769,571)	(358,920)
Proceeds from issuance of debt	559,891	344,212
Capital contributions received	325,886	(21,054)
Net cash flows from capital and related financing activities	77,114	(74,855)
Cash Flows from Investing Activities		
Investment income received	9,770	3,310
Net increase in cash and investments	133,572	94,891
Cash and Investments, beginning of year	998,768	903,877
Cash and Investments, end of year	\$ 1,132,340	\$ 998,768
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (161,896)	\$ (188,685)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	298,918	317,167
Noncash expense - PERS relief	23,530	17,125
Increase in allowance for doubtful accounts	25	1,434
(Increase) decrease in assets:		
Accounts receivable	(91,604)	8,750
Inventories	4,549	1,295
Prepaid expenses	(396)	(528)
Increase (decrease) in liabilities:		
Accounts payable	(26,999)	3,714
Accrued payroll and employee benefits	(3,395)	5,206
Accrued leave	3,822	(633)
Customer deposits	134	736
Net Cash Flows from Operating Activities	\$ 46,688	\$ 165,581

Petersburg Borough, Alaska
Wastewater Utility Enterprise Fund
Schedule of Wastewater Utility
Capital Projects

<i>Year Ended June 30, 2014</i>	Pumpstation #1 Upgrade	Pumpstation #5 Upgrade	SCADA Update	Totals
Funding Sources				
Intergovernmental	\$ 9,187	\$ 109,200	\$ -	\$ 118,387
Wastewater Utility	55,738	552,946	42,500	651,184
Total Funding Sources	\$ 64,925	\$ 662,146	\$ 42,500	\$ 769,571
Expenditures				
Contractor	\$ -	\$ 637,763	\$ 42,500	\$ 680,263
Professional services	64,925	24,383	-	89,308
Total Expenditures	\$ 64,925	\$ 662,146	\$ 42,500	\$ 769,571

Petersburg Borough, Alaska
Sanitation Utility Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 384,978	\$ 896,358
Accounts receivable	110,036	101,885
Allowance for doubtful accounts	(3,092)	(984)
Prepaid expenses	5,116	5,250
Total Current Assets	497,038	1,002,509
Property, Plant and Equipment		
Land and land improvements	63,720	63,720
Buildings	2,211,180	2,211,180
Improvements other than buildings	115,220	115,220
Machinery and equipment	219,767	219,767
Construction in progress	599,133	40,244
Total property, plant and equipment	3,209,020	2,650,131
Accumulated depreciation	(1,181,548)	(1,108,555)
Net Property, Plant and Equipment	2,027,472	1,541,576
Total Assets	\$ 2,524,510	\$ 2,544,085
Liabilities and Net Position		
Liabilities		
Current liabilities:		
Accounts payable	\$ 21,620	\$ 4,319
Accrued payroll and employee benefits	17,429	17,004
Accrued leave	16,848	13,078
Customer deposits	7,401	7,217
Total current liabilities	63,298	41,618
Long-term debt - estimated landfill closure costs	126,400	92,333
Total Liabilities	189,698	133,951
Net Position		
Investment in capital assets	2,027,472	1,541,576
Unrestricted	307,340	868,558
Total Net Position	2,334,812	2,410,134
Total Liabilities and Net Position	\$ 2,524,510	\$ 2,544,085

Petersburg Borough, Alaska
Sanitation Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2014	2013
Operating Revenues		
Refuse collection	\$ 806,656	\$ 810,029
Landfill charges	292,322	262,695
Other	38,706	19,430
Total Operating Revenues	1,137,684	1,092,154
Operating Expenses		
Salaries	252,365	238,930
Employee benefits	156,679	144,951
Materials and supplies	48,813	39,906
Services and charges	215,438	149,325
Bale disposal	271,075	245,113
Allocated overhead	78,911	87,219
Motor pool charges:		
Operation and maintenance	62,419	89,638
Equipment replacement	89,477	83,390
Depreciation	72,993	69,272
Total Operating Expenses	1,248,170	1,147,744
Loss from Operations	(110,486)	(55,590)
Nonoperating Revenues		
Investment income	6,521	2,482
State PERS relief	28,643	25,218
Total Nonoperating Revenues	35,164	27,700
Loss before transfers	(75,322)	(27,890)
Transfers in	-	400,000
Change in Net Position	(75,322)	372,110
Net Position, beginning of year	2,410,134	2,038,024
Net Position, end of year	\$ 2,334,812	\$ 2,410,134

Petersburg Borough, Alaska
Sanitation Utility Enterprise Fund
Statement of Cash Flows

<i>Years Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,131,825	\$ 1,091,252
Payments for interfund services used	(230,807)	(260,247)
Payments to suppliers	(483,824)	(443,563)
Payments to employees	(376,206)	(354,696)
Net cash flows from operating activities	40,988	32,746
Cash Flows from (for) Capital and Related Financing Activities		
Purchase of property, plant and equipment	(558,889)	(61,211)
Transfers in	-	400,000
Net cash flows from (for) capital and related financing activities	(558,889)	338,789
Cash Flows from Investing Activities		
Investment income received	6,521	2,482
Net increase (decrease) in cash and investments	(511,380)	374,017
Cash and Investments, beginning of year	896,358	522,341
Cash and Investments, end of year	\$ 384,978	\$ 896,358
Reconciliation of Loss from Operations to Net Cash Flows from Operating Activities		
Loss from operations	\$ (110,486)	\$ (55,590)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	72,993	69,272
Noncash expense - PERS relief	28,643	25,218
Increase in allowance for doubtful accounts	2,108	112
(Increase) decrease in assets:		
Accounts receivable	(8,151)	(940)
Prepaid expenses	134	(637)
Increase (decrease) in liabilities:		
Accounts payable	17,301	(8,582)
Accrued payroll and employee benefits	425	3,273
Accrued leave	3,770	694
Customer deposits	184	(74)
Landfill closure liability	34,067	-
Net Cash Flows from Operating Activities	\$ 40,988	\$ 32,746

Petersburg Borough, Alaska
Harbor and Port Facilities Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 575,286	\$ 3,867,780
Receivables:		
Grants	680,113	176,119
Accounts	133,240	157,536
Interest	-	3,182
Allowance for doubtful accounts	(7,679)	(32,688)
Prepaid expenses	8,058	8,649
Total Current Assets	1,389,018	4,180,578
Restricted Cash - capital projects	-	1,169,700
Property, Plant and Equipment		
Land and land improvements	360,059	360,059
Buildings	339,690	339,690
Improvements other than buildings	26,763,226	19,773,450
Machinery and equipment	536,247	528,492
Construction in progress	3,594,556	1,587,984
Total property, plant and equipment	31,593,778	22,589,675
Accumulated depreciation	(7,859,246)	(7,803,860)
Net Property, Plant and Equipment	23,734,532	14,785,815
Deferred Outflows		
Loss on refunding	18,723	21,396
Total Assets and Deferred Outflows	\$ 25,142,273	\$ 20,157,489
Liabilities and Net Position		
Liabilities		
Current liabilities:		
Accounts payable	\$ 49,439	\$ 100,280
Accrued payroll and employee benefits	27,769	27,720
Accrued leave	70,152	71,563
Prepaid moorage	114,082	99,025
Unearned revenue	-	1,935,330
Accrued interest	3,130	3,130
Current portion of general obligation bonds	91,633	87,497
Total current liabilities	356,205	2,324,545
Long-term debt, net of current portion:		
General obligation bonds	633,338	724,971
Bond premium, net of accumulated amortization	9,269	10,593
Total Liabilities	998,812	3,060,109
Net Position		
Net investment in capital assets	23,019,015	13,984,150
Unrestricted	1,124,446	3,113,230
Total Net Position	24,143,461	17,097,380
Total Liabilities and Net Position	\$ 25,142,273	\$ 20,157,489

Petersburg Borough, Alaska
Harbor and Port Facilities Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2014	2013
Operating Revenues		
Harbor charges	\$ 919,913	\$ 854,531
Port charges and leases	155,484	170,006
Other	2,139	3,854
Total Operating Revenues	1,077,536	1,028,391
Operating Expenses		
Salaries	397,984	388,240
Employee benefits	219,515	222,379
Materials and supplies	50,295	42,216
Services and charges	214,824	234,481
Allocated overhead	69,062	72,022
Motor pool charges:		
Operation and maintenance	24,318	20,059
Equipment replacement	4,157	4,381
Depreciation	805,693	727,426
Total Operating Expenses	1,785,848	1,711,204
Loss from Operations	(708,312)	(682,813)
Nonoperating Revenues (Expenses)		
Investment income	7,351	10,945
Interest expense	(36,500)	(39,543)
Loss on disposal of capital assets	(650,000)	(3,937,518)
State PERS relief	45,282	48,540
Net Nonoperating Revenues (Expenses)	(633,867)	(3,917,576)
Loss before contributions and transfers	(1,342,179)	(4,600,389)
Capital contributions	7,977,744	1,364,964
Transfers in	410,516	1,663,531
Change in Net Position	7,046,081	(1,571,894)
Net Position, beginning of year	17,097,380	18,669,274
Net Position, end of year	\$ 24,143,461	\$ 17,097,380

Petersburg Borough, Alaska
Harbor and Port Facilities Enterprise Fund
Statement of Cash Flows

<i>Years Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,091,880	\$ 1,025,222
Payments for interfund services used	(97,537)	(96,462)
Payments to suppliers	(315,369)	(287,452)
Payments to employees	(573,579)	(562,199)
Net cash flows from operating activities	105,395	79,109
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(87,497)	(79,164)
Interest paid on long-term debt	(35,151)	(39,137)
Purchase of property, plant and equipment	(10,404,410)	(1,549,086)
Decrease in unearned revenue	(1,935,330)	(385,109)
Transfers in	410,516	1,663,531
Capital contributions received	7,473,750	1,189,908
Net cash flows from (for) capital and related financing activities	(4,578,122)	800,943
Cash Flows from Investing Activities		
Investment income received	10,533	11,152
Net decrease in cash and investments	(4,462,194)	891,204
Cash and Investments, beginning of year	5,037,480	4,146,276
Cash and Investments, end of year	\$ 575,286	\$ 5,037,480
Cash and Investments at End of Year		
Cash and investments	\$ 575,286	\$ 3,867,780
Restricted cash - capital projects	-	1,169,700
	\$ 575,286	\$ 5,037,480
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (708,312)	\$ (682,813)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	805,693	727,426
Noncash expense - PERS relief	45,282	48,540
Increase (decrease) in allowance for doubtful accounts	(25,009)	4,377
(Increase) decrease in assets:		
Accounts receivable	24,296	2,620
Prepaid expenses	591	245
Increase (decrease) in liabilities:		
Accounts payable	(50,841)	(11,000)
Accrued payroll and employee benefits	49	1,123
Accrued leave	(1,411)	(1,243)
Prepaid moorage	15,057	(10,166)
Net Cash Flows from Operating Activities	\$ 105,395	\$ 79,109

Petersburg Borough, Alaska
Harbor and Port Facilities Enterprise Fund
Schedule of Harbor and Port Facilities
Capital Projects

<i>Year Ended June 30, 2014</i>	Commercial Dock Drive	North Harbor Replacement	Crane Dock Upgrade	Totals
Funding Sources				
Intergovernmental	\$ 2,856,827	\$ 5,016,702	\$ 60,011	\$ 7,933,540
Harbor and Port Facilities	-	2,420,186	-	2,420,186
Total Funding Sources	\$ 2,856,827	\$ 7,436,888	\$ 60,011	\$ 10,353,726
Expenditures				
Professional services	\$ 314,482	\$ 414,840	\$ 51,635	\$ 780,957
Construction and contractors	2,431,896	6,997,145	8,376	9,437,417
Other	110,449	24,903	-	135,352
Total Expenditures	\$ 2,856,827	\$ 7,436,888	\$ 60,011	\$ 10,353,726

Petersburg Borough, Alaska
Elderly Housing Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 583,467	\$ 569,511
Prepaid expenses	843	765
Total Current Assets	584,310	570,276
Restricted Cash - security deposits	17,470	17,464
Property, Plant and Equipment		
Land and land improvements	127,419	127,419
Buildings	2,897,973	2,891,573
Improvements other than buildings	181,849	145,723
Machinery and equipment	106,396	106,396
Total property, plant and equipment	3,313,637	3,271,111
Accumulated depreciation	(2,243,817)	(2,156,315)
Net Property, Plant and Equipment	1,069,820	1,114,796
Deferred Outflows		
Loss on refunding	28,435	31,594
Total Assets and Deferred Outflows	\$ 1,700,035	\$ 1,734,130
Liabilities and Net Position		
Liabilities		
Current liabilities:		
Accounts payable	\$ 2,291	\$ 998
Accrued payroll and related liabilities	3,884	3,528
Accrued leave	2,322	2,511
Unearned revenue	1,099	874
Customer deposits	10,515	10,595
Accrued interest	7,417	7,417
Current portion of general obligation bonds	40,000	40,000
Total current liabilities	67,528	65,923
Long-term debt, net of current portion:		
General obligation bonds	435,000	475,000
Bond premium, net of accumulated amortization	66,499	73,887
Total Liabilities	569,027	614,810
Net Position		
Net investment in capital assets	556,756	557,503
Unrestricted	574,252	561,817
Total Net Position	1,131,008	1,119,320
Total Liabilities and Net Position	\$ 1,700,035	\$ 1,734,130

Petersburg Borough, Alaska
Elderly Housing Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2014	2013
Operating Revenues		
Federal government - rental subsidies	\$ 248,717	\$ 251,787
Rental income	125,350	122,970
Total Operating Revenues	374,067	374,757
Operating Expenses		
Salaries	61,120	61,292
Employee benefits	31,023	24,531
Materials and supplies	44,624	47,362
Services and charges	141,356	132,358
Allocated overhead	24,145	24,911
Motor pool charges:		
Operation and maintenance	1,959	1,868
Equipment replacement	624	624
Depreciation	87,502	68,838
Total Operating Expenses	392,353	361,784
Income (Loss) from Operations	(18,286)	12,973
Nonoperating Revenues (Expenses)		
Investment income	5,694	2,515
Interest expense	(18,396)	(17,794)
State PERS relief	6,550	-
Net Nonoperating Revenues (Expenses)	(6,152)	(15,279)
Loss before contributions	(24,438)	(2,306)
Capital contributions	36,126	317,830
Change in Net Position	11,688	315,524
Net Position, beginning of year	1,119,320	803,796
Net Position, end of year	\$ 1,131,008	\$ 1,119,320

Petersburg Borough, Alaska
Elderly Housing Enterprise Fund
Statement of Cash Flows

<i>Year Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 374,212	\$ 365,461
Payments for interfund services used	(26,728)	(27,403)
Payments to suppliers	(184,765)	(188,110)
Payments to employees	(85,426)	(84,221)
Net cash flows from operating activities	77,293	65,727
Cash Flows for Capital and Related Financing Activities		
Principal paid on long-term debt	(40,000)	(41,250)
Interest paid on long-term debt	(22,625)	(19,123)
Purchase of property, plant and equipment	(42,526)	(332,696)
Capital contributions received	36,126	324,223
Net cash flows for capital and related financing activities	(69,025)	(68,846)
Cash Flows from Investing Activities		
Investment income received	5,694	2,515
Net increase (decrease) in cash and investments	13,962	(604)
Cash and Investments, beginning of year	586,975	587,579
Cash and Investments, end of year	\$ 600,937	\$ 586,975
Cash and Investments at End of Year		
Cash and investments	\$ 583,467	\$ 569,511
Restricted cash	17,470	17,464
	\$ 600,937	\$ 586,975
Reconciliation of Income (Loss) from Operations to Net Cash		
Flows from Operating Activities		
Income (loss) from operations	\$ (18,286)	\$ 12,973
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	87,502	68,838
Noncash expense - PERS relief	6,550	-
Increase in assets - prepaid expenses	(78)	(88)
Increase (decrease) in liabilities:		
Accounts payable	1,293	(8,302)
Accrued payroll and employee benefits	356	170
Accrued leave	(189)	1,432
Unearned revenue	225	(9,308)
Customer deposits	(80)	12
Net Cash Flows from Operating Activities	\$ 77,293	\$ 65,727

Petersburg Borough, Alaska
Assisted Living Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 246,419	\$ 79,684
Accounts receivable	-	8,433
Prepaid expenses	10,782	10,720
Total Current Assets	257,201	98,837
Property, Plant and Equipment		
Buildings	3,920,170	3,907,471
Machinery and equipment	89,262	89,262
Total property, plant and equipment	4,009,432	3,996,733
Accumulated depreciation	(1,100,319)	(997,222)
Net Property, Plant and Equipment	2,909,113	2,999,511
Deferred Outflows		
Loss on refunding	85,304	94,782
Total Assets and Deferred Outflows	\$ 3,251,618	\$ 3,193,130
Liabilities and Net Position		
Liabilities		
Current liabilities:		
Accounts payable	\$ 5,265	\$ 1,698
Accrued payroll and employee benefits	33,789	30,738
Accrued leave	37,208	25,653
Unearned revenue	2,447	5,981
Customer deposits	5,100	5,400
Accrued interest	22,250	22,250
Current portion of general obligation bonds	120,000	120,000
Total current liabilities	226,059	211,720
Long-term debt, net of current portion:		
General obligation bonds	1,305,000	1,425,000
Bond premium, net of accumulated amortization	199,497	221,664
Total Liabilities	1,730,556	1,858,384
Net Position		
Net investment in capital assets	1,369,920	1,327,629
Unrestricted	151,142	7,117
Total Net Position	1,521,062	1,334,746
Total Liabilities and Net Position	\$ 3,251,618	\$ 3,193,130

Petersburg Borough, Alaska
Assisted Living Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2014	2013
Operating Revenues		
Rents and royalties	\$ 266,327	\$ 266,137
Fees for services	443,347	465,980
Medicaid services	246,669	242,095
General relief for services	16,509	-
Transportation	3,151	-
Other revenues	4,044	4,094
Total Operating Revenues	980,047	978,306
Operating Expenses		
Salaries	462,868	404,155
Employee benefits	267,585	226,698
Materials and supplies	89,050	73,192
Services and charges	105,912	95,495
Allocated overhead	49,735	45,100
Motor pool charges:		
Operation and maintenance	1,959	1,846
Equipment replacement	624	624
Depreciation	103,097	106,997
Total Operating Expenses	1,080,830	954,107
Income (Loss) from Operations	(100,783)	24,199
Nonoperating Revenues (Expenses)		
Interest expense	(55,187)	(53,381)
Investment income	3,178	-
State PERS relief	54,399	49,551
Net Nonoperating Revenues (Expenses)	2,390	(3,830)
Income (loss) before transfers	(98,393)	20,369
Transfers in	284,709	299,249
Change in Net Position	186,316	319,618
Net Position, beginning of year	1,334,746	1,015,128
Net Position, end of year	\$ 1,521,062	\$ 1,334,746

Petersburg Borough, Alaska
Assisted Living Enterprise Fund
Statement of Cash Flows

<i>Years Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 984,646	\$ 979,706
Payments for interfund services used	(52,318)	(47,570)
Payments to suppliers	(191,457)	(174,019)
Payments to employees	(661,448)	(572,054)
Net cash flows from operating activities	79,423	186,063
Cash Flows from Capital and Related Financing Activities		
Principal paid on long term debt	(120,000)	(123,750)
Interest paid on long term debt	(67,876)	(57,372)
Purchase of property, plant and equipment	(12,699)	-
Increase (decrease) in due to other funds	-	(224,506)
Transfers in	284,709	299,249
Net cash flows from capital and related financing activities	84,134	(106,379)
Cash Flows from Investing Activities		
Investment income received	3,178	-
Net increase in cash and investments	166,735	79,684
Cash and Investments, beginning of year	79,684	-
Cash and Investments, end of year	\$ 246,419	\$ 79,684
Reconciliation of Income (Loss) from Operations to Net Cash		
Flows from Operating Activities		
Income (loss) from operations	\$ (100,783)	\$ 24,199
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	103,097	106,997
Noncash expense - PERS relief	54,399	49,551
Increase (decrease) in assets:		
Prepaid expenses	(62)	(2,522)
Accounts receivable	8,433	-
Increase (decrease) in liabilities:		
Accounts payable	3,567	(2,810)
Accrued payroll and employee benefits	3,051	5,233
Accrued leave	11,555	4,015
Unearned revenue	(3,534)	1,100
Customer deposits	(300)	300
Net Cash Flows from Operating Activities	\$ 79,423	\$ 186,063

Internal Service Fund

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government.

Motor Pool

This fund is used to account for the cost of operations of the vehicles included in the motor pool.

Petersburg Borough, Alaska
Motor Pool Internal Service Fund
Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 4,539,416	\$ 4,193,693
Receivables - other	4,119	-
Prepaid expenses	2,893	2,625
Total Current Assets	4,546,428	4,196,318
Equipment	6,118,464	6,032,766
Accumulated depreciation	(4,041,959)	(3,716,389)
Net Equipment	2,076,505	2,316,377
Total Assets	\$ 6,622,933	\$ 6,512,695
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 4,700	\$ 1,496
Accrued payroll and employee benefits	9,252	8,198
Accrued leave	18,978	19,757
Total Current Liabilities	32,930	29,451
Net Position		
Net investment in capital assets	2,076,505	2,316,377
Unrestricted	4,513,498	4,166,867
Total Net Position	6,590,003	6,483,244
Total Liabilities and Net Position	\$ 6,622,933	\$ 6,512,695

Petersburg Borough, Alaska
Motor Pool Internal Service Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2014	2013
Operating Revenues		
Operation and maintenance charges	\$ 452,221	\$ 455,817
Replacement reserve charges	467,148	492,142
Other - electric	590	-
Total Operating Revenues	919,959	947,959
Operating Expenses		
Salaries	126,380	122,699
Employee benefits	76,873	72,563
Materials and supplies	228,135	218,924
Services and charges	57,398	55,179
Motor pool charges:		
Operation and maintenance	13,715	9,156
Equipment replacement	2,414	2,414
Depreciation	325,570	330,814
Total Operating Expenses	830,485	811,749
Income from Operations	89,474	136,210
Nonoperating Revenues		
State PERS relief	17,285	16,841
Change in Net Position	106,759	153,051
Net Position, beginning of year	6,483,244	6,330,193
Net Position, end of year	\$ 6,590,003	\$ 6,483,244

Petersburg Borough, Alaska
Motor Pool Internal Service Fund
Statement of Cash Flows

<i>Years Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from interfund services provided	\$ 915,840	\$ 948,265
Payments for interfund services used	(16,129)	(11,570)
Payments to suppliers	(282,597)	(273,560)
Payments to employees	(185,693)	(178,060)
Net cash flows from operating activities	431,421	485,075
Cash Flows for Capital and Related Financing Activities -		
Purchase of equipment	(85,698)	(13,790)
Net cash flows for capital and related financing activities	(85,698)	(13,790)
Net increase in cash and investments	345,723	471,285
Cash and Investments, beginning of year	4,193,693	3,722,408
Cash and Investments, end of year	\$ 4,539,416	\$ 4,193,693
Reconciliation of Income from Operations to Net Cash		
Flows from Operating Activities		
Income from operations	\$ 89,474	\$ 136,210
Adjustments to reconcile income from (for) operations to net cash flows from operating activities:		
Depreciation	325,570	330,814
Noncash expense - PERS relief	17,285	16,841
(Increase) decrease in assets:		
Accounts receivable - other	(4,119)	306
Prepaid expenses	(268)	47
Increase (decrease) in liabilities:		
Accounts payable	3,204	496
Accrued payroll and employee benefits	1,054	361
Accrued leave	(779)	-
Net Cash Flows from Operating Activities	\$ 431,421	\$ 485,075

Petersburg Borough, Alaska
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014	Grant Number	Catalog of Federal Assistance Number	Total Grant Award	July 1, 2013 Receivable (Unearned)	Federal Share of Expend- itures	Federal Receipts	June 30, 2014 Receivable (Unearned)
Department of Agriculture							
RAC Projects - Green's Camp Phases I & II	1-DG-11100521-2	10.665	\$ 95,580	\$ -	\$ 3,700	\$ 3,700	\$ -
RAC Projects: Wilson Creek	2-DG-11100521-0	10.665	65,000	-	1,640	1,640	-
RAC Projects - Banana Point Site Improvements	2-DG-11100521-5	10.665	44,418	3,772	-	3,772	-
				3,772	5,340	9,112	-
Passed through the State of Alaska Department of Commerce, Community and Economic Development - National Forest Receipts	N/A	10.665	1,255,586	-	1,255,586	1,255,586	-
Total CFDA 10.665				3,772	1,260,926	1,264,698	-
Market Driven Approach to Capacity Building: CSE AK	LG-006	10.693	23,500	-	23,500	23,500	-
Public Library Construction	AK-00-01	10.766	200,000	-	200,000	200,000	-
Total Department of Agriculture				3,772	1,484,426	1,488,198	-
Department of Defense							
Passed through the State of Alaska Department of Transportation and Public Facilities - Banana Point Breakwater Reconstruction	2007	12.101	5,000	(5,000)	-	-	(5,000)
Environmental Protection Agency							
Passed through the State of Alaska Department of Environmental Conservation:							
Water Treatment Plant Upgrade Grant (62% Federal)	MMG 68534	66.202	900,000	42,702	-	42,702	-
Water Treatment Plant Upgrade Loan (Approx 84% Federal)	685241	66.468	500,000	52,147	10,687	56,292	6,542
ACWF Pumpstation 5, Upgrade Loan (80% Federal)	685221	66.458	583,732	74,865	518,853	551,787	41,931
ACWF Pumpstation 1, Upgrade Loan (80% Federal)	685261	66.458	216,000	97,858	53,612	115,577	35,893
Total CFDA 66.458				172,723	572,465	667,364	77,824
Total Environmental Protection Agency				267,572	583,152	766,358	84,366
Institute of Museum and Library Services							
Passed through the State of Alaska Department of Education and Early Development:							
Continuing Education - Ieremia	N/A	45.310	1,500	-	1,500	-	1,500
Continuing Education - Alcock	N/A	45.310	1,000	1,000	-	1,000	-
ILC: Rekindling Heritage/Awakening Future	LS-00-13-0002-13	45.310	16,940	-	9,530	16,940	(7,410)
Total Institute of Museum and Library Services				1,000	11,030	17,940	(5,910)
Department of Commerce							
Passed through the State of Alaska Department of Commerce, Community, and Economic Development:							
CSMI - Troller Work Float	13-CSMI-005	11.438	45,910	-	16,846	16,846	-
CSMI - Fish Cleaning Float	13-CSMI-008	11.438	225,800	-	27,358	22,185	5,173
				-	44,204	39,031	5,173
Passed through the State of Alaska Department of Education and Early Development -							
OWL Project - Aide Award Funds - ARRA	OWL-13-761-01	11.557	7,291	(2,633)	4,324	1,691	-
Total Department of Commerce				(2,633)	48,528	40,722	5,173

Petersburg Borough, Alaska
Schedule of Expenditures of Federal Awards, continued

<i>Year Ended June 30, 2014</i>	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	July 1, 2013 Receivable (Unearned)	Federal Share of Expend- itures	Federal Receipts	June 30, 2014 Receivable (Unearned)
Department of Justice							
COPS Hiring Grant Program	2010UMWX0001	16.710	\$ 244,884	18,019	79,588	80,050	17,557
USDOJ BPV Grant	N/A	16.710	517	-	517	517	-
Total Department of Justice				<u>18,019</u>	<u>80,105</u>	<u>80,567</u>	<u>17,557</u>
Denali Commission							
Sing Lee Alley Bridge Design	01377-00	90.100	63,679	2,518	13,425	15,943	-
Department of the Interior							
Passed through the State of Alaska Department of Commerce, Community and Economic Development - Payment in Lieu of Tax	N/A	15.226	1,160,196	-	1,160,196	1,160,196	-
Total Federal Financial Assistance				<u>\$ 285,248</u>	<u>\$ 3,380,862</u>	<u>\$ 3,569,924</u>	<u>\$ 96,186</u>

Petersburg Borough, Alaska

Schedule of State Financial Assistance

<i>Year Ended June 30, 2014</i>	Grant Number	Total Grant Award	July 1, 2013 Receivable (Unearned)	State Share of Expend- itures	State Receipts	June 30, 2014 Receivable (Unearned)
Department of Commerce, Community and Economic Development						
Shooting Range Improvements	09-DC-101	\$ 25,000	\$ 17,568	\$ -	\$ 17,568	\$ -
*Community Dock/Vehicle Drive Down Design/Construction	10-DC-022	3,390,000	146,803	2,774,739	2,921,542	-
Community Dock/Vehicle Drive Down Design/Construction	12-DC-418	1,810,000	-	82,088	43,063	39,025
Fire & EMS Facility	11-DC-334	6,700,000	29,007	-	29,007	-
Public Library Construction	11-DC-630	3,300,000	769,085	-	769,085	-
*Hospital Roof Replace; Phase I	12-DC-420	167,648	-	155,259	155,259	-
Clausen Museum Retaining Wall	12-DC-421	75,000	-	65,594	65,594	-
*Public Library Construction	12-DC-422	263,000	-	119,097	-	119,097
Elderly Housing Roof Replacement	12-DC-419	370,000	-	36,126	36,126	-
Clausen Museum Expansion Site Prep	12-DM-137	30,000	(30,000)	30,000	-	-
Rifle Range Improvements	12-DM-138	25,000	(15,030)	15,030	-	-
Sons of Norway Hall Renovation/Improvements	13-DC-300	250,000	6,743	8,930	15,673	-
*PSG Medical Center - Roof: Phase II	13-DC-321	275,000	-	275,000	275,000	-
*Police Department Design, Planning and Pre-Construction	13-DC-341	350,000	-	102,101	80,045	22,056
Crane Dock Upgrade	13-DC-425	800,000	29,314	60,011	79,611	9,714
Sandy Beach Bathroom Remodel	13-DM-093	25,000	(17,358)	3,162	-	(14,196)
Sandy Beach Shelter	13-DM-186	40,000	(26,097)	14,314	-	(11,783)
Shooting Range Improvements	13-DM-226	50,000	(50,000)	50,000	-	-
Fish Resource Landing Tax	2014	23,555	-	23,555	23,555	-
*Revenue Sharing	2014	539,124	-	539,124	539,124	-
*Shared Fisheries Business Tax	2014	760,516	-	760,516	760,516	-
Total Department of Commerce, Community and Economic Development			860,035	5,114,646	5,810,768	163,913
Department of Education and Early Development						
Debt Retirement Program	2012	469,492	1,153	-	1,153	-
Debt Retirement Program	2013	490,525	121,442	-	120,277	1,165
*Debt Retirement Program	2014	498,003	-	498,003	376,391	121,612
Public Library Assistance Grant	PLA-14-761-60	6,600	-	6,600	6,600	-
Total Department of Education and Early Development			122,595	504,603	504,421	122,777
Department of Natural Resources						
E. Haugen Public Use Area Maintenance	2013	6,242	(6,132)	6,132	-	-
E. Haugen Public Use Area Maintenance	2014	6,242	-	127	6,242	(6,115)
Total Department of Natural Resources			(6,132)	6,259	6,242	(6,115)
Department of Environmental Conservation						
Water Treatment Plant Upgrade (25% State up to \$1.2M)	MMG 68534	545,000	99,547	29,266	110,897	17,916

Petersburg Borough, Alaska

Schedule of State Financial Assistance, continued

<i>Year Ended June 30, 2014</i>	Grant Number	Total Grant Award	July 1, 2013 Receivable (Unearned)	State Share of Expend- itures	State Receipts	June 30, 2014 Receivable (Unearned)
Department of Military and Veteran's Affairs						
Local Emergency Planning Committee	14 LEPC-GR35602	19,018	\$ -	\$ 19,018	\$ 13,269	\$ 5,749
Local Emergency Planning Committee	13 LEPC-GR35602	19,018	5,667	-	5,667	-
Total Department of Military and Veteran's Affairs			5,667	19,018	18,936	5,749
Department of Transportation and Public Facilities						
*North Harbor Deferred Maintenance	PSG 02-003	2,475,000	(1,770,149)	1,770,149	-	-
*North Harbor Rehabilitation	13-HG-005	3,500,000	(165,181)	3,246,553	2,450,000	631,372
Total Department of Transportation and Public Facilities			(1,935,330)	5,016,702	2,450,000	631,372
Department of Revenue						
Liquor Licenses	2014	6,800	-	6,800	6,800	-
Department of Administration						
*PERS Relief	2014	717,559	-	717,559	717,559	-
*Borough Organizational Costs	2014	200,000	-	200,000	200,000	-
Total Department of Administration			-	917,559	917,559	-
Total State Financial Assistance			\$ (853,618)	\$11,614,853	\$9,825,623	\$ 935,612

* Major Program

Petersburg Borough, Alaska

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2014

1. Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the grant activity of Petersburg Borough and are presented on the modified accrual basis of accounting. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

Single Audit Section



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

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

Honorable Mayor and Borough Assembly
Petersburg Borough

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards issued by the Comptroller General of the United States*, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Petersburg Borough as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Petersburg Borough's basic financial statements and have issued our report thereon dated November 26, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska
November 26, 2014



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Honorable Mayor and Borough Assembly
Petersburg Borough

Report on Compliance for Each Major Federal Program

We have audited Petersburg Borough's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Petersburg Borough's major federal programs for the year ended June 30, 2014. Petersburg Borough's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Petersburg Borough's basic financial statements include the operations of the Petersburg School District which received \$572,135 in federal awards which is not included in the schedule during the year ended June 30, 2014. Our audit, described below, did not include the operations of the Petersburg School District because it was subjected to a separate audit in accordance with OMB Circular A-133. In addition, Petersburg Borough's basic financial statements also include the operations of Petersburg Medical Center. Our audit described below did not include the operations of the Petersburg Medical Center because it was subjected to a separate audit; however it did not meet the threshold for an audit in accordance with OMB Circular A-133.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Petersburg Borough'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Petersburg Borough'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 Petersburg Borough's compliance.

Opinion on Each Major Federal Program

In our opinion, Petersburg Borough 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, 2014.

Report on Internal Control Over Compliance

Management of Petersburg Borough 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 Petersburg Borough'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 OMB Circular A-133, 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 Petersburg Borough'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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
November 26, 2014



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

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

Honorable Mayor and Borough Assembly
Petersburg Borough

Report on Compliance for Each Major State Program

We have audited Petersburg Borough's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of Petersburg Borough's major state programs for the year ended June 30, 2014. Petersburg Borough's major state programs are identified in the accompanying Schedule of State Financial Assistance.

Petersburg Borough's basic financial statements include the operations of the Petersburg School District which received \$9,018,460 in state awards which is not included in the schedule during the year ended June 30, 2014. Our audit, described below, did not include the operations of the Petersburg School District because it was subjected to a separate audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. In addition, Petersburg Borough's basic financial statements also include the operations of Petersburg Medical Center. Our audit described below did not include the operations of the Petersburg Medical Center because it was subjected to a separate audit; however it did not meet the threshold for an audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of Petersburg Borough 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 Petersburg Borough's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program, and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Petersburg Borough's internal control over compliance.

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

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

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

BDO USA, LLP

Anchorage, Alaska
November 26, 2014

Petersburg Borough, Alaska

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)

Noncompliance material to financial statements noted? ___ yes X no

Federal Financial Assistance

Internal control over major programs:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___ yes X no

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
10.665	National Forest Receipts	Department of Agriculture

Dollar threshold used to distinguish between a Type A and Type B program: \$ 300,000

Auditee qualified as low-risk auditee? X yes ___ no

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)

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

Dollar threshold used to distinguish between a State major program: \$ 100,000

Petersburg Borough, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

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

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in section .510(a) of the Circular) that are required to be reported.

Section IV - State Award Findings and Questioned Costs

There were no findings and questioned costs for State awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.

Petersburg Borough, Alaska

Summary Schedule of Prior Audit Findings Year Ended June 30, 2014

Federal Award Findings and Questioned Costs
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There were no prior year findings reported.

State of Alaska Award Findings and Questioned Costs
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There were no prior year findings reported.

Petersburg Borough, Alaska

Corrective Action Plan Year Ended June 30, 2014

There are no current year findings; therefore no corrective action plan is required.