



Petersburg Borough, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, and Single Audit Reports
Year Ended June 30, 2015

Petersburg Borough, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and Single Audit Reports
Year Ended June 30, 2015

Petersburg Borough, Alaska

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Financial Section

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Independent Auditor's Report

Honorable Mayor and Borough Assembly
Petersburg Borough, Alaska

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 (the "Borough"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2015, 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.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, in 2015 the Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 17, and, the budgetary comparison information, and Schedules of Net Pension Liability, and Pension Contributions on pages 66 through 68, respectively, 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, 2015 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, 2015 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, 2015 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, 2015.

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, 2014 (not presented herein), and have issued our report thereon dated November 26, 2014, 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, 2014 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, 2014 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2014 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, 2014.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, 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
December 11, 2015

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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, 2015. 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 \$130.8 million. Of this amount, \$21.9million (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 \$4.4 million and was available for spending. The unassigned fund balance for the General Fund represented 45% 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. The Borough has one major governmental fund, the General Fund. Data from fifteen other governmental funds are combined into a single, aggregated presentation, labeled the Non-major Funds. The fifteen 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, Transient Room Tax, Debt Service, Library Construction, Fishing Park, Birch Street Rebuild, Rasmus Enge Bridge, Homeland Security, Police, Jail, Admin Building, and Economic Development.

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.

- **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 required supplementary information and other additional supplementary information.

Petersburg Borough

Management's Discussion and Analysis

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 \$130,800,574 at the close of the most recent fiscal year. This was a net increase of \$1.65 million from the previous year, after considering the reduction in net assets due to the implementation of GASB 68.

The largest portion of the Borough's net position, 79.7%, 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	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 18,337,798	\$ 17,308,443	\$ 15,827,437	\$ 14,076,400	\$ 34,165,235	\$ 31,384,843
Restricted cash and investments	-	-	17,476	17,470	17,476	17,470
Capital assets, net of depreciation	45,789,731	46,897,982	76,776,956	72,450,932	122,566,687	119,348,914
Deferred outflows	630,664	187,335	363,715	132,462	994,379	319,797
Total Assets and Deferred Outflows	64,758,193	64,393,760	92,985,584	86,677,264	157,743,777	151,071,024
Liabilities						
Long-term liabilities outstanding	11,982,767	9,036,970	12,934,155	11,484,697	24,916,922	20,521,667
Other liabilities	562,803	567,431	831,160	834,660	1,393,963	1,402,091
Deferred Inflows - pensions	375,404	-	256,914	-	632,318	-
Total Liabilities and Deferred Inflows	12,920,974	9,604,401	14,022,229	12,319,357	26,943,203	21,923,758
Net Position						
Net investment in capital assets	37,717,173	38,447,568	66,519,176	61,492,784	104,236,349	99,940,352
Restricted	4,619,403	4,139,928	-	-	4,619,403	4,139,928
Unrestricted	9,500,643	12,201,863	12,444,179	12,865,123	21,944,822	25,066,986
Total Net Position	\$ 51,837,219	\$ 54,789,359	\$ 78,963,355	\$ 74,357,907	\$ 130,800,574	\$ 129,147,266

Petersburg Borough

Management's Discussion and Analysis

Governmental Activities

Governmental activities change in net position for 2015 was an increase of \$296,820. Key elements of this follows:

- The National Forest Receipts - The School Special Revenue Fund added \$297,052 compared to the prior years' decrease of \$393,560. The total balance at the end of FY 2015 totaling \$4,254,804.
- The National forest Receipts - Streets and Roads Fund also added \$182,176 to net assets.

The net position for the Borough's governmental activities is \$51.8 million. A substantial portion (73%) 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 \$9.5 million as of June 30, 2015.

Business-type Activities

The net position for the Borough's business-type activities is \$78.96 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 (84%) 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 \$12.4 million as of June 30, 2015. This is a decrease in unrestricted net position of \$420,944. This change is primarily caused by implementing GASB Statement No. 68 Accounting and Financial Reporting for Pensions, which requires the Borough to recognize its proportional share of the Net Pension Liability.

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Petersburg Borough

Management's Discussion and Analysis

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Activities	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 843,830	\$ 838,410	\$ 10,801,212	\$ 10,949,933	\$ 11,645,042	\$ 11,788,343
Operating grants and contributions	2,202,870	3,335,713	194,691	338,942	2,397,561	3,674,655
Capital grants and contributions	155,760	1,372,912	7,040,509	8,443,219	7,196,269	9,816,131
General Revenues:						
Property Tax	3,162,959	2,958,589	-	-	3,162,959	2,958,589
Sales Tax	3,107,719	3,032,354	-	-	3,107,719	3,032,354
Payment in lieu of taxes	608,784	1,173,133	-	-	608,784	1,173,133
Other taxes	103,373	50,056	-	-	103,373	50,056
Grants and entitlements not restricted to a specific purpose	1,821,397	1,329,995	-	-	1,821,397	1,329,995
Investment Income	288,212	647,408	96,041	99,165	384,253	746,573
Other	7,746	10,056	-	-	7,746	10,056
Total revenues	12,302,650	14,748,626	18,132,453	19,831,259	30,435,103	34,579,885
Expenses						
General Government	1,509,891	1,563,272	-	-	1,509,891	1,563,272
Public Safety	2,435,275	2,447,611	-	-	2,435,275	2,447,611
Public Works	1,817,715	1,481,843	-	-	1,817,715	1,481,843
Community Services	519,683	803,540	-	-	519,683	803,540
Culture & Recreation	2,272,904	2,137,278	-	-	2,272,904	2,137,278
Education	2,104,058	3,333,951	-	-	2,104,058	3,333,951
Electric utility	-	-	5,610,624	6,172,640	5,610,624	6,172,640
Water utility	-	-	1,488,636	1,612,628	1,488,636	1,612,628
Wastewater utility	-	-	837,477	881,000	837,477	881,000
Sanitation utility	-	-	1,070,799	1,230,136	1,070,799	1,230,136
Harbor/Port Facilities	-	-	2,031,255	2,469,455	2,031,255	2,469,455
Elderly Housing	-	-	380,879	410,415	380,879	410,415
Assisted Living	-	-	1,230,164	1,135,683	1,230,164	1,135,683
Total expenses	10,659,526	11,767,495	12,649,834	13,911,957	23,309,360	25,679,452
Increase (decrease) in net position before transfers	1,643,124	2,981,131	5,482,619	5,919,302	7,125,743	8,900,433
Transfers	(1,346,304)	(860,225)	1,346,304	860,225	-	-
Increase (decrease) in net position	296,820	2,120,906	6,828,923	6,779,527	7,125,743	8,900,433
Beginning net position, as restated for 2015	51,540,399	52,668,453	72,134,432	67,578,380	123,674,831	120,246,833
Ending net position	\$ 51,837,219	\$ 54,789,359	\$ 78,963,355	\$ 74,357,907	\$ 130,800,574	\$ 129,147,266

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.

Petersburg Borough

Management's Discussion and Analysis

Figure 1

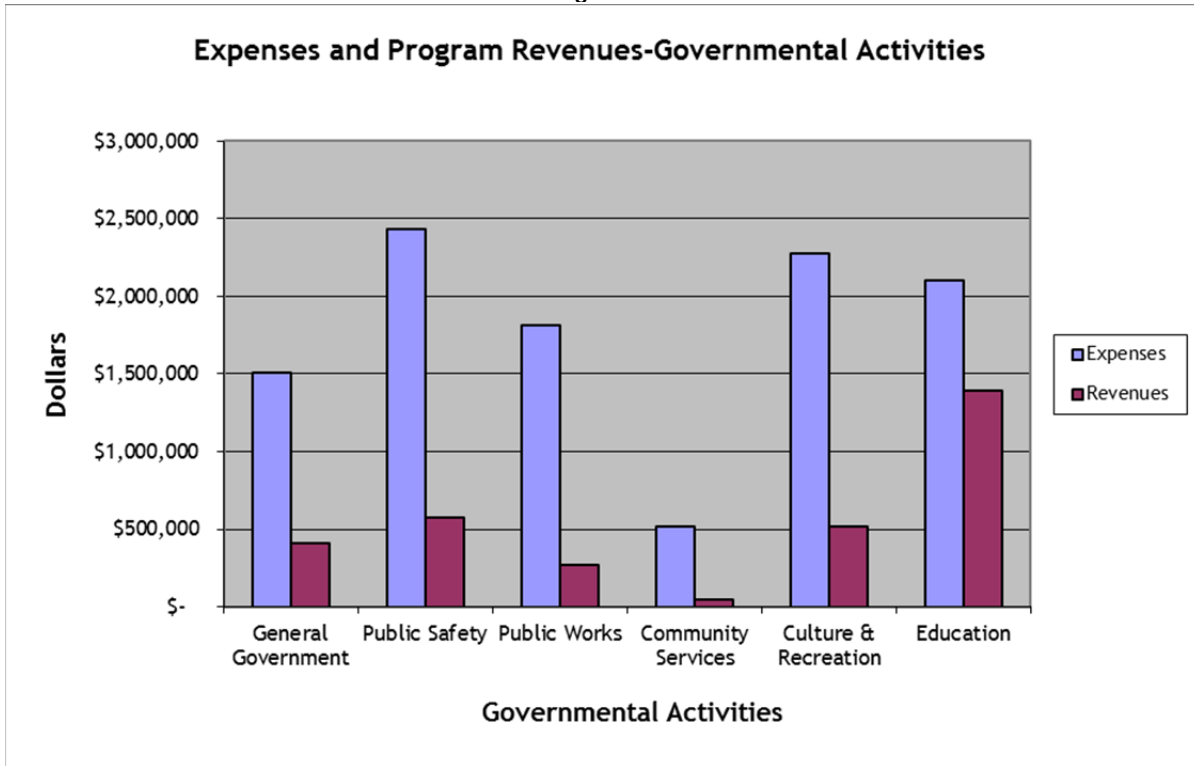
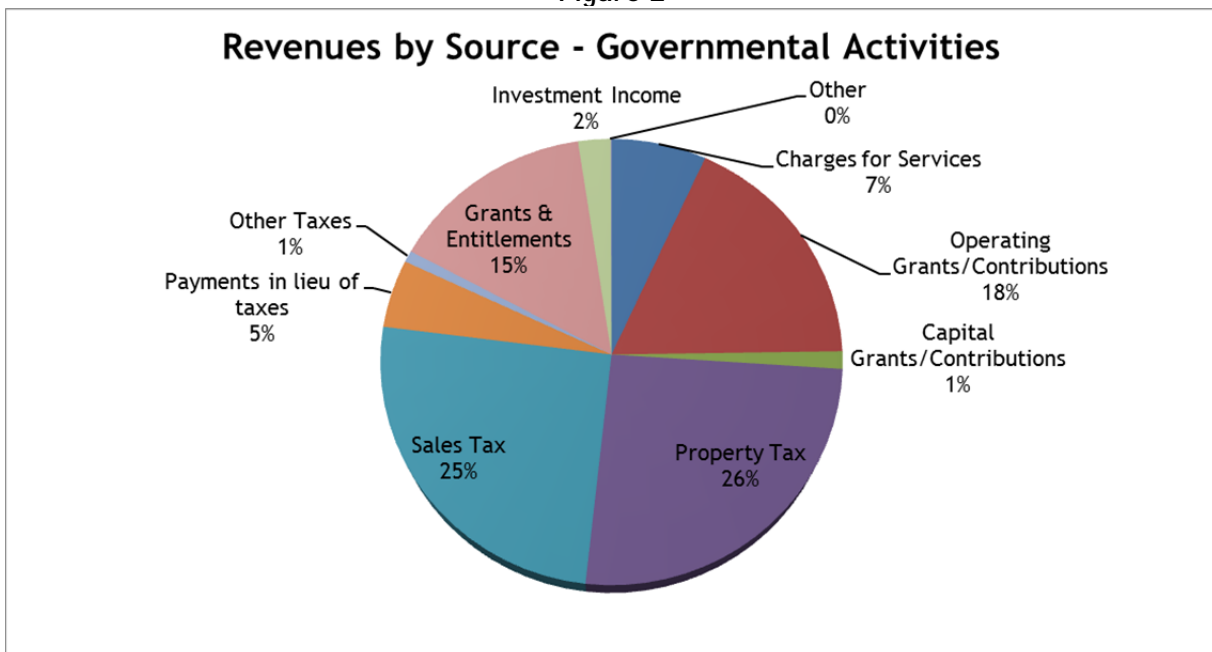


Figure 2 shows the percentages of all revenue sources for governmental activities, both program and general. In 2015, sales taxes and property tax totaled 25% and 26%, respectively, of revenues, both increasing from the prior year's 20% and 21%. This significant increase due to Borough formation.

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, excluding capital grants and contributions. Depreciation is included in the expenses. All activities are reporting expenses in excess of revenues except the sanitation fund. 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

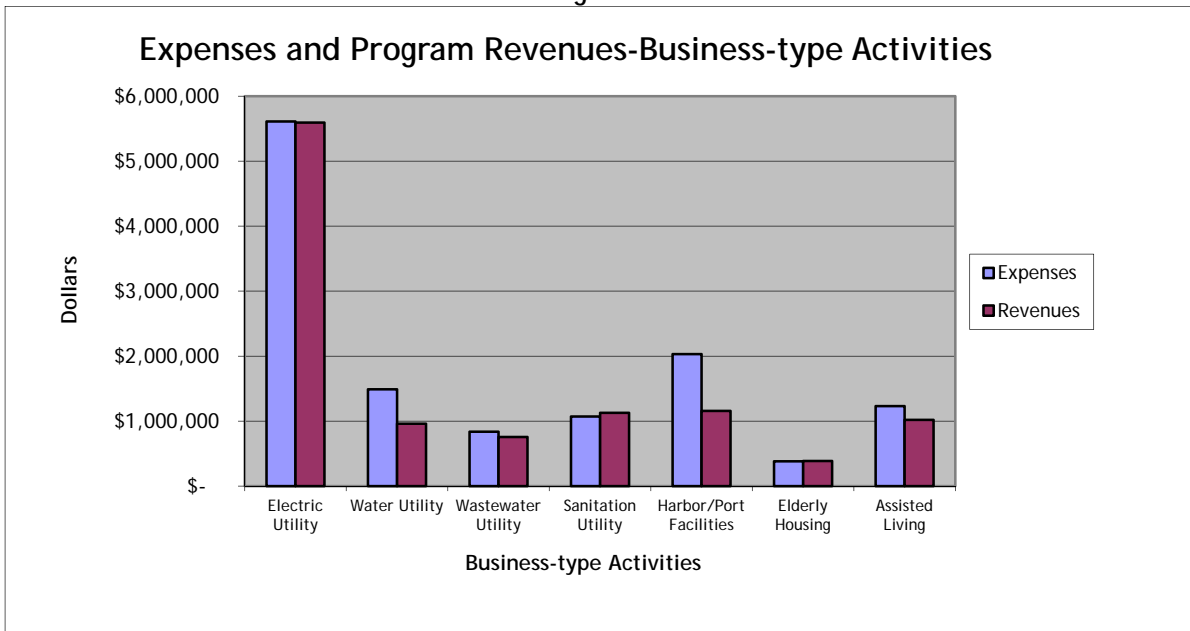
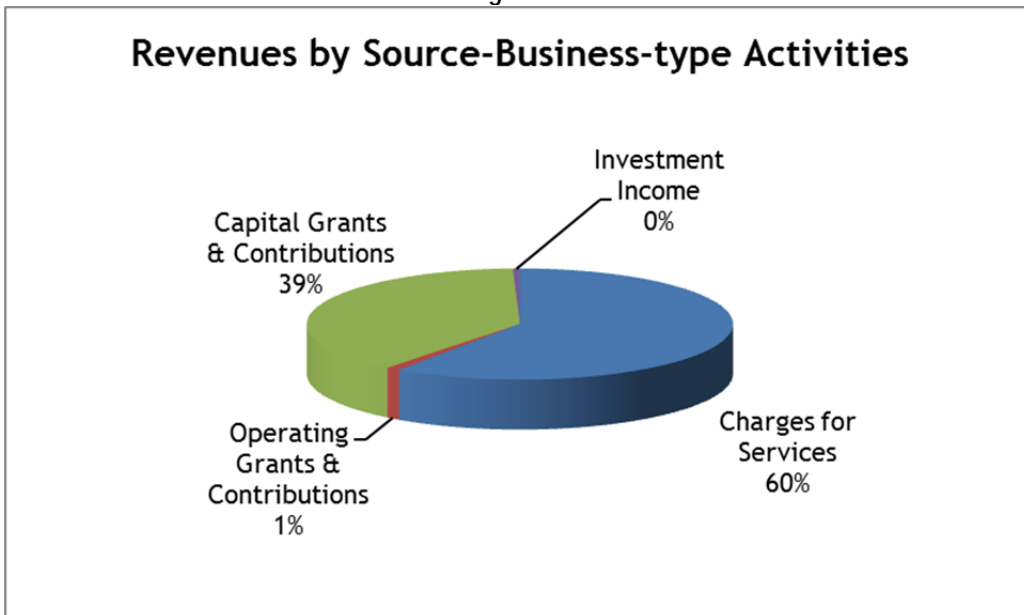


Figure 4



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 \$15,550,522, an increase of \$950,280 in comparison with the prior year.

The total fund balances of the governmental funds are made up of five components. \$63,029 nonspendable, which is the General Fund's prepaid health insurance, \$4,619,403 restricted (National Forest Receipts School and Public Roads funding), \$6,206,474 committed (primarily for economic development and capital projects), \$265,050 assigned (Debt Service and Borough Organizational), and \$4,396,566 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 \$4,397,561, while total fund balance was \$4,460,590. 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 45% of total General Fund expenditures. This is a decrease of 9% from the previous year. In 2014 unassigned fund balance increased by 9%. In 2013 unassigned fund balance increased by 4% 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 \$5,864,100, a decrease of \$533,513 from the prior year.
- The Water Utility Fund's unrestricted net position was \$872,238, an increase of \$124,804.
- The Wastewater Utility Fund's unrestricted net position totaled \$1,233,255 at the end of the year, a decrease of \$38,057.
- The Sanitation Utility Fund is showing a large decrease in this year's unrestricted net position due to the net pension liability. Unrestricted funds were \$190,357 which is a decrease of \$116,983 from the prior year.
- The Harbor Fund increased its unrestricted net position by \$518,544, for a total of \$1,642,990. The majority of this increase is due to a large share of State Fisheries Business Tax payment of \$949,730.
- The Elderly Housing Facility's unrestricted net position showed a decrease in fiscal year 2015 of \$44,099 for a total of \$530,153.

Petersburg Borough

Management's Discussion and Analysis

- The Assisted Living Fund presents an unrestricted net position of \$(302,059) at year end. This is due to implementing the net pension liability amounting to \$441,192. Without this long-term liability unrestricted fund balance in FY 2015 would have been \$139,133.
- The Motor Pool Fund's unrestricted net position increased to \$4,564,871 (1%) from the prior year 2014, an 8% increase from the prior year of 2013 was shown.

General Fund Budgetary Highlights

- The General Fund showed a negative net change of \$503,227 after transfers in and transfers out. This was due to a large transfer out to the property development fund of \$1,306,567.
- Sales Tax had a positive variance of \$34,819.
- The General Fund transferred out a \$50,000 subsidy to Assisted Living as well as the property tax collected for debt retirement on the Assisted Living GO bond.
- Fisheries Business tax showed a positive variance of \$449,730 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.
- A tobacco tax was approved and implemented in January of 2015. \$56,817 of un-budgeted income was collected.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2015, the Borough had invested \$122.6 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 from the previous year of \$3.2 million.

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

- \$50,540 was spent in fiscal year 2015 on the new Library capital project.
- The Municipal Building renovation saw \$101,677 in used grant funds toward design of the project in FY 2015.
- \$153,394 of National Forest Receipts was used for school window replacement (\$15,856) and an HVAC system (\$137,538).
- \$110,600 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 that was capitalized in FY 2015 saw an additional amount of \$94,133 capitalized in FY 2015.
- Wastewater Pumpstation 5 was capitalized in FY 2015 in the amount of \$907,832.

Petersburg Borough

Management's Discussion and Analysis

- The Sanitation Fund's Landfill slope stabilization project was capitalized in FY 2015 in the amount of \$663,312.
- The Harbor Department had multiple projects in FY 2015 such as the Fish Cleaning Station that was capitalized (\$188,185) paid for by federal grants. The Commercial Drive Down Dock was capitalized totaling \$9,480,415 in FY 2015 and was in operation as of the end of the fiscal year. FY 2015 also saw the completion of the Crane Dock Upgrade project (\$852,060).
- The Elderly Housing Facility replaced their kitchens' walk in freezer (\$28,497) and had multiple window replacements (\$14,050), \$9,736 of the window replacement cost was paid for by a State of Alaska Legislative grant.
- New motor pool vehicles purchased this year were a new full sized SUV for use by the Fire Department (\$33,437). A Motor Grader was purchased for Public Works (\$236,330) as well as a flatbed 2015 Ford F550 (\$85,230). \$26,528 was spent on a SUV for Community Development/Building Inspector. With the help of a \$34,253 Alaska Community Transit grant Elderly housing purchased a new handicap assessable van for \$66,675.

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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	
	2015	2014	2015	2014	2015	2014
Land and improvements	\$ 3,708,171	\$ 3,574,725	\$ 2,399,493	\$ 2,399,493	\$ 6,107,664	\$ 5,974,218
Infrastructure	15,492,602	15,666,277	-	-	15,492,602	15,666,277
Buildings	22,786,044	23,905,321	13,160,196	13,645,515	35,946,240	37,550,836
Improvements other than buildings	29,361	39,803	56,230,614	46,014,003	56,259,975	46,053,806
Machinery and equipment	2,663,590	2,686,547	4,663,302	5,123,289	7,326,892	7,809,836
Construction in progress	1,109,963	1,025,309	323,351	5,268,632	1,433,314	6,293,941
Total Capital Assets	\$ 45,789,731	\$ 46,897,982	\$ 76,776,956	\$ 72,450,932	\$ 122,566,687	\$ 119,348,914

Additional information on the Borough's capital assets can be found in note 6 to the financial statements.

Long-term Debt. At the end of the current fiscal year, the Borough had total long-term debt outstanding of \$18.2 million. Of this amount, \$12.2 million comprises debt backed by the full faith and credit of the government (i.e., general obligation bonds). \$624,715 is employee accrued leave and \$5.3 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	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 7,401,693	\$ 8,160,030	\$ 4,763,308	\$ 5,119,971	\$ 12,165,001	\$ 13,280,001
Accrued leave and pension obligation	390,526	399,221	234,189	267,687	624,715	666,908
Loans, long-term	-	-	5,321,012	5,646,070	5,321,012	5,646,070
Net Pension Liability	3,249,298	-	2,223,707	-	5,473,005	-
Landfill closure liability	-	-	101,330	126,400	101,330	126,400
Total Long-Term Debt	\$ 11,041,517	\$ 8,559,251	\$ 12,643,546	\$ 11,160,128	\$ 23,685,063	\$ 19,719,379

The Borough's governmental activity debt decreased by \$767,000 during the current year. The Borough's business-type debt decreased by \$740,289. Additional information on the Petersburg Borough's long-term debt can be found in note 7 to the financial statements.

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, 2015. The Electric rates will increase approximately 2% September 1, 2015.
- FY 2016 will be the first full year of Tobacco Taxes collected, estimated at \$200,000.
- Construction projects scheduled for the 2016 fiscal year include Library Landscaping, Commercial Drive Down Dock - Bulkhead Loading Dock Project, Pumpstation #1, Police/Jail/Admin Building Renovation and other smaller projects.
- Anticipating State of Alaska cuts to funding due to large budget deficits.

For a copy of the Fiscal Year 2016 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, 2015</i>					
Assets and Deferred Outflows					
Cash and investments	\$ 19,967,925	\$ 11,786,210	\$ 31,754,135	\$ 2,739,411	\$ 1,426,298
Receivables, net	717,021	1,164,636	1,881,657	212,725	4,226,143
Internal balances	(2,413,145)	2,413,145	-	-	-
Inventory	-	410,974	410,974	8,161	190,004
Prepaid items	65,997	52,472	118,469	99,365	63,154
Restricted cash and investments	-	17,476	17,476	-	3,269,456
Land and construction in progress	4,818,134	2,722,844	7,540,978	-	-
Other capital assets, net of accumulated depreciation	40,971,597	74,054,112	115,025,709	394,169	4,287,962
Total Assets	64,127,529	92,621,869	156,749,398	3,453,831	13,463,017
Deferred Outflows					
Deferred outflows related to pensions	360,279	246,566	606,845	291,921	840,453
Deferred charges on refunding	270,385	117,149	387,534	-	-
Total Deferred Outflows	630,664	363,715	994,379	291,921	840,453
Total Assets and Deferred Outflows	\$ 64,758,193	\$ 92,985,584	\$ 157,743,777	\$ 3,745,752	\$ 14,303,470
Liabilities, Deferred Inflows and Net Position					
Liabilities					
Accounts payable	\$ 205,515	\$ 343,949	\$ 549,464	\$ 54,913	\$ 839,380
Accrued payroll and employee benefits	217,974	177,545	395,519	4,145	739,970
Unearned revenue	48,229	129,994	178,223	202,027	-
Customer deposits	-	69,605	69,605	-	-
Accrued interest	91,085	110,067	201,152	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued leave	390,526	234,189	624,715	38,894	-
Bonds payable	583,337	366,663	950,000	-	-
Loans payable	-	390,038	390,038	-	24,647
Capital lease	-	-	-	-	74,694
Due in more than one year:					
Bonds payable	6,818,356	4,396,645	11,215,001	-	-
Bond premium, net	941,250	290,609	1,231,859	-	-
Loans payable	-	4,930,974	4,930,974	-	128,626
Capital lease	-	-	-	-	25,884
Net pension liability	3,249,298	2,223,707	5,473,005	3,293,323	5,684,599
Landfill closure costs	-	101,330	101,330	-	-
Total Liabilities	12,545,570	13,765,315	26,310,885	3,593,302	7,517,800
Deferred Inflows related to pensions	375,404	256,914	632,318	337,022	656,765
Net Position					
Net investment in capital assets	37,717,173	66,519,176	104,236,349	394,169	4,034,111
Restricted:					
School support and roads	4,619,403	-	4,619,403	-	-
Scholarships	-	-	-	90,022	-
Foundation	-	-	-	-	396,725
Unrestricted (deficit)	9,500,643	12,444,179	21,944,822	(668,763)	1,698,069
Total Net Position	51,837,219	78,963,355	130,800,574	(184,572)	6,128,905
Total Liabilities, Deferred Inflows and Net Position	\$ 64,758,193	\$ 92,985,584	\$ 157,743,777	\$ 3,745,752	\$ 14,303,470

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Statement of Activities

Year Ended June 30, 2015	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Component Units		
					Governmental Activities	Business-type Activities	Total	Petersburg City School District	Petersburg Medical Center
Primary Government									
Governmental:									
General government	\$ 1,509,891	\$ 67,194	\$ 345,796	\$ -	\$ (1,096,901)	\$ -	\$ (1,096,901)		
Public safety	2,435,275	550,601	26,196	-	(1,858,478)	-	(1,858,478)		
Public works	1,817,715	24,874	240,837	-	(1,552,004)	-	(1,552,004)		
Community services	519,683	800	41,817	-	(477,066)	-	(477,066)		
Culture and recreation	2,272,904	200,361	157,574	155,760	(1,759,209)	-	(1,759,209)		
Education	2,104,058	-	1,390,650	-	(713,408)	-	(713,408)		
Total governmental activities	10,659,526	843,830	2,202,870	155,760	(7,457,066)		(7,457,066)		
Business-type:									
Electric Utility	5,610,624	5,492,250	100,533	-	-	(17,841)	(17,841)		
Water Utility	1,488,636	952,942	6,697	-	-	(528,997)	(528,997)		
Wastewater Utility	837,477	741,527	14,472	156,729	-	75,251	75,251		
Sanitation Utility	1,070,799	1,117,877	10,026	-	-	57,104	57,104		
Harbor and Port Facilities	2,031,255	1,129,689	26,344	6,874,044	-	5,998,822	5,998,822		
Elderly Housing	380,879	381,627	3,890	9,736	-	14,374	14,374		
Assisted Living Facilities	1,230,164	985,300	32,729	-	-	(212,135)	(212,135)		
Total business-type activities	12,649,834	10,801,212	194,691	7,040,509	-	5,386,578	5,386,578		
Total Primary Government	\$ 23,309,360	\$ 11,645,042	\$ 2,397,561	\$ 7,196,269	(7,457,066)	5,386,578	(2,070,488)		
Component Units									
School district - education	\$ 12,134,683	\$ 110,498	\$ 3,274,510	\$ 1,163,673			\$ (7,586,002)	\$ -	
Medical center	\$ 14,211,962	\$ 13,732,919	\$ 569,128	\$ -			\$ -	\$ 90,085	
General Revenues									
Property taxes					3,162,959	-	3,162,959	-	-
Sales taxes					3,107,719	-	3,107,719	-	-
Payments in lieu of taxes					608,784	-	608,784	-	-
Other taxes					103,373	-	103,373	-	-
Contributions from primary government					-	-	-	1,800,000	-
Grants and entitlements not restricted to a specific purpose					1,821,397	-	1,821,397	5,944,599	-
Investment income					288,212	96,041	384,253	773	61,366
Other					7,746	-	7,746	395,992	14,572
Transfers					(1,346,304)	1,346,304	-	-	-
Total General Revenues and Transfers					7,753,886	1,442,345	9,196,231	8,141,364	75,938
Change in Net Position					296,820	6,828,923	7,125,743	555,362	166,023
Net Position, beginning of year, as restated (Note 16)					51,540,399	72,134,432	123,674,831	(739,934)	5,962,882
Net Position, end of year					\$ 51,837,219	\$ 78,963,355	\$ 130,800,574	\$ (184,572)	\$ 6,128,905

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Governmental Funds
Balance Sheet

<i>June 30, 2015</i>	<u>Major Fund</u> General	Nonmajor Funds	Total Govern- mental Funds
Assets			
Cash and investments	\$ 4,094,470	\$ 11,130,990	\$ 15,225,460
Receivables, net of allowance for doubtful accounts:			
Property taxes	27,134	-	27,134
Sales taxes	415,401	8,192	423,593
Grants and shared revenues	-	155,578	155,578
Accounts	43,748	-	43,748
Interest	60,269	2,720	62,989
Prepaid insurance	63,029	-	63,029
Due from other funds	19,923	-	19,923
Total Assets	\$ 4,723,974	\$ 11,297,480	\$ 16,021,454
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 49,008	\$ 145,074	\$ 194,082
Accrued payroll and employee benefits	208,343	355	208,698
Unearned revenue	6,033	42,196	48,229
Due to other funds	-	19,923	19,923
Total Liabilities	263,384	207,548	470,932
Fund Balances			
Nonspendable	63,029	-	63,029
Restricted	-	4,619,403	4,619,403
Committed	-	6,206,474	6,206,474
Assigned	-	265,050	265,050
Unassigned (deficit)	4,397,561	(995)	4,396,566
Total Fund Balances	4,460,590	11,089,932	15,550,522
Total Liabilities and Fund Balances	\$ 4,723,974	\$ 11,297,480	\$ 16,021,454

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2015

Total fund balances for governmental funds \$ 15,550,522

Total net position reported for governmental activities in the
Statement of Net Position is different because:

	<u>Governmental Funds</u>	<u>Internal Service Fund</u>	
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	\$ 3,708,171	-	
Construction in progress	1,109,963	-	
Buildings	49,341,037	-	
Improvements other than buildings	172,261	-	
Infrastructure	17,045,591	-	
Machinery and equipment	1,924,504	6,174,435	
Accumulated depreciation	<u>(29,701,815)</u>	<u>(3,984,416)</u>	
Total capital assets	43,599,712	2,190,019	45,789,731
Long-term liabilities, including bonds payable, net pension liability and other items 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	(7,401,693)	-	
Deferred charges on refunding, net of accumulated amortization	270,385	-	
Bond premium, net of accumulated amortization	(941,250)	-	
Net pension liability	(3,111,624)	(137,674)	
Accrued interest	(91,085)	-	
Accrued leave	<u>(365,009)</u>	<u>(25,517)</u>	
Total long term liabilities	(11,640,276)	(163,191)	(11,803,467)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.			
Deferred outflows related to pensions	345,014	15,265	
Deferred inflows related to pensions	<u>(359,498)</u>	<u>(15,906)</u>	
Total deferred pension items	(14,484)	(641)	(15,125)
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. This is the residual equity not reported above.			<u>2,315,558</u>
Total Net Position of Governmental Activities			<u>\$ 51,837,219</u>

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, 2015</i>	<u>Major Fund</u> General	Nonmajor Funds	Total Govern- mental Funds
Revenues			
Property taxes	\$ 3,162,959	\$ -	\$ 3,162,959
Sales taxes	3,107,719	-	3,107,719
Other taxes	138,326	14,975	153,301
Intergovernmental	4,106,126	2,041,482	6,147,608
Licenses and permits	18,124	-	18,124
Charges for services	356,644	73,140	429,784
Fines and forfeitures	11,417	-	11,417
Overhead charges	550,492	-	550,492
Investment income	101,130	187,082	288,212
Other	9,577	-	9,577
Total Revenues	11,562,514	2,316,679	13,879,193
Expenditures			
Current:			
General government	2,795,535	229,623	3,025,158
Public safety	2,157,888	20,759	2,178,647
Public works	1,622,045	-	1,622,045
Community services	203,362	41,817	245,179
Culture and recreation	1,239,742	149,093	1,388,835
Education - contribution to school district	1,800,000	-	1,800,000
Debt service	-	725,876	725,876
Other debt charges	-	30,183	30,183
Capital outlay	-	603,090	603,090
Total Expenditures	9,818,572	1,800,441	11,619,013
Excess of Revenues Over Expenditures	1,743,942	516,238	2,260,180
Other Financing Sources (Uses)			
Payment to refunding bond escrow agent	-	(3,673,977)	(3,673,977)
Refunding bond issued	-	3,165,000	3,165,000
Premium on refunding	-	545,381	545,381
Transfers in	605,000	1,831,083	2,436,083
Transfers out	(2,852,169)	(930,218)	(3,782,387)
Net Other Financing Sources (Uses)	(2,247,169)	937,269	(1,309,900)
Net Change in Fund Balances	(503,227)	1,453,507	950,280
Fund Balances, beginning of year	4,963,817	9,636,425	14,600,242
Fund Balances, end of year	\$ 4,460,590	\$ 11,089,932	\$ 15,550,522

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, 2015

Net change in fund balances - total governmental funds \$ 950,280

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

Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation (\$1,655,203) exceeded capital outlays (\$433,438). (1,221,765)

The issuance of long-term debt provides current financial resources while the repayment of the principal of the long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums and similar items at the time the debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Repayment of principal	\$ 393,337	
Reduction of principal due to refunding	365,000	
Increase in unamortized bond premium	(463,531)	
Increase in deferred charges on bonds	<u>83,050</u>	
		377,856

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.

Decrease in accrued leave	\$ 15,234	
Decrease in accrued interest	9,037	
Increase in net pension liability and related accounts	<u>(14,808)</u>	
		9,463

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. 180,986

Change in Net Position of Governmental Activities \$ 296,820

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, 2015</i>								
Assets and Deferred Outflows								
Current Assets								
Cash and investments	\$ 6,519,465	\$ 867,906	\$ 1,327,891	\$ 1,848,826	\$ 236,085	\$ 986,037	\$ 11,786,210	\$ 4,742,465
Receivables, net of allowance for doubtful accounts	410,171	87,241	154,193	419,316	-	93,715	1,164,636	3,979
Inventories	313,493	74,731	22,750	-	-	-	410,974	-
Prepaid expenses	11,987	1,518	4,373	12,564	15,220	6,810	52,472	2,968
Total Current Assets	7,255,116	1,031,396	1,509,207	2,280,706	251,305	1,086,562	13,414,292	4,749,412
Restricted Cash								
Security deposits	-	-	-	-	-	17,476	17,476	-
Property, Plant and Equipment								
Land and land improvements	1,848,295	-	-	360,059	-	191,139	2,399,493	-
Buildings	3,059,043	5,178,330	9,091,647	339,690	3,920,170	5,109,153	26,698,033	-
Improvements other than buildings	5,068,706	26,797,940	9,325,818	37,334,947	-	1,008,638	79,536,049	-
Machinery and equipment	17,018,539	3,000,849	407,311	552,033	89,262	333,508	21,401,502	6,174,435
Construction in progress	-	-	308,401	14,950	-	-	323,351	-
Total property, plant and equipment	26,994,583	34,977,119	19,133,177	38,601,679	4,009,432	6,642,438	130,358,428	6,174,435
Accumulated depreciation	(16,351,182)	(12,994,391)	(10,568,223)	(8,876,763)	(1,200,786)	(3,590,127)	(53,581,472)	(3,984,416)
Net Property, Plant and Equipment	10,643,401	21,982,728	8,564,954	29,724,916	2,808,646	3,052,311	76,776,956	2,190,019
Total Assets	17,898,517	23,014,124	10,074,161	32,005,622	3,059,951	4,156,349	90,208,724	6,939,431
Deferred Outflows								
Deferred outflows related to pensions	105,830	10,011	21,631	39,375	48,920	20,799	246,566	15,265
Deferred charges on refunding	-	-	-	16,048	75,826	25,275	117,149	-
Total Deferred Outflows	105,830	10,011	21,631	55,423	124,746	46,074	363,715	15,265
Total Assets and Deferred Outflows	\$ 18,004,347	\$ 23,024,135	\$ 10,095,792	\$ 32,061,045	\$ 3,184,697	\$ 4,202,423	\$ 90,572,439	\$ 6,954,696

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, 2015</i>								
Liabilities, Deferred Outflows and Net Position								
Liabilities								
Current Liabilities:								
Accounts payable	\$ 218,100	\$ 2,152	\$ 35,518	\$ 54,758	\$ 2,285	\$ 31,136	\$ 343,949	\$ 11,433
Accrued payroll and employee benefits	57,237	11,021	13,046	33,730	39,445	23,066	177,545	9,276
Accrued leave	90,019	10,099	18,861	63,652	38,635	12,923	234,189	25,517
Prepaid moorage	-	-	-	125,683	-	-	125,683	-
Unearned revenue	-	-	-	-	3,004	1,307	4,311	-
Customer deposits	32,769	7,776	6,665	-	4,500	17,895	69,605	-
Accrued interest	33,994	37,406	5,871	3,129	22,250	7,417	110,067	-
Current portion:								
General obligation bonds	110,000	-	-	91,663	123,750	41,250	366,663	-
ADEC loans	-	302,435	87,603	-	-	-	390,038	-
Total Current Liabilities	542,119	370,889	167,564	372,615	233,869	134,994	1,822,050	46,226
Long term liabilities, net of current portion:								
General obligation bonds	2,280,000	-	-	541,645	1,181,250	393,750	4,396,645	-
Bond premium, net of accumulated amortization	46,223	-	-	7,945	177,331	59,110	290,609	-
ADEC loans	-	3,186,224	1,744,750	-	-	-	4,930,974	-
Net pension liability	954,455	90,284	195,083	355,112	441,192	187,581	2,223,707	137,674
Landfill closure liability	-	-	-	-	-	101,330	101,330	-
Total Long-term Liabilities	3,280,678	3,276,508	1,939,833	904,702	1,799,773	741,771	11,943,265	137,674
Total Liabilities	3,822,797	3,647,397	2,107,397	1,277,317	2,033,642	876,765	13,765,315	183,900
Deferred Inflows related to pensions	110,272	10,431	22,539	41,027	50,973	21,672	256,914	15,906
Net Position								
Net investment in capital assets	8,207,178	18,494,069	6,732,601	29,099,711	1,402,141	2,583,476	66,519,176	2,190,019
Unrestricted (deficit)	5,864,100	872,238	1,233,255	1,642,990	(302,059)	720,510	10,031,034	4,564,871
Total Net Position	14,071,278	19,366,307	7,965,856	30,742,701	1,100,082	3,303,986	76,550,210	6,754,890
Total Liabilities, Deferred Inflows and Net Position	\$ 18,004,347	\$ 23,024,135	\$ 10,095,792	\$ 32,061,045	\$ 3,184,697	\$ 4,202,423		\$ 6,954,696
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							2,413,145	
Net Position of Business-Type Activities							\$ 78,963,355	

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Proprietary Funds
Statement of Revenues, Expenses and Changes in 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>Year Ended June 30, 2015</i>								
Operating Revenues	\$ 5,279,949	\$ 952,942	\$ 741,527	\$ 1,129,689	\$ 985,300	\$ 1,499,504	\$ 10,588,911	\$ 942,802
Operating Expenses								
Salaries and benefits	1,251,057	273,459	293,289	621,288	806,103	467,215	3,712,411	207,901
Services, supplies, and other charges	3,349,031	247,282	138,067	265,748	201,716	578,025	4,779,869	259,688
Allocated overhead and motor pool charges	297,236	92,654	106,956	100,439	74,884	279,648	951,817	17,169
Depreciation	620,865	841,535	308,216	1,017,517	100,467	164,762	3,053,362	311,947
Total Operating Expenses	5,518,189	1,454,930	846,528	2,004,992	1,183,170	1,489,650	12,497,459	796,705
Income (Loss) from Operations	(238,240)	(501,988)	(105,001)	(875,303)	(197,870)	9,854	(1,908,548)	146,097
Nonoperating Revenues (Expenses)								
Investment income	55,785	6,191	11,135	11,793	2,619	8,518	96,041	-
SEAPA distribution	212,301	-	-	-	-	-	212,301	-
Interest expense	(128,188)	(42,367)	(5,906)	(32,292)	(48,887)	(16,296)	(273,936)	-
Gain on disposal of capital assets	-	-	-	-	-	-	-	111,985
Federal interest subsidy	29,732	-	-	-	-	-	29,732	-
State PERS relief	70,801	6,697	14,472	26,344	32,729	13,916	164,959	10,212
Net Nonoperating Revenues (Expenses)	240,431	(29,479)	19,701	5,845	(13,539)	6,138	229,097	122,197
Income (loss) before contributions and transfers	2,191	(531,467)	(85,300)	(869,458)	(211,409)	15,992	(1,679,451)	268,294
Capital contributions	-	-	156,729	6,874,044	-	9,736	7,040,509	34,253
Transfers in	-	165,000	-	949,729	231,575	-	1,346,304	-
Change in Net Position	2,191	(366,467)	71,429	6,954,315	20,166	25,728	6,707,362	302,547
Net Position, beginning of year, as restated (Note 17)	14,069,087	19,732,774	7,894,427	23,788,386	1,079,916	3,278,258		6,452,343
Net Position, end of year	\$ 14,071,278	\$ 19,366,307	\$ 7,965,856	\$ 30,742,701	\$ 1,100,082	\$ 3,303,986		\$ 6,754,890
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							121,561	
Change in Net Position of Business-Type Activities							\$ 6,828,923	

See accompanying notes to basic financial statements.

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Petersburg Borough, Alaska

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2015	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
Cash Flows from (for) Operating Activities								
Receipts from customers and users	\$ 5,530,486	\$ 960,957	\$ 834,244	\$ 1,101,046	\$ 985,257	\$ 1,512,920	\$ 10,924,910	\$ 942,942
Payments for interfund services used	(297,236)	(92,654)	(106,956)	(100,439)	(74,884)	(279,648)	(951,817)	(17,169)
Payments to suppliers	(3,468,680)	(255,965)	(109,434)	(264,935)	(209,134)	(596,721)	(4,904,869)	(253,030)
Payments to employees	(1,196,508)	(265,730)	(276,453)	(592,142)	(764,192)	(456,901)	(3,551,926)	(190,471)
Net cash flows from (for) operating activities	568,062	346,608	341,401	143,530	(62,953)	179,650	1,516,298	482,272
Cash Flows from (for) Capital and Related Financing Activities								
Principal paid on long-term debt	(105,000)	(259,990)	(33,187)	(91,663)	(120,000)	(40,000)	(649,840)	-
Interest paid on long-term debt	(135,716)	(42,364)	(5,898)	(32,594)	(61,575)	(20,525)	(298,672)	-
Proceeds from issuance of debt	-	-	39,671	-	-	-	39,671	-
Proceeds from sale of equipment	-	-	-	-	-	-	-	138,725
Purchase of property, plant and equipment	(94,133)	-	(157,571)	(7,007,901)	-	(119,781)	(7,379,386)	(452,201)
Transfers in	-	165,000	-	949,729	231,575	-	1,346,304	-
Capital contributions received	-	24,140	-	7,300,646	-	9,736	7,334,522	34,253
Federal interest subsidy received	29,732	-	-	-	-	-	29,732	-
Net cash flows from (for) capital and related financing activities	(305,117)	(113,214)	(156,985)	1,118,217	50,000	(170,570)	422,331	(279,223)
Cash Flows from Investing Activities								
Investment income received	55,785	6,191	11,135	11,793	2,619	8,518	96,041	-
Net increase (decrease) in cash and investments	318,730	239,585	195,551	1,273,540	(10,334)	17,598	2,034,670	203,049
Cash and Investments, beginning of year	6,200,735	628,321	1,132,340	575,286	246,419	985,915	9,769,016	4,539,416
Cash and Investments, end of year	\$ 6,519,465	\$ 867,906	\$ 1,327,891	\$ 1,848,826	\$ 236,085	\$ 1,003,513	\$ 11,803,686	\$ 4,742,465

See accompanying notes to basic financial statements.

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

<i>Year Ended June 30, 2015</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			
Reconciliation of Income (Loss) from Operations to Net Cash								
Flows from (for) Operating Activities								
Income (loss) from operations	\$ (238,240)	\$ (501,988)	\$ (105,001)	\$ (875,303)	\$ (197,870)	\$ 9,854	\$ (1,908,548)	\$ 146,097
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:								
Depreciation	620,865	841,535	308,216	1,017,517	100,467	164,762	3,053,362	311,947
PERS relief	70,801	6,697	14,472	26,344	32,729	13,916	164,959	10,212
Amortization of deferred outflows for pensions	(27,476)	(2,599)	(5,616)	(10,223)	(12,701)	(5,400)	(64,015)	(3,963)
Amortization of deferred inflows for pensions	110,272	10,431	22,539	41,027	50,973	21,672	256,914	15,906
Nonoperating revenues received	212,301	-	-	-	-	-	212,301	-
Increase (decrease) in allowance for doubtful accounts	(10,695)	(2,697)	(1,969)	5,522	-	(2,638)	(12,477)	-
(Increase) decrease in assets:								
Accounts receivable	45,765	9,843	93,448	(45,766)	-	15,867	119,157	140
Inventories	(52,629)	(10,517)	5,422	-	-	-	(57,724)	-
Prepaid expenses	(813)	1,375	(100)	(4,506)	(4,438)	(851)	(9,333)	(75)
Increase (decrease) in liabilities:								
Accounts payable	(66,207)	459	23,311	5,319	(2,980)	7,225	(32,873)	6,733
Accrued payroll and employee benefits	336	(1,132)	(224)	5,961	5,656	1,753	12,350	24
Accrued leave	(25,572)	1,734	1,660	(6,500)	1,427	(6,247)	(33,498)	6,539
Unearned revenue	-	-	-	-	557	208	765	-
Customer deposits	3,166	869	1,238	-	(600)	(21)	4,652	-
Prepaid moorage	-	-	-	11,601	-	-	11,601	-
Net pension liability	(73,812)	(7,402)	(15,995)	(27,463)	(36,173)	(15,380)	(176,225)	(11,288)
Landfill closure liability	-	-	-	-	-	(25,070)	(25,070)	-
Net Cash Flows from Operating Activities	\$ 568,062	\$ 346,608	\$ 341,401	\$ 143,530	\$ (62,953)	\$ 179,650	\$ 1,516,298	\$ 482,272

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2015

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 cities (now boroughs) of Petersburg and Wrangell. The function of TBPA in recent years was to operate and maintain the Tyee Lake Hydroelectric Project under contract to the Southeast Alaska Power Agency (SEAPA). TBPA had been overseen by a Commission composed of three appointed members from each community, with a seventh "at large" member chosen by the Commission.

In 2014 the two Boroughs surrendered the O&M contract to SEAPA. TBPA is now "dormant" until such time as the two communities agree on a specific task.

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.

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.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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 everyday living tasks.

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.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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.

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."

Petersburg Borough, Alaska
Notes to Basic Financial Statements

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.

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.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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.

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.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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

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, 2015, follows:

Due from other funds:

Due to the General Fund from nonmajor governmental funds for short-term advances to cover capital costs	\$ 19,923
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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	\$ 949,729
Assisted Living Enterprise Fund to cover capital costs	231,575
Nonmajor governmental fund to cover debt service costs	364,298
Nonmajor governmental funds to cover capital costs	1,306,567
<hr/>	
Total transfers from General Fund	2,852,169
<hr/>	
From nonmajor governmental funds to:	
General Fund to cover operating costs	605,000
Water Utility Enterprise Fund to cover capital costs	165,000
Rasmus Enge Bridge Reconstruction to cover capital costs	160,218
<hr/>	
Total transfers from nonmajor governmental funds	930,218
<hr/>	
Total Transfers to Other Funds	\$ 3,782,387

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, 2015.

	Pooled Cash And Investments	Economic Fund	Totals
Bank deposits	\$ 1,084,762	\$ -	\$ 1,084,762
Investments	26,177,194	4,509,655	30,686,849
Receivable (Payable)	165,000	(165,000)	-
	<hr/> \$ 27,426,956	<hr/> \$ 4,344,655	<hr/> \$ 31,771,611

	Pooled Cash And Investments	Economic Fund	Totals
Cash and investments	\$ 27,244,480	\$ 4,509,655	\$ 31,754,135
Restricted cash and investments	17,476	-	17,476
Receivable (Payable)	165,000	(165,000)	-
	<hr/> \$ 27,426,956	<hr/> \$ 4,344,655	<hr/> \$ 31,771,611

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, 2015 are as follows:

	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1-5	Greater Than 5
Investment type:				
Money market funds	\$ 1,123,700	\$ 1,123,700	\$ -	\$ -
U.S. government agencies	1,810,829	-	1,810,829	-
Municipal bonds	2,011,715	812,827	1,198,888	-
Certificates of deposit	18,108,654	6,158,640	11,950,014	-
Pooled investments	3,122,296	3,122,296	-	-
Total Investments	\$ 26,177,194	\$ 11,217,463	\$ 14,959,731	\$ -

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 \$2,011,715 were rated as follows; muni bonds rated by Standard and Poor's: \$913,814 rated AA+, \$243,262 rated AA-, \$511,180 rated A; muni bonds not rated by Standard and Poor's were rated by Moody's as follows: \$343,459 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, 2015 are as follows:

	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
Investment type:			
Certificates of deposit	\$ 1,954,928	\$ 558,940	\$ 1,395,988
Money market funds	193,783	193,783	
Total subject to interest rate risk	2,148,711	\$ 752,723	\$ 1,395,988
International equity securities	299,294		
U.S. equity securities	2,061,650		
Total Investments	\$ 4,509,655		

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, 2015, 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	\$ -	\$ 155,578	\$ -	\$ 2,385
Property, sales and transient room taxes	442,535	8,192	-	-
Accounts	43,748	-	411,843	85,045
Interest	60,269	2,720	-	-
Total receivables	546,552	166,490	411,843	87,430
Less allowance for doubtful accounts	-	-	(1,672)	(189)
Net Receivables	\$ 546,552	\$ 166,490	\$ 410,171	\$ 87,241

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	\$ 85,177	\$ 253,511	\$ -	\$ 496,651
Property, sales and transient room taxes	-	-	-	450,727
Accounts Interest	69,375	179,006	98,148	887,165
	-	-	-	62,989
Total receivables	154,552	432,517	98,148	1,897,532
Less allowance for doubtful accounts	(359)	(13,201)	(454)	(15,875)
Net Receivables	\$ 154,193	\$ 419,316	\$ 97,694	\$ 1,881,657

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Petersburg Borough, Alaska
Notes to Basic Financial Statements

6. Capital Assets

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

Governmental Activities	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,574,725	\$ 133,446	\$ -	\$ 3,708,171
Construction in progress	1,025,309	98,968	(14,314)	1,109,963
Total assets not being depreciated	4,600,034	232,414	(14,314)	4,818,134
<i>Capital assets being depreciated:</i>				
Buildings	49,137,103	203,934	-	49,341,037
Improvements other than buildings	172,261	-	-	172,261
Machinery and equipment*	8,199,523	463,606	(564,190)	8,098,939
Infrastructure	17,045,591	-	-	17,045,591
Total assets being depreciated	74,554,478	667,540	(564,190)	74,657,828
<i>Less accumulated depreciation for:</i>				
Buildings	25,231,782	1,323,208		26,554,993
Improvements other than buildings	132,458	10,445		142,900
Machinery and equipment*	5,512,976	459,822	(537,449)	5,435,349
Infrastructure	1,379,314	173,675	-	1,552,989
Total accumulated depreciation	32,256,530	1,967,150	(537,449)	33,686,231
Total capital assets being depreciated, net	42,297,948	(1,299,610)	(26,741)	40,971,597
Governmental Activity				
Capital Assets, net	\$ 46,897,982	\$ (1,067,196)	\$ (41,055)	\$ 45,789,731

* The ending balances include \$6,174,435 and \$3,984,416 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, 2014	Additions	Deletions	Balance June 30, 2015
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,399,493	\$ -	\$ -	\$ 2,399,493
Construction in progress	5,268,632	139,798	(5,085,079)	323,351
Total assets not being depreciated	7,668,125	139,798	(5,085,079)	2,722,844
<i>Capital assets being depreciated:</i>				
Buildings	26,603,900	94,133	-	26,698,033
Improvements other than buildings	67,344,927	12,191,122	-	79,536,049
Machinery and equipment	21,362,090	39,412	-	21,401,502*
Total assets being depreciated	115,310,917	12,324,667	-	127,635,584
Less accumulated depreciation for:				
Buildings	12,958,385	579,452	-	13,537,837
Improvements other than buildings	21,330,924	1,974,511	-	23,305,435
Machinery and equipment	16,238,801	499,399	-	16,738,200*
Total accumulated depreciation	50,528,110	3,053,362	-	53,581,472
Total capital assets being depreciated, net	64,782,807	9,271,305	-	74,054,112
Business-Type Activity				
Capital Assets, net	\$ 72,450,932	\$ 9,411,103	\$ (5,085,079)	\$ 76,776,956

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	\$ 61,561	\$ 140,376	\$ 201,937
Public safety	324,546	84,226	408,772
Public works	317,991	84,226	408,217
Culture and recreation	672,429	3,119	675,548
Education	278,676	-	278,676
Total Governmental Activities	\$ 1,655,203	\$ 311,947	\$ 1,967,150

Business-Type Activities	Depreciation
Electric utility	\$ 620,865
Water utility	841,535
Wastewater utility	308,216
Sanitation utility	74,062
Harbor and port facilities	1,017,517
Elderly housing	90,700
Assisted living	100,467
Total Business-Type Activities	\$ 3,053,362

7. Long-Term Debt

Bonds and notes payable at June 30, 2015, are comprised of the following:

Governmental Activities	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
<i>General Obligation Bonds:</i>					
\$1,205,000 2007 general obligation pool bonds, due in annual installments of \$55,000 to \$90,000 through 2027, plus interest at 3.875% to 5.5%	\$ 900,000	\$ -	\$ 50,000	\$ 850,000	\$ 55,000
\$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%	145,030	-	18,337	126,693	18,337

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Governmental Activities	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
<i>General Obligation Bonds, continued:</i>					
\$5,850,000 2005 general obligation school bonds, due in annual final installment of \$280,000 in 2016, plus interest at 4% to 5%	\$ 4,075,000	\$ -	\$ 3,795,000	\$ 280,000	\$ 280,000
\$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	165,000
\$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%	1,040,000	-	60,000	980,000	65,000
\$3,165,000 2014 Series 3 general obligation refunding school bonds, due in annual installments of \$260,000 to \$390,000 through 2025, plus interest of 4.0% to 5.0%	-	3,165,000	-	3,165,000	-
Accrued leave (net)	399,221	45,402	54,097	390,526	390,526*
Total Governmental Activities	\$ 8,559,251	\$ 3,210,402	\$ 3,977,434	7,792,219	\$ 973,863
Unamortized bond premium				<u>941,250</u>	
				<u>\$ 8,733,469</u>	

* The ending balance includes \$25,517 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, 2014	Additions	Retirements	Balance June 30, 2015	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%	\$ 724,971	\$ -	\$ 91,663	\$ 633,308	\$ 91,663
\$1,910,000 2012 general obligation elderly housing and assisted living refunding bonds, due in annual installments of \$165,000 to \$220,000 through 2024, plus interest at 2.0% to 5.0%	1,900,000	-	160,000	1,740,000	165,000
\$2,800,000 2010 general obligation electric bonds, due in annual installments of \$110,000 to \$200,000 through 2031, plus interest at 2.0% to 6.34% with partial rebate subsidy of interest	2,495,000	-	105,000	2,390,000	110,000
<i>Notes payable:</i>					
\$1,900,000 Water Utility note, due in annual installments of \$94,766 through 2020, plus interest at 1.5% (loan number 685021)	568,596	-	94,766	473,830	94,766
\$1,989,840 Water Utility note, due in annual installments of \$122,320 through 2025, including interest at 1.5% (loan number 685041)	1,231,895	-	103,841	1,128,054	105,399
\$643,823 Wastewater Utility note, due in annual installments of \$39,093 through 2025, including interest at 1.5% (loan number 685011)	393,710	-	33,187	360,521	33,685

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	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% (loan number 685051)	\$ 1,024,003	\$ -	\$ 61,383	\$ 962,620	\$ 62,304
\$600,000 (maximum) Water Utility note, due in annual installments of \$16,408 through 2034, including interest at 1.5% (loan number 685241)	281,695	-	-	281,695	12,182
\$642,460 Water Utility note, terms not yet established; interest at 1.5% (loan number 685251)	642,460	-	-	642,460	27,784
\$629,191 Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685211)	629,191	-	82,561	546,630	23,639
\$728,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685221)	700,154	-	-	700,154	30,279
\$649,620 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685261)	174,366	37,697	-	212,063	-
\$400,000 (maximum) Wastewater Pumpstation, terms not yet established (loan number 685271)	-	12,985	-	12,985	-
Accrued leave (net)	267,687	4,821	38,319	234,189	234,189
Total Business-Type Activities	\$ 11,033,728	\$ 55,503	\$ 770,720	10,318,509	\$ 990,890
Unamortized bond premium				<u>290,609</u>	
				<u>\$ 10,609,118</u>	

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
2016	\$ 583,337	\$ 465,598	\$ 1,048,935
2017	570,004	298,289	868,293
2018	595,004	277,589	872,593
2019	616,671	252,143	868,814
2020	647,505	223,447	870,952
2021-2025	3,629,172	615,314	4,244,486
2026-2030	760,000	23,441	783,441
	\$ 7,401,693	\$ 2,155,821	\$ 9,557,514

Business-Type Activities

<i>Year Ending June 30,</i>	General Obligation Bonds		
	Principal	Interest	Total
2016	\$ 366,663	\$ 231,063	\$ 597,726
2017	384,996	215,392	600,388
2018	394,996	198,993	593,989
2019	413,329	181,261	594,590
2020	427,496	162,228	589,724
2021-2025	1,690,828	534,704	2,225,532
2026-2030	885,000	207,539	1,092,539
2031	200,000	6,341	206,341
	\$ 4,763,308	\$ 1,737,521	\$ 6,500,829

<i>Year Ending June 30,</i>	Notes Payable		
	Principal	Interest	Total
2016	\$ 308,336	\$ 53,150	\$ 361,486
2017	311,539	43,476	355,015
2018	314,791	38,802	353,593
2019	318,092	34,080	352,172
2020	321,442	29,309	350,751
2021-2025	1,185,407	87,407	1,272,814
2026-2030	368,640	20,371	389,011
2031-2035	78,473	3,566	82,037
	\$ 3,206,720	\$ 310,161	\$ 3,516,879

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	\$ 63,029	\$ -	\$ 63,029
Restricted:			
School support	-	4,254,804	4,254,804
Streets and roads	-	364,599	364,599
Total restricted	-	4,619,403	4,619,403
Committed:			
Economic development	-	4,347,375	4,347,375
Public works	-	1,450,909	1,450,909
Public safety	-	91,086	91,086
Capital projects	-	302,129	302,129
Tourism	-	14,975	14,975
Total committed	-	6,206,474	6,206,474
Assigned:			
General government	-	113,820	113,820
Debt service	-	150,924	150,924
Subsequent year's expenditures	-	306	306
Total assigned	-	265,050	265,050
Unassigned (deficit)	4,397,561	(995)	4,396,566
Total Fund Balances	\$ 4,460,590	\$ 11,089,932	\$ 15,550,522

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 \$101,330 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 2015. Actual costs may be higher due to inflation, changes in technology or changes in regulations. At June 30, 2015, 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 (DB) Pension Plan

General Information About the Plan

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

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

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

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

Historical Context and Special Funding Situation

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

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Although current statutes call for the State of Alaska to contribute to the Plan, the Alaska Department of Law has determined that the statute does not create a legal obligation to assume the liabilities of the Plan; rather it establishes a contribution mechanism to provide employer relief against the rising contribution rates. This relief payment is subject to funding availability, and therefore not legally mandated. As a result, the State has determined that the Plan is *not* in a special funding situation.

Management of the Borough strongly disagrees with the State's position and believes that AS 39.35.255 constitutes a special funding situation under GASB 68 rules and has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis, pending a final legal determination, as may be required to settle the matter.

The Borough records the on-behalf contributions as revenue and expense/expenditures in the fund financial statements. However, the expenditures are adjusted to deferred outflows in the enterprise funds and government-wide financial statements.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (Police and firefighters are required to contribute 7.5% of their annual covered salary. Non-Teacher School District employees are required to contribute 9.6% of their annual covered salary.

Employer and Other Contribution Rates

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

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

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. However, in 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for 2015 significantly exceeds the statutory amount. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the enterprise fund and government-wide financial statements, the on-behalf amounts are included in revenue, but are recorded as deferred outflows, rather than pension expense.

GASB 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. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY15, the rate uses an 8.00% pension discount rate and a 4.90% healthcare discount rate.

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

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

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	12.54%	25.09%	42.41%	33.05%
Postemployment healthcare (see Note 12)	9.46%	18.94%	- %	55.07%
Total Contribution Rates	22.00%	44.03%	42.41%	88.12%

In 2015, the Borough was credited with the following contributions to the pension plan.

	Measurement Period Borough FY14	Borough FY15
Employer contributions (including DBUL)	\$ 449,294	\$ 470,978
Nonemployer contributions (on-behalf)	405,990	2,210,698
Total Contributions	\$ 855,284	\$ 2,681,676

In addition, employee contributions to the Plan totaled \$201,022 during the Borough fiscal year.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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

At June 30, 2015, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

	2015
Borough proportionate share of NPL	\$ 5,473,005
State's proportionate share of NPL associated with the Borough	4,937,000
Total Net Pension Liability	\$ 10,410,005

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2014, the Borough's proportion was 0.11734225 percent, which was an increase of 0.0045774 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Borough recognized pension expense of \$903,136 and on-behalf revenue of \$405,990 for support provided by the State. At June 30, 2015, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	632,318
Changes in proportion and differences between Borough contributions and proportionate share of contributions	135,867	-
Borough contributions subsequent to the measurement date	470,978	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ 606,845	\$ 632,318

Petersburg Borough, Alaska

Notes to Basic Financial Statements

The \$470,978 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2016	\$ 53,565
2017	126,726
2018	158,080
2019	158,080

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2014. The actuarial valuation for the year ended June 30, 2014 (latest available) was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Inflation	3.12%
Salary Increases	Graded by service, from 6.36% to 4.12% for Peace Officers/Firefighters. Graded by age and service, from 9.6% to 3.62% for all others.
Investment Return / Discount Rate	8.00% net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and real rate of return over 4.88%.
Mortality	Rates based on the 1994 Group Annuity Mortality Table, sex distinct, 1994 Base year without margin projected to 2013 using Projection Scale AA, 80% of the male table and 60% of the female table for pre-termination mortality for Peace officers/fire fighters. 75% for male and 55% for female for pre-termination for all others; and 100% for males and 1-year set-forward for females for post-termination.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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

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

Discount Rate

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

Discount Rate Sensitivity

The following presents the Retirement System's net pension liability and the Borough's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System Net Pension Liability	100.0%	\$ 6,115,581,980	\$ 4,664,148,458	\$ 3,441,888,494
Borough's proportionate share of the net pension liability	0.11734225%	\$ 7,176,162	\$ 5,473,005	\$ 4,038,789

Pension Plan Fiduciary Net Position

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

11. Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

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

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended June 30, 2015, the Borough was required to contribute 5% of covered salary into the Plan.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2015 were \$107,227 and \$171,561, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

12. Other Post-Employment Benefit (OPEB) Plans

As part of its participation in the PERS DB Plan (Tiers I, II, III), the Borough participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

Employer Contribution Rate

The Borough is required to contribute 9.46% of covered payroll into the OPEB plan. Employees do not contribute.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015, there were no on-behalf contributions into the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2014 and 2013 were \$240,302 and \$250,900, respectively.

<i>Year Ended June 30,</i>	Annual OPEB Costs	Borough Contributions	% of Costs Contributed
2015	\$355,307	\$355,307	100 %
2014	\$435,655	\$435,655	100 %
2013	\$495,827	\$495,827	100 %

Defined Contribution OPEB

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment health care benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2015 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.66%	1.66%
Occupational death and disability benefits	0.22%	1.06%
Total Contribution Rates	1.88%	2.72%

In addition, PERS defined contribution members also participate in 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, 2014, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,961 per year for each full-time employee, and \$1.26 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2015, the Borough contributed \$119,735 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

13. 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.

14. 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, 2015.

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

15. 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.

The Petersburg Borough, in the normal course of operations, is involved in various claims and/or pending litigation. In the opinion of management, the items are not expected to have a material adverse effect on the Borough's financial statements.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

16. Change in Accounting Principle

As discussed in Note 10 to the financial statements, the Borough participates in the Alaska Public Retirement System (PERS) plan. In 2015, the Borough adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the Borough's fiscal year. As a result of the implementation of this statement, the Borough has recorded an opening balance adjustment to reflect opening balance pension liabilities and related accounts and to decrease opening net position as follows:

	Opening Net Position, as Originally Presented	Change in Accounting Principle Adjustment	Opening Net Position, as Restated
Governmental Activities	\$ 54,789,359	\$ (3,248,960)	\$ 51,540,399
Business-type Activities	74,357,907	(2,223,475)	72,134,432
Petersburg City School District	2,644,957	(3,384,891)	(739,934)
Petersburg Medical Center	11,303,129	(5,340,247)	5,962,882
Electric Utility Enterprise Fund	15,023,442	(954,355)	14,069,087
Water Utility Enterprise Fund	19,823,048	(90,274)	19,732,774
Wastewater Utility Enterprise Fund	8,089,490	(195,063)	7,894,427
Sanitation Enterprise Fund	2,334,812	(135,137)	2,199,675
Harbor and Port Facilities Enterprise Fund	24,143,461	(355,075)	23,788,386
Elderly Housing Enterprise Fund	1,131,008	(52,425)	1,078,583
Assisted Living Enterprise Fund	1,521,062	(441,146)	1,079,916
Motor Pool Internal Service Fund	6,590,003	(137,660)	6,452,343

Petersburg Borough, Alaska

Notes to Basic Financial Statements

17. 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 75 will result in the biggest reporting change. However, actual impacts have not yet been determined:

GASB 72 - Fair Value Measurement and Application - Effective for year-end June 30, 2016 - This statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This statement is expected to primarily affect investment disclosures.

GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - This statement contains certain clarifications and amendments to GASB 67 and 68 as well as establishing requirements for both defined benefit and defined contribution pensions not within the scope of GASB 68. Effective for year end June 30, 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for year ending June 30, 2017.

GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - Effective for year-end June 30, 2017, with earlier application encouraged - This statement contains reporting financial reporting guidelines for Postemployment Benefit Plans. This is the Plan side requirements applicable to OPEB benefits and generally brings the OPEB reporting rules into alignment with the new GASB 67 Pension rules.

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Effective for year-end June 30, 2018, with earlier application encouraged - This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - Effective for year-end June 30, 2016, with earlier application encouraged - This statement clarifies the hierarchy of generally accepted accounting principles to be used in the preparation of state and local government financial statements. This statement supersedes the previous hierarchy established in GASB 55.

GASB 77 - Tax Abatement Disclosures - Effective for year-end June 30, 2017, with earlier application encouraged - This statement requires local governments to provide financial disclosures relating to tax abatements affecting the government. This includes information about abatement agreements entered into directly by the government, including conditions and criteria under which taxes can be abated, and the type and dollar amount of the tax. In addition, the statement requires disclosure of tax abatements issued by other governments that affect the local government's revenue recognition and reporting.

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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, 2015</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 2,637,135	\$ 3,183,008	\$ 3,162,959	\$ (20,049)
Sales taxes	3,062,900	3,072,900	3,107,719	34,819
Other taxes	88,000	78,000	138,326	60,326
Intergovernmental	2,760,920	2,705,920	4,106,126	1,400,206
Licenses and permits	8,500	8,500	18,124	9,624
Charges for services	278,700	341,200	356,644	15,444
Fines and forfeitures	17,500	17,500	11,417	(6,083)
Overhead charges	550,492	550,492	550,492	-
Investment income	35,000	43,519	101,130	57,611
Other revenues	4,219	2,300	9,577	7,277
Total Revenues	9,443,366	10,003,339	11,562,514	1,559,175
Expenditures				
General government	1,884,123	1,884,123	2,795,535	(911,412)
Public safety	2,207,059	2,207,059	2,157,888	49,171
Public works	1,602,469	1,803,409	1,622,045	181,364
Community services	388,840	195,438	203,362	(7,924)
Culture and recreation	1,260,038	1,271,038	1,239,742	31,296
Education - contribution to school district	1,800,000	1,800,000	1,800,000	-
Total Expenditures	9,142,529	9,161,067	9,818,572	(657,505)
Excess of Revenues Over Expenditures	300,837	842,272	1,743,942	901,670
Other Financing Sources (Uses)				
Transfers in	605,000	605,000	605,000	-
Transfers out	(905,837)	(1,451,710)	(2,852,169)	(1,400,459)
Net Other Financing Sources (Uses)	(300,837)	(846,710)	(2,247,169)	(1,400,459)
Net Change in Fund Balance	\$ -	\$ (4,438)	(503,227)	\$ (498,789)
Fund Balance, beginning of year			4,963,817	
Fund Balance, end of year			<u>\$ 4,460,590</u>	

See accompanying notes to Required Supplementary Information

Petersburg Borough, Alaska
Public Employees Retirement System
Schedule of the Borough's Information on the Net Pension Liability

June 30,	2015
Borough's proportion of the net pension liability	0.11734225%
Borough's proportionate share of the net pension liability	\$ 5,473,005
State of Alaska proportionate share of the net pension liability	<u>\$ 4,937,000</u>
Total net pension liability	<u>\$ 10,410,005</u>
Borough's covered-employee payroll	\$ 2,844,887
Borough's proportionate share of the net pension liability as a percentage of covered-employee payroll	192%
Plan fiduciary net position as a percentage of the total pension liability	<u>62.37%</u>

See accompanying notes to Required Supplementary Information.

**Petersburg Borough, Alaska
Public Employees Retirement System
Schedule of Borough Contributions**

Year Ended June 30,	2015
Contractually required contribution	\$ 470,978
Contributions in relation to the contractually required contribution	<u>\$ 470,978</u>
Contribution deficiency (excess)	\$ -
Borough's covered-employee payroll	2,659,360
Contributions as a percentage of covered-employee payroll	<u>17.710%</u>

See accompanying notes to Required Supplementary Information.

Petersburg Borough, Alaska

Notes to Required Supplementary Information

Budgetary Comparison Schedule

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

Schedule of the Borough's Information on the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2015, the Plan measurement date is June 30, 2014.

There were no benefit changes in benefit terms from the prior measurement period.

There were no changes in assumptions from the prior measurement period.

Schedule of Borough Contributions - Public Employees Retirement System

This table is based on the Borough's contributions during fiscal year 2015. These contributions are reported as a deferred outflow on the Statement of Net Position.

Both pension tables are intended to present 10 years of information. Additional years' information will be added to the schedules as it becomes available.

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Supplementary Financial Information

Petersburg Borough, Alaska
 Nonmajor Governmental Funds
 Combining Balance Sheet

June 30, 2015	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	Transient Room Tax	Debt Service Fund	Library Construction	Fishing Park	Birch Street Rebuild	Rasmus Enge Bridge Rehab	Economic Development	Homeland Security	Police, Jail and Administration Building Renovation	
Assets																
Cash and investments	\$ 18,574	\$ 4,254,804	\$ 364,599	\$ 1,450,909	\$ 91,086	\$ 148,907	\$ 6,783	\$ 145,544	\$ -	\$ 99,927	\$ 23,708	\$ 178,494	\$ 4,344,655	\$ -	\$ 3,000	\$ 11,130,990
Receivables:																
Grants and shared revenues	117,270	-	-	-	-	-	-	5,380	29,000	-	-	-	-	3,928	-	155,578
Transient room taxes	-	-	-	-	-	-	8,192	-	-	-	-	-	-	-	-	8,192
Interest	-	-	-	-	-	-	-	-	-	-	-	-	2,720	-	-	2,720
Total Assets	\$ 135,844	\$ 4,254,804	\$ 364,599	\$ 1,450,909	\$ 91,086	\$ 148,907	\$ 14,975	\$ 150,924	\$ 29,000	\$ 99,927	\$ 23,708	\$ 178,494	\$ 4,347,375	\$ 3,928	\$ 3,000	\$ 11,297,480
Liabilities and Fund Balances (Deficits)																
Liabilities																
Accounts payable	\$ 95,987	\$ -	\$ -	\$ -	\$ -	\$ 35,087	\$ -	\$ -	\$ 14,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,074
Accrued payroll and employee benefits	355	-	-	-	-	-	-	-	-	-	-	-	-	-	-	355
Unearned revenue	39,196	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000	42,196
Due to other funds	-	-	-	-	-	-	-	-	15,995	-	-	-	-	3,928	-	19,923
Total Liabilities	135,538	-	-	-	-	35,087	-	-	29,995	-	-	-	-	3,928	3,000	207,548
Fund Balances (Deficits)																
Restricted:																
Streets and roads	-	-	364,599	-	-	-	-	-	-	-	-	-	-	-	-	364,599
School support	-	4,254,804	-	-	-	-	-	-	-	-	-	-	-	-	-	4,254,804
Committed:																
Economic development	-	-	-	-	-	-	-	-	-	-	-	-	4,347,375	-	-	4,347,375
Public works	-	-	-	1,450,909	-	-	-	-	-	-	-	-	-	-	-	1,450,909
Public safety	-	-	-	-	91,086	-	-	-	-	-	-	-	-	-	-	91,086
Capital projects	-	-	-	-	-	-	-	-	-	99,927	23,708	178,494	-	-	-	302,129
Tourism	-	-	-	-	-	-	-	14,975	-	-	-	-	-	-	-	14,975
Assigned:																
General government	-	-	-	-	-	113,820	-	-	-	-	-	-	-	-	-	113,820
Debt service	-	-	-	-	-	-	-	150,924	-	-	-	-	-	-	-	150,924
Subsequent year's expenditures	306	-	-	-	-	-	-	-	-	-	-	-	-	-	-	306
Unassigned (deficit)	-	-	-	-	-	-	-	-	(995)	-	-	-	-	-	-	(995)
Total Fund Balances (Deficits)	306	4,254,804	364,599	1,450,909	91,086	113,820	14,975	150,924	(995)	99,927	23,708	178,494	4,347,375	-	-	11,089,932
Total Liabilities and Fund Balances	\$ 135,844	\$ 4,254,804	\$ 364,599	\$ 1,450,909	\$ 91,086	\$ 148,907	\$ 14,975	\$ 150,924	\$ 29,000	\$ 99,927	\$ 23,708	\$ 178,494	\$ 4,347,375	\$ 3,928	\$ 3,000	\$ 11,297,480

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

Year Ended June 30, 2015	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	Transient Room Tax	Debt Service Fund	Library Construction	Fishing Park	Birch Street Rebuild	Paving Project	Rasmus Enge Bridge Rehab	Economic Delevopment	
Revenues															
Transient taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,975	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	308,494	1,023,820	180,674	-	-	100,000	-	366,830	47,260	-	-	-	-	-	14,404
Charges for services	2,708	-	-	85	70,347	-	-	-	-	-	-	-	-	-	-
Investment income	-	31,626	1,749	9,173	-	-	-	-	-	-	-	-	144,534	-	-
Total Revenues	311,202	1,055,446	182,423	9,258	70,347	100,000	14,975	366,830	47,260	-	-	-	144,534	14,404	2,316,679
Expenditures															
General government	-	-	-	-	-	229,623	-	-	-	-	-	-	-	-	-
Public safety	11,792	-	-	-	8,967	-	-	-	-	-	-	-	-	-	-
Community services	41,817	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	149,093	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:															
Principal	-	-	-	-	-	-	-	393,337	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	332,539	-	-	-	-	-	-	-
Capital outlay	108,500	153,394	-	109,600	-	-	-	-	50,540	-	-	1,095	165,557	14,404	603,090
Other debt service charges	-	-	-	-	-	-	-	30,183	-	-	-	-	-	-	-
Total Expenditures	311,202	153,394	-	109,600	8,967	229,623	-	756,059	50,540	-	-	1,095	165,557	14,404	1,800,441
Excess of Revenues Over (Under) Expenditures	-	902,052	182,423	(100,342)	61,380	(129,623)	14,975	(389,229)	(3,280)	-	-	-	(1,095)	(21,023)	-
Other Financing Sources (Uses)															
Refunding bond issued	-	-	-	-	-	-	-	3,165,000	-	-	-	-	-	-	-
Premium on Refunding	-	-	-	-	-	-	-	545,381	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(3,673,977)	-	-	-	-	-	-	-
Transfers in	-	-	-	1,306,567	-	-	-	364,298	-	-	-	160,218	-	-	-
Transfers out	-	(605,000)	-	-	-	-	-	-	-	-	(160,218)	-	(165,000)	-	-
Net Other Financing Sources (Uses)	-	(605,000)	-	1,306,567	-	-	-	400,702	-	-	-	(160,218)	160,218	(165,000)	-
Net Change in Fund Balances	-	297,052	182,423	1,206,225	61,380	(129,623)	14,975	11,473	(3,280)	-	-	(160,218)	159,123	(186,023)	-
Fund Balances, beginning 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	-
Fund Balances (Deficit), end of year	\$ 306	\$ 4,254,804	\$ 364,599	\$ 1,450,909	\$ 91,086	\$ 113,820	\$ 14,975	\$ 150,924	\$ (995)	\$ 99,927	\$ 23,708	\$ -	\$ 178,494	\$ 4,347,375	\$ -

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

<i>June 30, 2015</i>	Sanitation Utility	Elderly Housing	Nonmajor Enterprise Funds
Assets and Deferred Outflows			
Current Assets			
Cash and investments	\$ 394,185	\$ 591,852	\$ 986,037
Receivables, net of allowance for doubtful accounts	93,715	-	93,715
Prepaid expenses	4,487	2,323	6,810
Total Current Assets	492,387	594,175	1,086,562
Restricted Cash - security deposits	-	17,476	17,476
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	778,532	230,106	1,008,638
Machinery and equipment	219,767	113,741	333,508
Total property, plant and equipment	3,273,199	3,369,239	6,642,438
Accumulated depreciation	(1,255,610)	(2,334,517)	(3,590,127)
Net Property, Plant and Equipment	2,017,589	1,034,722	3,052,311
Total Assets	2,509,976	1,646,373	4,156,349
Deferred Outflows			
Deferred outflows related to pensions	14,986	5,813	20,799
Deferred charges on refunding	-	25,275	25,275
Total Deferred Outflows	14,986	31,088	46,074
Total Assets and Deferred Outflows	\$ 2,524,962	\$ 1,677,461	\$ 4,202,423
Liabilities, Deferred Inflows and Net Position			
Liabilities			
Current Liabilities:			
Accounts payable	\$ 29,244	\$ 1,892	\$ 31,136
Accrued payroll and employee benefits	15,798	7,268	23,066
Accrued leave	11,547	1,376	12,923
Unearned revenue	-	1,307	1,307
Customer deposits	8,331	9,564	17,895
Accrued interest	-	7,417	7,417
Current portion of general obligation bonds	-	41,250	41,250
Total Current Liabilities	64,920	70,074	134,994
Long-term Liabilities Net of Current Portion:			
General obligation bonds	-	393,750	393,750
Bond premium, net of accumulated amortization	-	59,110	59,110
Net pension liability	135,151	52,430	187,581
Landfill closure liability	101,330	-	101,330
Total Long-term liabilities	236,481	505,290	741,771
Total Liabilities	301,401	575,364	876,765
Deferred Inflows related to pensions	15,615	6,057	21,672
Net Position			
Net investment in capital assets	2,017,589	565,887	2,583,476
Unrestricted	190,357	530,153	720,510
Total Net Position	2,207,946	1,096,040	3,303,986
Total Liabilities and Net Position	\$ 2,524,962	\$ 1,677,461	\$ 4,202,423

Petersburg Borough, Alaska

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2015</i>	Sanitation Utility	Elderly Housing	Nonmajor Enterprise Funds
Operating Revenues	\$ 1,117,877	\$ 381,627	\$ 1,499,504
Operating Expenses			
Salaries and benefits	339,852	127,363	467,215
Services, supplies, and other charges	461,777	116,248	578,025
Allocated overhead and motor pool charges	247,423	32,225	279,648
Depreciation	74,062	90,700	164,762
Total Operating Expenses	1,123,114	366,536	1,489,650
Income (Loss) from Operations	(5,237)	15,091	9,854
Nonoperating Revenues (Expenses)			
Investment income	3,482	5,036	8,518
Interest expense	-	(16,296)	(16,296)
State PERS relief	10,026	3,890	13,916
Net Nonoperating Revenues (Expenses)	13,508	(7,370)	6,138
Income before contributions	8,271	7,721	15,992
Capital contributions	-	9,736	9,736
Change in Net Position	8,271	17,457	25,728
Net Position, beginning of year, as restated (Note 16)	2,199,675	1,078,583	3,278,258
Net Position, end of year	\$ 2,207,946	\$ 1,096,040	\$ 3,303,986

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

<i>Year Ended June 30, 2015</i>	Sanitation Utility	Elderly Housing	Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,132,036	\$ 380,884	\$ 1,512,920
Payments for interfund services used	(247,423)	(32,225)	(279,648)
Payments to suppliers	(478,594)	(118,127)	(596,721)
Payments to employees	(336,115)	(120,786)	(456,901)
Net cash flows from operating activities	69,904	109,746	179,650
Cash Flows for Capital and Related Financing Activities			
Principal paid on long-term debt	-	(40,000)	(40,000)
Interest paid on long-term debt	-	(20,525)	(20,525)
Purchase of property, plant and equipment	(64,179)	(55,602)	(119,781)
Capital contributions received	-	9,736	9,736
Net cash flows for capital and related financing activities	(64,179)	(106,391)	(170,570)
Cash Flows from Investing Activities			
Investment income received	3,482	5,036	8,518
Net increase in cash and investments	9,207	8,391	17,598
Cash and Investments, beginning of year	384,978	600,937	985,915
Cash and Investments, end of year	\$ 394,185	\$ 609,328	\$ 1,003,513
Cash and Investments at End of Year			
Cash and investments	\$ 394,185	\$ 591,852	\$ 986,037
Restricted cash	-	17,476	17,476
Total Cash and Investments	\$ 394,185	\$ 609,328	\$ 1,003,513
Reconciliation of Income (Loss) from Operations to Net Cash			
Flows from Operating Activities			
Income (loss) from operations	\$ (5,237)	\$ 15,091	\$ 9,854
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:			
Noncash expenses:			
Depreciation	74,062	90,700	164,762
PERS relief	10,026	3,890	13,916
Amortization of deferred outflows for pensions	(3,891)	(1,509)	(5,400)
Amortization of deferred inflows for pensions	15,615	6,057	21,672
Decrease in allowance for doubtful accounts	(2,638)	-	(2,638)
(Increase) decrease in assets:			
Accounts receivable	15,867	-	15,867
Prepaid expenses	629	(1,480)	(851)
Increase (decrease) in liabilities:			
Accounts payable	7,624	(399)	7,225
Accrued payroll and employee benefits	(1,631)	3,384	1,753
Accrued leave	(5,301)	(946)	(6,247)
Unearned revenue	-	208	208
Customer deposits	930	(951)	(21)
Net pension liability	(11,081)	(4,299)	(15,380)
Landfill closure liability	(25,070)	-	(25,070)
Net Cash Flows from Operating Activities	\$ 69,904	\$ 109,746	\$ 179,650

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>	2015	2014
Assets		
Cash and investments	\$ 4,094,470	\$ 4,724,979
Receivables:		
Property taxes	27,134	40,875
Sales taxes	415,401	337,199
Accounts	43,748	33,114
Interest	60,269	54,609
Total receivables	546,552	465,797
Prepaid insurance	63,029	62,347
Due from other funds	19,923	2,305
Total Assets	\$ 4,723,974	\$ 5,255,428
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 49,008	\$ 70,286
Accrued payroll and employee benefits	208,343	221,028
Unearned revenue	6,033	297
Total Liabilities	263,384	291,611
Fund Balance		
Nonspendable - prepaid insurance	63,029	62,347
Unassigned	4,397,561	4,901,470
Total Fund Balance	4,460,590	4,963,817
Total Liabilities and Fund Balance	\$ 4,723,974	\$ 5,255,428

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

<i>Years Ended June 30,</i>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Revenues				
Taxes:				
Property taxes	\$ 3,183,008	\$ 3,162,959	\$ (20,049)	\$ 2,958,589
Sales taxes	3,072,900	3,107,719	34,819	3,032,354
Motor vehicle registration	32,000	34,953	2,953	33,871
Transient room taxes	46,000	46,556	556	50,056
Tobacco taxes	-	56,817	56,817	-
Total taxes	6,333,908	6,409,004	75,096	6,074,870
Intergovernmental:				
Payments in lieu of taxes	500,000	608,784	108,784	1,173,133
Library grants	9,250	6,650	(2,600)	6,600
Fisheries business tax	800,000	1,249,730	449,730	760,516
Shared fisheries business tax and landing tax	20,000	23,824	3,824	23,555
Liquor licenses	8,000	11,000	3,000	6,800
Jail and special services contract	313,020	320,684	7,664	313,020
State PERS relief	345,000	1,256,872	911,872	393,153
9th officer position	91,739	91,739	-	91,739
State revenue sharing	534,072	536,843	2,771	539,124
Community oriented policing services	84,839	-	(84,839)	79,588
Total intergovernmental	2,705,920	4,106,126	1,400,206	3,387,228
Licenses and permits	8,500	18,124	9,624	6,796
Charges for services:				
Police and public safety	15,200	16,162	962	18,866
Ambulance fees	32,000	40,252	8,252	34,189
Public works	10,600	24,874	14,274	5,501
SEACAD reimbursement	58,000	60,163	2,163	64,750
Recreation activity fees	210,000	193,319	(16,681)	174,772
Park charges	-	297	297	2,703
Cemetery charges	3,000	2,840	(160)	2,433

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

<i>Years Ended June 30,</i>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Revenues, continued				
Charges for services, continued:				
Library charges	\$ 3,000	\$ 3,905	\$ 905	\$ 2,047
Cemetery plot sales	1,000	800	(200)	1,330
Passport services	2,500	2,872	372	2,050
Other charges for services	5,900	11,160	5,260	13,289
Total charges for services	341,200	356,644	15,444	321,930
Fines and forfeitures	17,500	11,417	(6,083)	18,511
Overhead charges	550,492	550,492	-	518,582
Investment income	43,519	101,130	57,611	105,979
Other revenues:				
Lease income	2,300	7,746	5,446	10,056
Library donations	-	1,831	1,831	1,575
Total other revenues	2,300	9,577	7,277	11,631
Total Revenues	10,003,339	11,562,514	1,559,175	10,445,527
Expenditures				
General government:				
Borough Assembly	139,900	141,279	(1,379)	117,034
Borough manager	407,910	421,148	(13,238)	396,536
Borough attorney	45,000	59,049	(14,049)	101,261
Information systems	129,865	129,182	683	88,388
Finance	557,670	574,340	(16,670)	559,951
Nondepartmental PERS on-behalf	345,000	1,256,872	(911,872)	345,000
Other	258,778	213,665	45,113	330,313
Total general government	1,884,123	2,795,535	(911,412)	1,938,433

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

<i>Years Ended June 30,</i>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued				
Public safety:				
Police department	\$ 1,323,670	\$ 1,301,063	\$ 22,607	\$ 1,167,115
Jail	349,539	335,026	14,513	315,221
Fire department	533,850	521,799	12,051	500,297
Total public safety	2,207,059	2,157,888	49,171	1,982,633
Public works:				
Streets	1,222,900	1,102,551	120,349	1,119,052
Community development	197,840	174,285	23,555	189,599
Facilities maintenance	382,669	345,209	37,460	446,252
Total public works	1,803,409	1,622,045	181,364	1,754,903
Community services	195,438	203,362	(7,924)	202,254
Culture and recreation:				
Library	383,704	374,434	9,270	373,668
Parks and recreation	887,334	865,308	22,026	920,489
Total culture and recreation	1,271,038	1,239,742	31,296	1,294,157
Education - contribution to school district	1,800,000	1,800,000	-	1,800,000
Total Expenditures	9,161,067	9,818,572	(657,505)	8,972,380
Excess of Revenues Over Expenditures	842,272	1,743,942	901,670	1,473,147
Other Financing Sources (Uses)				
Transfers in	605,000	605,000	-	655,000
Transfers out	(1,451,710)	(2,852,169)	(1,400,459)	(1,177,417)
Net Other Financing Sources (Uses)	(846,710)	(2,247,169)	(1,400,459)	(522,417)
Net Change in Fund Balance	\$ (4,438)	(503,227)	\$ (498,789)	950,730
Fund Balance, beginning of year		4,963,817		4,013,087
Fund Balance, end of year		\$ 4,460,590		\$ 4,963,817

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.

Transient Room Tax

This fund accounts for revenues received from the Borough-levied transient room tax.

Petersburg Borough, Alaska
Miscellaneous Grants Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2015	2014
Assets		
Cash and investments	\$ 18,574	\$ 19,036
Receivables - grants	117,270	27,805
Total Assets	\$ 135,844	\$ 46,841
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 95,987	\$ 825
Accrued payroll and related liabilities	355	355
Unearned revenue	39,196	45,355
Total Liabilities	135,538	46,535
Fund Balance		
Assigned for subsequent year's expenditures	306	306
Total Liabilities and Fund Balance	\$ 135,844	\$ 46,841

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>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 1,052,663	\$ 308,494	\$ (744,169)	\$ 836,458
Charges for police service	-	2,708	2,708	-
Total Revenues	1,052,663	311,202	(741,461)	836,458
Expenditures				
Public safety:				
Police department	636,787	101,677	535,110	102,619
Local emergency planning committee	9,509	9,083	426	19,018
Community services - hospital	22,000	21,415	585	435,599
Community service - cemetery	85,000	20,402	64,598	-
Culture and recreation:				
Hazard mitigation	5,000	-	5,000	-
Library	20,000	15,593	4,407	2,799
Owl Grant	-	-	-	4,324
Shooting range	-	-	-	65,030
Campgrounds	6,242	7,740	(1,498)	6,259
Clausen Museum expansion	-	-	-	95,594
IMLS library	7,000	7,000	-	32,780
City Creek repairs	60,000	-	60,000	-
Wilson Creek repairs	18,000	-	18,000	-
Sandy Beach shelter	22,554	9,532	13,022	14,314
Sandy Beach bathroom	16,728	750	15,978	3,162
ILC grant expenditures	-	7,410	(7,410)	9,530
National Forest Foundation	-	-	-	23,500
Community gym floor renovation	-	-	-	13,000
Sons of Norway	183,125	110,600	72,525	8,930
Total Expenditures	1,091,945	311,202	780,743	836,458
Net Change in Fund Balance	\$ (39,282)	-	\$ 39,282	-
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>	2015	2014
Assets		
Cash and investments	\$ 4,254,804	\$ 3,957,752
Fund Balance		
Restricted for school support	\$ 4,254,804	\$ 3,957,752

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>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental -				
National forest receipts	\$ -	\$ 1,023,820	\$ 1,023,820	\$ 1,148,861
Investment income	5,000	31,626	26,626	35,197
Total Revenues	5,000	1,055,446	1,050,446	1,184,058
Expenditures				
Capital outlay	-	153,394	(153,394)	-
Education - contribution to school district	-	-	-	922,618
Total Expenditures	-	153,394	(153,394)	922,618
Excess of Revenues Over Expenditures	5,000	902,052	897,052	261,440
Other Financing Uses				
Transfers out	(766,000)	(605,000)	161,000	(655,000)
Net Change in Fund Balance	<u>\$ (761,000)</u>	297,052	<u>\$ 1,058,052</u>	(393,560)
Fund Balance, beginning of year		<u>3,957,752</u>		<u>4,351,312</u>
Fund Balance, end of year		<u>\$ 4,254,804</u>		<u>\$ 3,957,752</u>

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

<i>June 30,</i>	2015	2014
Assets		
Cash and investments	\$ 364,599	\$ 182,176
Fund Balance		
Restricted for streets and roads	\$ 364,599	\$ 182,176

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>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental - national forest receipts	\$ -	\$ 180,674	\$ 180,674	\$ 106,725
Investment income	-	1,749	1,749	1,002
Total Revenues	-	182,423	182,423	107,727
Expenditures				
Capital outlay - paving	70,000	-	70,000	-
Excess of Revenues Over (Under) Expenditures	(70,000)	182,423	252,423	107,727
Net Change in Fund Balance	<u>\$ (70,000)</u>	182,423	<u>\$ 252,423</u>	107,727
Fund Balance, beginning of year		<u>182,176</u>		<u>74,449</u>
Fund Balance, end of year		<u>\$ 364,599</u>		<u>\$ 182,176</u>

Petersburg Borough, Alaska
Property Development Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2015	2014
Assets		
Cash and investments	\$ 1,450,909	\$ 244,684
Fund Balance		
Committed for public works	\$ 1,450,909	\$ 244,684

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>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Revenues				
Charges for services/rock sales	\$ -	\$ 85	\$ 85	\$ 950
Sale of capital assets	-	-	-	78,000
Investment income	-	9,173	9,173	2,082
Total Revenues	-	9,258	9,258	81,032
Expenditures				
Land acquisition	-	109,600	(109,600)	-
General government - professional services	-	-	-	868
Total Expenditures	-	109,600	(109,600)	868
Excess of Revenues Over (Under) Expenditures	-	(100,342)	(100,342)	80,164
Other Financing Sources				
Transfers in	1,306,567	1,306,567	-	-
Net Change in Fund Balance	<u>\$1,306,567</u>	1,206,225	<u>\$ (100,342)</u>	80,164
Fund Balance, beginning of year		<u>244,684</u>		<u>164,520</u>
Fund Balance, end of year		<u>\$1,450,909</u>		<u>\$ 244,684</u>

Petersburg Borough, Alaska
 E911 Surcharge Special Revenue Fund
 Balance Sheet

<i>June 30,</i>	2015	2014
Assets		
Cash and investments	\$ 91,086	\$ 29,706
Fund Balance		
Committed for public safety	\$ 91,086	\$ 29,706

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>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Revenues				
Charges for services	\$ 36,000	\$ 70,347	\$ 34,347	\$ 37,211
Expenditures				
Public safety - professional services	11,000	8,967	2,033	8,247
Net Change in Fund Balance	<u>\$ 25,000</u>	61,380	<u>\$ 36,380</u>	28,964
Fund Balance, beginning of year		<u>29,706</u>		<u>742</u>
Fund Balance, end of year		<u>\$ 91,086</u>		<u>\$ 29,706</u>

Petersburg Borough, Alaska
Borough Organizational Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2015	2014
Assets		
Cash and investments	\$ 148,907	\$ 244,147
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 35,087	\$ 704
Fund Balance		
Assigned for general government	113,820	243,443
Total Liabilities and Fund Balance	\$ 148,907	\$ 244,147

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>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 100,000	\$ 100,000	\$ -	\$ 200,000
Expenditures				
General government:				
Materials and supplies	2,000	-	2,000	22,341
Professional services	-	-	-	17,912
Assessment services	30,000	30,000	-	70,463
Comprehensive plan/zoning/mapping	75,000	188,949	(113,949)	45,474
Attorney	65,000	4,304	60,696	40,076
Travel and training	-	-	-	592
Land entitlement costs	2,000	-	2,000	-
Advertising and communications	7,000	6,370	630	13,235
Total Expenditures	181,000	229,623	(48,623)	210,093
Net Change in Fund Balance	<u>\$ (81,000)</u>	(129,623)	<u>\$ (48,623)</u>	(10,093)
Fund Balance, beginning of year		<u>243,443</u>		<u>253,536</u>
Fund Balance, end of year		<u>\$ 113,820</u>		<u>\$ 243,443</u>

Petersburg Borough, Alaska
Transient Room Tax Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2015	2014
Assets		
Cash and investments	\$ 6,783	\$ -
Receivables	8,192	-
Total Assets	\$ 14,975	\$ -
Fund Balance		
Committed for tourism	\$ 14,975	\$ -

Petersburg Borough, Alaska

Transient Room Tax Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual

<i>Years Ended June 30, 2015</i>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Revenues				
Transient taxes	\$ -	\$ 14,975	\$ 14,975	\$ -
Fund Balance, beginning of year		-		\$ -
Fund Balance, end of year		\$ 14,975		\$ -

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>	2015	2014
Assets		
Cash and investments	\$ 145,544	\$ 16,674
Receivables - grants and shared revenues	5,380	122,777
Total Assets	\$ 150,924	\$ 139,451
Fund Balance		
Assigned for debt service	\$ 150,924	\$ 139,451

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

<i>Years Ended June 30,</i>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 374,708	\$ 366,830	\$ (7,878)	\$ 498,003
Expenditures				
Debt service:				
2004 general obligation school bonds:				
Principal	-	-	-	165,000
Interest	-	-	-	6,600
2005 general obligation aquatic center/voc.ed bonds:				
Principal	265,000	265,000	-	255,000
Interest	166,929	153,799	13,130	179,929
2007 general obligation aquatic center refunding bonds:				
Principal	50,000	50,000	-	50,000
Interest	38,925	38,925	-	41,281
2007 general obligation pool refunding bonds:				
Principal	18,337	18,337	-	17,503
Interest	6,190	6,190	-	7,032
2012 (Series 2) general obligation refunding school bonds:				
Interest	90,900	90,900	-	90,900
2012 (Series 3) general obligation library bonds:				
Principal	60,000	60,000	-	60,000
Interest	42,725	42,725	-	45,125
Other debt service charges	-	30,183	(30,183)	-
Total Expenditures	739,006	756,059	(17,053)	918,370
Excess of Revenues Over (Under) Expenditures	(364,298)	(389,229)	(24,931)	(420,367)
Other Financing Sources (Uses)				
Transfers in	364,298	364,298	-	422,192
Refunding bonds issued	-	3,165,000	3,165,000	-
Premium on refunding	-	545,381	545,381	-
Payment to refunded bond escrow agent	-	(3,673,977)	(3,673,977)	-
Net Other Financing Sources (Uses)	364,298	400,702	36,404	422,192
Net Change in Fund Balance	\$ -	11,473	\$ 11,473	1,825
Fund Balance, beginning of year		139,451		137,626
Fund Balance, end of year		\$ 150,924		\$ 139,451

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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.

Homeland Security

This fund accounts for funding received under the Homeland Security Grants Program to be used for public safety equipment.

Police, Jail and Administration Building Renovation

This fund accounts for the costs to renovation the Police, Jail and Administration Building.

Petersburg Borough, Alaska

Capital Project Funds
Combining Balance Sheet

<i>June 30, 2015</i>	Library Construc- tion	Fishing Park	Birch Street Rebuild	Rasmus Enge Bridge Reconstruction	Economic Development	Homeland Security	Police, Jail and Administration Building Renovation	Totals
Assets								
Cash and investments	\$ -	\$ 99,927	\$ 23,708	\$ 178,494	\$ 4,344,655	\$ -	\$ 3,000	\$ 4,649,784
Receivables:								
Grants	29,000	-	-	-	-	3,928	-	32,928
Accrued interest	-	-	-	-	2,720	-	-	2,720
Total Assets	\$ 29,000	\$ 99,927	\$ 23,708	\$ 178,494	\$ 4,347,375	\$ 3,928	\$ 3,000	\$ 4,685,432
Liabilities and Fund Balances (Deficit)								
Liabilities								
Accounts payable	\$ 14,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,000
Unearned revenue	-	-	-	-	-	-	3,000	3,000
Due to other funds	15,995	-	-	-	-	3,928	-	19,923
Total Liabilities	29,995	-	-	-	-	3,928	3,000	36,923
Fund Balances (Deficit)								
Committed:								
Economic development	-	-	-	-	4,347,375	-	-	4,347,375
Capital projects	-	99,927	23,708	178,494	-	-	-	302,129
Unassigned (deficit)	(995)	-	-	-	-	-	-	(995)
Total Fund Balances (Deficit)	(995)	99,927	23,708	178,494	4,347,375	-	-	4,648,509
Total Liabilities and Fund Balances	\$ 29,000	\$ 99,927	\$ 23,708	\$ 178,494	\$ 4,347,375	\$ 3,928	\$ 3,000	\$ 4,685,432

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

<i>Year Ended June 30, 2015</i>	Library Construc- tion	Fishing Park	Birch Street Rebuild	Paving Project	Rasmus Enge Bridge Reconstruction	Economic Development	Homeland Security	Totals
Revenues								
Intergovernmental	\$ 47,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,404	\$ 61,664
Investment income	-	-	-	-	-	144,534	-	144,534
Total Revenues	47,260	-	-	-	-	144,534	14,404	206,198
Expenditures								
Capital projects and improvements:								
Professional services	8,684	-	-	-	-	15,557	-	24,241
Construction	15,000	-	-	-	1,095	-	-	16,095
Contributions	-	-	-	-	-	150,000	-	150,000
Materials and supplies	26,856	-	-	-	-	-	14,404	41,260
Total Expenditures	50,540	-	-	-	1,095	165,557	14,404	231,596
Excess of Revenues Over (Under) Expenditures	(3,280)	-	-	-	(1,095)	(21,023)	-	(25,398)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	160,218	-	-	160,218
Transfers out	-	-	-	(160,218)	-	(165,000)	-	(325,218)
Net Other Financing Sources (Uses)	-	-	-	(160,218)	160,218	(165,000)	-	(165,000)
Net Change in Fund Balances	(3,280)	-	-	(160,218)	159,123	(186,023)	-	(190,398)
Fund Balances, beginning of year	2,285	99,927	23,708	160,218	19,371	4,533,398	-	4,838,907
Fund Balances (Deficit), end of year	\$ (995)	\$ 99,927	\$ 23,708	\$ -	\$ 178,494	\$ 4,347,375	\$ -	\$ 4,648,509

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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>	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ 6,519,465	\$ 6,200,735
Accounts receivable	411,843	457,608
Allowance for doubtful accounts	(1,672)	(12,367)
Inventories	313,493	260,864
Prepaid expenses	11,987	11,174
Total Current Assets	7,255,116	6,918,014
Property, Plant and Equipment		
Land and land improvements	1,848,295	1,848,295
Buildings	3,059,043	2,964,910
Improvements other than buildings	5,068,706	5,068,706
Machinery and equipment	17,018,539	17,018,539
Total property, plant and equipment	26,994,583	26,900,450
Accumulated depreciation	(16,351,182)	(15,730,317)
Net Property, Plant and Equipment	10,643,401	11,170,133
Total Assets	17,898,517	18,088,147
Deferred Outflows related to pensions	105,830	-
Total Assets and Deferred Outflows	\$ 18,004,347	\$ 18,088,147
Liabilities, Deferred Inflows and Net Position		
Liabilities		
Current Liabilities:		
Accounts payable	\$ 218,100	\$ 284,307
Accrued payroll and employee benefits	57,237	56,901
Accrued leave	90,019	115,591
Accrued interest	33,994	33,999
Customer deposits	32,769	29,603
Current portion of general obligation bonds	110,000	105,000
Total Current Liabilities	542,119	625,401
Long term Liabilities Net of Current Portion:		
General obligation bonds	2,280,000	2,390,000
Bond premium, net of accumulated amortization	46,223	49,304
Net pension liability	954,455	-
Total Liabilities	3,822,797	3,064,705
Deferred Inflows related to pensions	110,272	-
Net Position		
Net investment in capital assets	8,207,178	8,625,829
Unrestricted	5,864,100	6,397,613
Total Net Position	14,071,278	15,023,442
Total Liabilities, Deferred Inflows and Net Position	\$ 18,004,347	\$ 18,088,147

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

<i>Years Ended June 30,</i>	2015	2014
Operating Revenues		
Residential electric	\$ 1,915,809	\$ 1,968,199
Large commercial	2,141,208	2,350,908
General	805,178	763,107
Street and highway lighting	77,617	71,420
Harbor electric	201,843	215,041
Pole rental	51,400	51,400
Other	86,894	41,734
Total Operating Revenues	5,279,949	5,461,809
Operating Expenses		
Power production:		
Salaries	74,421	89,635
Employee benefits	40,800	40,909
Materials and supplies	150,222	231,336
Services and charges	32,736	62,274
SEAPA power purchase costs	2,713,200	3,080,228
Total power production	3,011,379	3,504,382
Distribution:		
Salaries	355,258	404,701
Employee benefits	182,983	189,771
Materials and supplies	27,069	31,063
Services and charges	38,918	18,611
Total distribution	604,228	644,146
General and administrative:		
Salaries	356,978	273,252
Employee benefits	240,617	305,985
Materials and supplies	178,674	223,018
Services and charges	208,212	199,408
Allocated overhead	184,766	183,579
Motor pool charges:		
Operation and maintenance	54,385	70,068
Equipment replacement	58,085	56,213
Total general and administrative	1,281,717	1,311,523

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

<i>Years Ended June 30,</i>	2015	2014
Operating Expenses, continued		
Depreciation	\$ 620,865	\$ 596,300
Total Operating Expenses	5,518,189	6,056,351
Loss from Operations	(238,240)	(594,542)
Nonoperating Revenues (Expenses)		
Investment income	55,785	61,397
SEAPA distribution	212,301	200,538
Interest expense	(128,188)	(131,338)
Federal interest subsidy	29,732	31,821
State PERS relief	70,801	130,652
Net Nonoperating Revenues (Expenses)	240,431	293,070
Change in Net Position	2,191	(301,472)
Net Position, beginning of year, as restated (Note 16)	14,069,087	15,324,914
Net Position, end of year	\$ 14,071,278	\$ 15,023,442

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

<i>Years Ended June 30,</i>	2015	2014
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 5,530,486	\$ 5,643,065
Payments for interfund services used	(297,236)	(309,860)
Payments to suppliers	(3,468,680)	(3,651,116)
Payments to employees	(1,196,508)	(1,206,197)
Net cash flows from operating activities	568,062	475,892
Cash Flows For Capital and Related Financing Activities		
Purchase of property, plant and equipment	(94,133)	(240,468)
Principal paid on long-term debt	(105,000)	(105,000)
Interest paid on long-term debt	(135,716)	(134,419)
Federal interest subsidy received	29,732	31,821
Net cash flows for capital and related financing activities	(305,117)	(448,066)
Cash Flows from Investing Activities		
Investment income received	55,785	61,397
Net increase in cash and investments	318,730	89,223
Cash and Investments, beginning of year	6,200,735	6,111,512
Cash and Investments, end of year	\$ 6,519,465	\$ 6,200,735
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (238,240)	\$ (594,542)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	620,865	596,300
PERS relief	70,801	130,652
Amortization of deferred outflows for pensions	(27,476)	-
Amortization of deferred inflows for pensions	110,272	-
Nonoperating revenues received	212,301	200,538
Increase (decrease) in allowance for doubtful accounts	(10,695)	5,795
(Increase) decrease in assets:		
Accounts receivable	45,765	(25,330)
Inventories	(52,629)	(16,951)
Prepaid expenses	(813)	52,038
Increase (decrease) in liabilities:		
Accounts payable	(66,207)	159,735
Accrued payroll and employee benefits	336	(9,607)
Accrued leave	(25,572)	(22,989)
Customer deposits	3,166	253
Net pension liability	(73,812)	-
Net Cash Flows from Operating Activities	\$ 568,062	\$ 475,892

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

	Standby Diesel Generator
<i>Year Ended June 30, 2015</i>	
Funding Sources	
Electric utility	\$ 94,133
Expenditures	
Professional services	\$ 1,410
Construction and contractors	92,723
Total Expenditures	\$ 94,133

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

<i>June 30,</i>	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ 867,906	\$ 628,321
Receivables:		
Grants and loans	2,385	26,525
Accounts	85,045	94,888
Allowance for doubtful accounts	(189)	(2,886)
Inventories	74,731	64,214
Prepaid expenses	1,518	2,893
Total Current Assets	1,031,396	813,955
Property, Plant and Equipment		
Buildings	5,178,330	5,178,330
Improvements other than buildings	26,797,940	26,797,940
Machinery and equipment	3,000,849	3,000,849
Total property, plant and equipment	34,977,119	34,977,119
Accumulated depreciation	(12,994,391)	(12,152,856)
Net Property, Plant and Equipment	21,982,728	22,824,263
Total Assets	23,014,124	23,638,218
Deferred Outflows related to pensions	10,011	-
Total Assets and Deferred Outflows	\$ 23,024,135	\$ 23,638,218
Liabilities, Deferred Inflows and Net Position		
Liabilities		
Current Liabilities:		
Accounts payable	\$ 2,152	\$ 1,693
Accrued payroll and employee benefits	11,021	12,153
Accrued leave	10,099	8,365
Customer deposits	7,776	6,907
Accrued interest	37,406	37,403
Current portion - ADEC loans	302,435	260,000
Total Current Liabilities	370,889	326,521
Long Term Liabilities, Net of Current Portion:		
ADEC loans	3,186,224	3,488,649
Net pension liability	90,284	-
Total Liabilities	3,647,397	3,815,170
Deferred Inflows related to pensions	10,431	-
Net Position		
Net investment in capital assets	18,494,069	19,075,614
Unrestricted	872,238	747,434
Total Net Position	19,366,307	19,823,048
Total Liabilities, Deferred Inflows and Net Position	\$ 23,024,135	\$ 23,638,218

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

<i>Years Ended June 30,</i>	2015	2014
Operating Revenues		
Residential water	\$ 512,675	\$ 512,943
Commercial water	421,400	464,536
Water delivery	13,121	15,093
Other	5,746	6,699
Total Operating Revenues	952,942	999,271
Operating Expenses		
Salaries	180,122	208,992
Employee benefits	93,337	106,815
Materials and supplies	129,977	152,007
Services and charges	117,305	147,377
Allocated overhead	65,123	65,745
Motor pool charges:		
Operation and maintenance	10,669	16,391
Equipment replacement	16,862	16,699
Depreciation	841,535	856,280
Total Operating Expenses	1,454,930	1,570,306
Loss from Operations	(501,988)	(571,035)
Nonoperating Revenues (Expenses)		
Investment income	6,191	5,254
Interest expense	(42,367)	(46,230)
State PERS relief	6,697	18,065
Net Nonoperating Revenues (Expenses)	(29,479)	(22,911)
Loss before contributions and transfers	(531,467)	(593,946)
Capital contributions	-	310,962
Transfers in	165,000	165,000
Change in Net Position	(366,467)	(117,984)
Net Position, beginning of year, as restated (Note 16)	19,732,774	19,941,032
Net Position, end of year	\$ 19,366,307	\$ 19,823,048

Petersburg Borough, Alaska

Water Utility Enterprise Fund

Statement of Cash Flows

<i>Year Ended June 30,</i>	2015	2014
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 960,957	\$ 995,947
Payments for interfund services used	(92,654)	(98,835)
Payments to suppliers	(255,965)	(380,454)
Payments to employees	(265,730)	(298,132)
Net cash flows from operating activities	346,608	218,526
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(259,990)	(526,702)
Interest paid on long-term debt	(42,364)	(46,230)
Purchase of property, plant and equipment	-	(41,808)
Transfers in	165,000	165,000
Capital contributions received	24,140	487,648
Net cash flows from (for) capital and related financing activities	(113,214)	37,908
Cash Flows from Investing Activities		
Investment income received	6,191	5,254
Net increase in cash and investments	239,585	261,688
Cash and Investments, beginning of year	628,321	366,633
Cash and Investments, end of year	\$ 867,906	\$ 628,321
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (501,988)	\$ (571,035)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	841,535	856,280
PERS relief	6,697	18,065
Amortization of deferred outflows for pensions	(2,599)	-
Amortization of deferred inflows for pensions	10,431	-
Increase (decrease) in allowance for doubtful accounts	(2,697)	1,017
(Increase) decrease in assets:		
Accounts receivable	9,843	(4,993)
Inventories	(10,517)	3,801
Prepaid expenses	1,375	(268)
Increase (decrease) in liabilities:		
Accounts payable	459	(84,603)
Accrued payroll and employee benefits	(1,132)	766
Accrued leave	1,734	(1,156)
Customer deposits	869	652
Net pension liability	(7,402)	-
Net Cash Flows from Operating Activities	\$ 346,608	\$ 218,526

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

<i>June 30,</i>	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ 1,327,891	\$ 1,132,340
Receivables:		
Grants and loan	85,177	-
Accounts	69,375	162,823
Allowance for doubtful accounts	(359)	(2,328)
Inventories	22,750	28,172
Prepaid expenses	4,373	4,273
Total Current Assets	1,509,207	1,325,280
Property, Plant and Equipment		
Buildings	9,091,647	9,091,647
Improvements other than buildings	9,325,818	8,417,986
Machinery and equipment	407,311	391,030
Construction in progress	308,401	1,074,943
Total property, plant and equipment	19,133,177	18,975,606
Accumulated depreciation	(10,568,223)	(10,260,007)
Net Property, Plant and Equipment	8,564,954	8,175,599
Total Assets	10,074,161	10,040,879
Deferred Outflows related to pensions	21,631	-
Total Assets and Deferred Outflows	\$ 10,095,792	\$ 10,040,879
Liabilities, Deferred Inflows and Net Position		
Liabilities		
Current Liabilities:		
Accounts payable	\$ 35,518	\$ 12,207
Accrued payroll and employee benefits	13,046	13,270
Accrued leave	18,861	17,201
Customer deposits	6,665	5,427
Accrued interest	5,871	5,863
Current portion of ADEC loans	87,603	33,187
Total current liabilities	167,564	87,155
Long term Liabilities, Net of Current Portion:		
ADEC loans	1,744,750	1,864,234
Net pension liability	195,083	-
Total Liabilities	2,107,397	1,951,389
Deferred Inflows related to pensions	22,539	-
Net Position		
Net investment in capital assets	6,732,601	6,818,178
Unrestricted	1,233,255	1,271,312
Total Net Position	7,965,856	8,089,490
Total Liabilities, Deferred Inflows and Net Position	\$ 10,095,792	\$ 10,040,879

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

<i>Years Ended June 30,</i>	2015	2014
Operating Revenues		
Residential sewer	\$ 532,997	\$ 518,512
Commercial sewer	195,378	182,082
Other	13,152	18,387
Total Operating Revenues	741,527	718,981
Operating Expenses		
Salaries	181,830	185,624
Employee benefits	111,459	107,262
Materials and supplies	41,265	51,130
Services and charges	96,802	117,321
Allocated overhead	49,807	47,405
Motor pool charges:		
Operation and maintenance	20,612	23,652
Equipment replacement	36,537	49,565
Depreciation	308,216	298,918
Total Operating Expenses	846,528	880,877
Loss from Operations	(105,001)	(161,896)
Nonoperating Revenues (Expenses)		
Investment income	11,135	9,770
Interest expense	(5,906)	(6,396)
State PERS relief	14,472	23,530
Net Nonoperating Revenues (Expenses)	19,701	26,904
Loss before contributions	(85,300)	(134,992)
Capital contributions	156,729	118,387
Change in Net Position	71,429	(16,605)
Net Position, beginning of year, as restated (Note 16)	7,894,427	8,106,095
Net Position, end of year	\$ 7,965,856	\$ 8,089,490

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

<i>Years Ended June 30,</i>	2015	2014
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 834,244	\$ 627,536
Payments for interfund services used	(106,956)	(120,622)
Payments to suppliers	(109,434)	(191,297)
Payments to employees	(276,453)	(268,929)
Net cash flows from operating activities	341,401	46,688
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(33,187)	(32,696)
Interest paid on long-term debt	(5,898)	(6,396)
Purchase of property, plant and equipment	(157,571)	(769,574)
Proceeds from issuance of debt	39,671	559,891
Capital contributions received	-	325,886
Net cash flows from (for) capital and related financing activities	(156,985)	77,114
Cash Flows from Investing Activities		
Investment income received	11,135	9,770
Net increase in cash and investments	195,551	133,572
Cash and Investments, beginning of year	1,132,340	998,768
Cash and Investments, end of year	\$ 1,327,891	\$ 1,132,340
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (105,001)	\$ (161,896)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	308,216	298,918
PERS relief	14,472	23,530
Amortization of deferred outflows for pensions	(5,616)	-
Amortization of deferred inflows for pensions	22,539	-
Increase (decrease) in allowance for doubtful accounts	(1,969)	25
(Increase) decrease in assets:		
Accounts receivable	93,448	(91,604)
Inventories	5,422	4,549
Prepaid expenses	(100)	(396)
Increase (decrease) in liabilities:		
Accounts payable	23,311	(26,999)
Accrued payroll and employee benefits	(224)	(3,395)
Accrued leave	1,660	3,822
Customer deposits	1,238	134
Net pension liability	(15,995)	-
Net Cash Flows from Operating Activities	\$ 341,401	\$ 46,688

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

<i>Year Ended June 30, 2015</i>	Pumpstation #1 Upgrade	Pumpstation #5 Upgrade	Scow Bay Pumpstation #1 Upgrade	Totals
Funding Sources				
Intergovernmental	\$ 72,192	\$ -	\$ -	\$ 72,192
Wastewater Utility	39,671	9,223	12,985	61,879
Total Funding Sources	\$ 111,863	\$ 9,223	\$ 12,985	\$ 134,071
Expenditures				
Contractor	\$ 10,871	\$ 5,000	\$ -	\$ 15,871
Professional services	100,992	4,223	12,985	118,200
Total Expenditures	\$ 111,863	\$ 9,223	\$ 12,985	\$ 134,071

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

<i>June 30,</i>	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ 394,185	\$ 384,978
Accounts receivable	94,169	110,036
Allowance for doubtful accounts	(454)	(3,092)
Prepaid expenses	4,487	5,116
Total Current Assets	492,387	497,038
Property, Plant and Equipment		
Land and land improvements	63,720	63,720
Buildings	2,211,180	2,211,180
Improvements other than buildings	778,532	115,220
Machinery and equipment	219,767	219,767
Construction in progress	-	599,133
Total property, plant and equipment	3,273,199	3,209,020
Accumulated depreciation	(1,255,610)	(1,181,548)
Net Property, Plant and Equipment	2,017,589	2,027,472
Total Assets	2,509,976	2,524,510
Deferred Outflows related to pensions	14,986	-
Total Assets and Deferred Outflows	\$ 2,524,962	\$ 2,524,510
Liabilities, Deferred Inflows and Net Position		
Liabilities		
Current Liabilities:		
Accounts payable	\$ 29,244	\$ 21,620
Accrued payroll and employee benefits	15,798	17,429
Accrued leave	11,547	16,848
Customer deposits	8,331	7,401
Total Current Liabilities	64,920	63,298
Long-term debt		
Net pension liability	135,151	-
Estimated landfill closure liability	101,330	126,400
Total Liabilities	301,401	189,698
Deferred Inflows related to pensions	15,615	-
Net Position		
Net investment in capital assets	2,017,589	2,027,472
Unrestricted	190,357	307,340
Total Net Position	2,207,946	2,334,812
Total Liabilities, Deferred Inflows and Net Position	\$ 2,524,962	\$ 2,524,510

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

<i>Years Ended June 30,</i>	2015	2014
Operating Revenues		
Refuse collection	\$ 808,587	\$ 806,656
Landfill charges	306,895	292,322
Other	2,395	38,706
Total Operating Revenues	1,117,877	1,137,684
Operating Expenses		
Salaries	224,068	252,365
Employee benefits	115,784	156,679
Materials and supplies	36,832	48,813
Services and charges	184,583	215,438
Bale disposal	240,362	271,075
Allocated overhead	81,726	78,911
Motor pool charges:		
Operation and maintenance	79,920	62,419
Equipment replacement	85,777	89,477
Depreciation	74,062	72,993
Total Operating Expenses	1,123,114	1,248,170
Loss from Operations	(5,237)	(110,486)
Nonoperating Revenues		
Investment income	3,482	6,521
State PERS relief	10,026	28,643
Total Nonoperating Revenues	13,508	35,164
Change in Net Position	8,271	(75,322)
Net Position, beginning of year, as previously reported (Note 16)	2,199,675	2,410,134
Net Position, end of year	\$ 2,207,946	\$ 2,334,812

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

<i>Years Ended June 30,</i>	2015	2014
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,132,036	\$ 1,131,825
Payments for interfund services used	(247,423)	(230,807)
Payments to suppliers	(478,594)	(483,824)
Payments to employees	(336,115)	(376,206)
Net cash flows from operating activities	69,904	40,988
Cash Flows for Capital and Related Financing Activities		
Purchase of property, plant and equipment	(64,179)	(558,889)
Cash Flows from Investing Activities		
Investment income received	3,482	6,521
Net increase (decrease) in cash and investments	9,207	(511,380)
Cash and Investments, beginning of year	384,978	896,358
Cash and Investments, end of year	\$ 394,185	\$ 384,978
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (5,237)	\$ (110,486)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	74,062	72,993
PERS relief	10,026	28,643
Amortization of deferred outflows for pensions	(3,891)	-
Amortization of deferred inflows for pensions	15,615	-
Increase (decrease) in allowance for doubtful accounts	(2,638)	2,108
(Increase) decrease in assets:		
Accounts receivable	15,867	(8,151)
Prepaid expenses	629	134
Increase (decrease) in liabilities:		
Accounts payable	7,624	17,301
Accrued payroll and employee benefits	(1,631)	425
Accrued leave	(5,301)	3,770
Customer deposits	930	184
Net pension liability	(11,081)	-
Landfill closure liability	(25,070)	34,067
Net Cash Flows from Operating Activities	\$ 69,904	\$ 40,988

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

<i>June 30,</i>	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ 1,848,826	\$ 575,286
Receivables:		
Grants	253,511	680,113
Accounts	179,006	133,240
Allowance for doubtful accounts	(13,201)	(7,679)
Prepaid expenses	12,564	8,058
Total Current Assets	2,280,706	1,389,018
Property, Plant and Equipment		
Land and land improvements	360,059	360,059
Buildings	339,690	339,690
Improvements other than buildings	37,334,947	26,763,226
Machinery and equipment	552,033	536,247
Construction in progress	14,950	3,594,556
Total property, plant and equipment	38,601,679	31,593,778
Accumulated depreciation	(8,876,763)	(7,859,246)
Net Property, Plant and Equipment	29,724,916	23,734,532
Total Assets	32,005,622	25,123,550
Deferred Outflows		
Deferred outflows related to pensions	39,375	-
Deferred charges on refunding	16,048	18,723
Total Deferred Outflows	55,423	18,723
Total Assets and Deferred Outflows	\$ 32,061,045	\$ 25,142,273
Liabilities, Deferred Inflows and Net Position		
Liabilities		
Current liabilities:		
Accounts payable	\$ 54,758	\$ 49,439
Accrued payroll and employee benefits	33,730	27,769
Accrued leave	63,652	70,152
Prepaid moorage	125,683	114,082
Accrued interest	3,129	3,130
Current portion of general obligation bonds	91,663	91,633
Total current liabilities	372,615	356,205
Long-term Liabilities, Net of Current Portion:		
General obligation bonds	541,645	633,338
Bond premium, net of accumulated amortization	7,945	9,269
Net pension liability	355,112	-
Total Liabilities	1,277,317	998,812
Deferred Inflows related to pensions	41,027	-
Net Position		
Net investment in capital assets	29,099,711	23,019,015
Unrestricted	1,642,990	1,124,446
Total Net Position	30,742,701	24,143,461
Total Liabilities, Deferred Inflows and Net Position	\$ 32,061,045	\$ 25,142,273

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

<i>Years Ended June 30,</i>	2015	2014
Operating Revenues		
Harbor charges	\$ 961,799	\$ 919,913
Port charges and leases	164,678	155,484
Other	3,212	2,139
Total Operating Revenues	1,129,689	1,077,536
Operating Expenses		
Salaries	393,099	397,984
Employee benefits	228,189	219,515
Materials and supplies	47,300	50,295
Services and charges	218,448	214,824
Allocated overhead	73,010	69,062
Motor pool charges:		
Operation and maintenance	23,272	24,318
Equipment replacement	4,157	4,157
Depreciation	1,017,517	805,693
Total Operating Expenses	2,004,992	1,785,848
Loss from Operations	(875,303)	(708,312)
Nonoperating Revenues (Expenses)		
Investment income	11,793	7,351
Interest expense	(32,292)	(36,500)
Loss on disposal of capital assets	-	(650,000)
State PERS relief	26,344	45,282
Net Nonoperating Revenues (Expenses)	5,845	(633,867)
Loss before contributions and transfers	(869,458)	(1,342,179)
Capital contributions	6,874,044	7,977,744
Transfers in	949,729	410,516
Change in Net Position	6,954,315	7,046,081
Net Position, beginning of year, as restated (Note 16)	23,788,386	17,097,380
Net Position, end of year	\$ 30,742,701	\$ 24,143,461

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

<i>Years Ended June 30,</i>	2015	2014
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 1,101,046	\$ 1,091,880
Payments for interfund services used	(100,439)	(97,537)
Payments to suppliers	(264,935)	(315,369)
Payments to employees	(592,142)	(573,579)
Net cash flows from operating activities	143,530	105,395
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(91,663)	(87,497)
Interest paid on long-term debt	(32,594)	(35,151)
Purchase of property, plant and equipment	(7,007,901)	(10,404,410)
Decrease in unearned revenue	-	(1,935,330)
Transfers in	949,729	410,516
Capital contributions received	7,300,646	7,473,750
Net cash flows from (for) capital and related financing activities	1,118,217	(4,578,122)
Cash Flows from Investing Activities		
Investment income received	11,793	10,533
Net increase (decrease) in cash and investments	1,273,540	(4,462,194)
Cash and Investments, beginning of year	575,286	5,037,480
Cash and Investments, end of year	\$ 1,848,826	\$ 575,286
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (875,303)	\$ (708,312)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Noncash expenses:		
Depreciation	1,017,517	805,693
PERS relief	26,344	45,282
Amortization of deferred outflows for pensions	(10,223)	-
Amortization of deferred inflows for pensions	41,027	-
Increase (decrease) in allowance for doubtful accounts	5,522	(25,009)
(Increase) decrease in assets:		
Accounts receivable	(45,766)	24,296
Prepaid expenses	(4,506)	591
Increase (decrease) in liabilities:		
Accounts payable	5,319	(50,841)
Accrued payroll and employee benefits	5,961	49
Accrued leave	(6,500)	(1,411)
Prepaid moorage	11,601	15,057
Net pension liability	(27,463)	-
Net Cash Flows from Operating Activities	\$ 143,530	\$ 105,395

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

<i>Year Ended June 30, 2015</i>	Fish Cleaning Float	Commercial Dock Drive	North Harbor Replacement	Crane Dock Upgrade	Totals
Funding Sources					
Intergovernmental	\$ 188,185	\$ 5,983,560	\$ -	\$ 702,299	\$ 6,874,044
Harbor and Port Facilities	-	-	51,061	52,060	103,121
Total Funding Sources	\$ 188,185	\$ 5,983,560	\$ 51,061	\$ 754,359	\$ 6,977,165
Expenditures					
Professional services	-	\$ 497,899	\$ 5,775	\$ 58,886	\$ 562,560
Construction and contractors	188,185	5,484,487	24,831	652,131	6,349,634
Other	-	1,174	20,455	43,342	64,971
Total Expenditures	\$ 188,185	\$ 5,983,560	\$ 51,061	\$ 754,359	\$ 6,977,165

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

<i>June 30,</i>	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ 591,852	\$ 583,467
Prepaid expenses	2,323	843
Total Current Assets	594,175	584,310
Restricted Cash - security deposits	17,476	17,470
Property, Plant and Equipment		
Land and land improvements	127,419	127,419
Buildings	2,897,973	2,897,973
Improvements other than buildings	230,106	181,849
Machinery and equipment	113,741	106,396
Total property, plant and equipment	3,369,239	3,313,637
Accumulated depreciation	(2,334,517)	(2,243,817)
Net Property, Plant and Equipment	1,034,722	1,069,820
Total Assets	1,646,373	1,671,600
Deferred Outflows		
Deferred outflows related to pensions	5,813	-
Deferred charges on refunding	25,275	28,435
Total Deferred Outflows	31,088	28,435
Total Assets and Deferred Outflows	\$ 1,677,461	\$ 1,700,035
Liabilities, Deferred Inflows and Net Position		
Liabilities		
Current Liabilities:		
Accounts payable	\$ 1,892	\$ 2,291
Accrued payroll and employee benefits	7,268	3,884
Accrued leave	1,376	2,322
Unearned revenue	1,307	1,099
Customer deposits	9,564	10,515
Accrued interest	7,417	7,417
Current portion of general obligation bonds	41,250	40,000
Total Current Liabilities	70,074	67,528
Long-term Liabilities, Net of Current Portion:		
General obligation bonds	393,750	435,000
Bond premium, net of accumulated amortization	59,110	66,499
Net pension liability	52,430	-
Total Liabilities	575,364	569,027
Deferred Inflows related to pensions	6,057	-
Net Position		
Net investment in capital assets	565,887	556,756
Unrestricted	530,153	574,252
Total Net Position	1,096,040	1,131,008
Total Liabilities, Deferred Inflows and Net Position	\$ 1,677,461	\$ 1,700,035

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

<i>Years Ended June 30,</i>	2015	2014
Operating Revenues		
Federal government - rental subsidies	\$ 259,611	\$ 248,717
Rental income	122,016	125,350
Total Operating Revenues	381,627	374,067
Operating Expenses		
Salaries	84,876	61,120
Employee benefits	42,487	31,023
Materials and supplies	9,338	44,624
Services and charges	106,910	141,356
Allocated overhead	26,606	24,145
Motor pool charges:		
Operation and maintenance	3,728	1,959
Equipment replacement	1,891	624
Depreciation	90,700	87,502
Total Operating Expenses	366,536	392,353
Income (Loss) from Operations	15,091	(18,286)
Nonoperating Revenues (Expenses)		
Investment income	5,036	5,694
Interest expense	(16,296)	(18,396)
State PERS relief	3,890	6,550
Net Nonoperating Revenues (Expenses)	(7,370)	(6,152)
Income (loss) before contributions	7,721	(24,438)
Capital contributions	9,736	36,126
Change in Net Position	17,457	11,688
Net Position, beginning of year, as restated (Note 16)	1,078,583	1,119,320
Net Position, end of year	\$ 1,096,040	\$ 1,131,008

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

<i>Year Ended June 30,</i>	2015	2014
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 380,884	\$ 374,212
Payments for interfund services used	(32,225)	(26,728)
Payments to suppliers	(118,127)	(184,765)
Payments to employees	(120,786)	(85,426)
Net cash flows from operating activities	109,746	77,293
Cash Flows for Capital and Related Financing Activities		
Principal paid on long-term debt	(40,000)	(40,000)
Interest paid on long-term debt	(20,525)	(22,625)
Purchase of property, plant and equipment	(55,602)	(42,526)
Capital contributions received	9,736	36,126
Net cash flows for capital and related financing activities	(106,391)	(69,025)
Cash Flows from Investing Activities		
Investment income received	5,036	5,694
Net increase in cash and investments	8,391	13,962
Cash and Investments, beginning of year	600,937	586,975
Cash and Investments, end of year	\$ 609,328	\$ 600,937
Cash and Investments at End of Year		
Cash and investments	\$ 591,852	\$ 583,467
Restricted cash	17,476	17,470
Total Cash and Investments	\$ 609,328	\$ 600,937
Reconciliation of Income (Loss) from Operations to Net Cash		
Flows from Operating Activities		
Income (loss) from operations	\$ 15,091	\$ (18,286)
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	90,700	87,502
PERS relief	3,890	6,550
Amortization of deferred outflows for pensions	(1,509)	-
Amortization of deferred inflows for pensions	6,057	-
Increase in assets - prepaid expenses	(1,480)	(78)
Increase (decrease) in liabilities:		
Accounts payable	(399)	1,293
Accrued payroll and employee benefits	3,384	356
Accrued leave	(946)	(189)
Unearned revenue	208	225
Customer deposits	(951)	(80)
Net pension liability	(4,299)	-
Net Cash Flows from Operating Activities	\$ 109,746	\$ 77,293

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

<i>June 30,</i>	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ 236,085	\$ 246,419
Prepaid expenses	15,220	10,782
Total Current Assets	251,305	257,201
Property, Plant and Equipment		
Buildings	3,920,170	3,920,170
Machinery and equipment	89,262	89,262
Total property, plant and equipment	4,009,432	4,009,432
Accumulated depreciation	(1,200,786)	(1,100,319)
Net Property, Plant and Equipment	2,808,646	2,909,113
Total Assets	3,059,951	3,166,314
Deferred Outflows		
Deferred outflows related to pensions	48,920	-
Deferred charges on refunding	75,826	85,304
Total Deferred Outflows	124,746	85,304
Total Assets and Deferred Outflows	\$ 3,184,697	\$ 3,251,618
Liabilities, Deferred Inflows and Net Position		
Liabilities		
Current Liabilities:		
Accounts payable	\$ 2,285	\$ 5,265
Accrued payroll and employee benefits	39,445	33,789
Accrued leave	38,635	37,208
Unearned revenue	3,004	2,447
Customer deposits	4,500	5,100
Accrued interest	22,250	22,250
Current portion of general obligation bonds	123,750	120,000
Total Current Liabilities	233,869	226,059
Long-term Liabilities, Net of Current Portion:		
General obligation bonds	1,181,250	1,305,000
Bond premium, net of accumulated amortization	177,331	199,497
Net pension liability	441,192	-
Total Liabilities	2,033,642	1,730,556
Deferred inflows related to pensions	50,973	-
Net Position		
Net investment in capital assets	1,402,141	1,369,920
Unrestricted (deficit)	(302,059)	151,142
Total Net Position	1,100,082	1,521,062
Total Liabilities, Deferred Inflows and Net Position	\$ 3,184,697	\$ 3,251,618

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

<i>Years Ended June 30,</i>	2015	2014
Operating Revenues		
Rents and royalties	\$ 256,241	\$ 266,327
Fees for services	380,873	443,347
Medicaid services	310,875	246,669
General relief for services	30,411	16,509
Transportation	3,103	3,151
Other revenues	3,797	4,044
Total Operating Revenues	985,300	980,047
Operating Expenses		
Salaries	526,505	462,868
Employee benefits	279,598	267,585
Materials and supplies	102,763	89,050
Services and charges	98,953	105,912
Allocated overhead	69,454	49,735
Motor pool charges:		
Operation and maintenance	3,539	1,959
Equipment replacement	1,891	624
Depreciation	100,467	103,097
Total Operating Expenses	1,183,170	1,080,830
Loss from Operations	(197,870)	(100,783)
Nonoperating Revenues (Expenses)		
Interest expense	(48,887)	(55,187)
Investment income	2,619	3,178
State PERS relief	32,729	54,399
Net Nonoperating Revenues (Expenses)	(13,539)	2,390
Loss before transfers	(211,409)	(98,393)
Transfers in	231,575	284,709
Change in Net Position	20,166	186,316
Net Position, beginning of year, as restated (Note 16)	1,079,916	1,334,746
Net Position, end of year	\$ 1,100,082	\$ 1,521,062

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

<i>Years Ended June 30,</i>	2015	2014
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 985,257	\$ 984,646
Payments for interfund services used	(74,884)	(52,318)
Payments to suppliers	(209,134)	(191,457)
Payments to employees	(764,192)	(661,448)
Net cash flows from (for) operating activities	(62,953)	79,423
Cash Flows from Capital and Related Financing Activities		
Principal paid on long term debt	(120,000)	(120,000)
Interest paid on long term debt	(61,575)	(67,876)
Purchase of property, plant and equipment	-	(12,699)
Transfers in	231,575	284,709
Net cash flows from capital and related financing activities	50,000	84,134
Cash Flows from Investing Activities		
Investment income received	2,619	3,178
Net increase (decrease) in cash and investments	(10,334)	166,735
Cash and Investments, beginning of year	246,419	79,684
Cash and Investments, end of year	\$ 236,085	\$ 246,419
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (197,870)	\$ (100,783)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Noncash expenses:		
Depreciation	100,467	103,097
PERS relief	32,729	54,399
Amortization of deferred outflows for pensions	(12,701)	-
Amortization of deferred inflows for pensions	50,973	-
Increase (decrease) in assets:		
Prepaid expenses	(4,438)	(62)
Accounts receivable	-	8,433
Increase (decrease) in liabilities:		
Accounts payable	(2,980)	3,567
Accrued payroll and employee benefits	5,656	3,051
Accrued leave	1,427	11,555
Unearned revenue	557	(3,534)
Customer deposits	(600)	(300)
Net pension liability	(36,173)	-
Net Cash Flows from (for) Operating Activities	\$ (62,953)	\$ 79,423

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>	2015	2014
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ 4,742,465	\$ 4,539,416
Receivables - other	3,979	4,119
Prepaid expenses	2,968	2,893
Total Current Assets	4,749,412	4,546,428
Equipment	6,174,435	6,118,464
Accumulated depreciation	(3,984,416)	(4,041,959)
Net Equipment	2,190,019	2,076,505
Total Assets	6,939,431	6,622,933
Deferred Outflows related to pensions	15,265	-
Total Assets and Deferred Outflows	\$ 6,954,696	\$ 6,622,933
Liabilities, Deferred Inflows and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 11,433	\$ 4,700
Accrued payroll and employee benefits	9,276	9,252
Accrued leave	25,517	18,978
Total Current Liabilities	46,226	32,930
Long-term Liabilities - Net Pension Liability	137,674	-
Total Liabilities	183,900	32,930
Deferred Inflows related to pensions	15,906	-
Net Position		
Net investment in capital assets	2,190,019	2,076,505
Unrestricted	4,564,871	4,513,498
Total Net Position	6,754,890	6,590,003
Total Liabilities, Deferred Inflows and Net Position	\$ 6,954,696	\$ 6,622,933

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

<i>Years Ended June 30,</i>	2015	2014
Operating Revenues		
Operation and maintenance charges	\$ 476,817	\$ 452,221
Replacement reserve charges	465,985	467,148
Other - electric	-	590
Total Operating Revenues	942,802	919,959
Operating Expenses		
Salaries	133,900	126,380
Employee benefits	74,001	76,873
Materials and supplies	208,109	228,135
Services and charges	51,579	57,398
Motor pool charges:		
Operation and maintenance	14,755	13,715
Equipment replacement	2,414	2,414
Depreciation	311,947	325,570
Total Operating Expenses	796,705	830,485
Income from Operations	146,097	89,474
Nonoperating Revenues		
Gain on sale of capital assets	111,985	-
State PERS relief	10,212	17,285
Total Nonoperating Revenues	122,197	17,285
Income before contributions	268,294	106,759
Capital contributions	34,253	-
Change in Net Position	302,547	106,759
Net Position, beginning of year, as restated (Note 16)	6,452,343	6,483,244
Net Position, end of year	\$ 6,754,890	\$ 6,590,003

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

<i>Years Ended June 30,</i>	2015	2014
Cash Flows from Operating Activities		
Receipts from interfund services provided	\$ 942,942	\$ 915,840
Payments for interfund services used	(17,169)	(16,129)
Payments to suppliers	(253,030)	(282,597)
Payments to employees	(190,471)	(185,693)
Net cash flows from operating activities	482,272	431,421
Cash Flows for Capital and Related Financing Activities		
Proceeds from sale of equipment	138,725	-
Purchase of equipment	(452,201)	(85,698)
Capital contribution received	34,253	-
Net cash flows for capital and related financing activities	(279,223)	(85,698)
Net increase in cash and investments	203,049	345,723
Cash and Investments, beginning of year	4,539,416	4,193,693
Cash and Investments, end of year	\$ 4,742,465	\$ 4,539,416
Reconciliation of Income from Operations to Net Cash		
Flows from Operating Activities		
Income from operations	\$ 146,097	\$ 89,474
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	311,947	325,570
PERS relief	10,212	17,285
Amortization of deferred outflows for pensions	(3,963)	-
Amortization of deferred inflows for pensions	15,906	-
(Increase) decrease in assets:		
Accounts receivable - other	140	(4,119)
Prepaid expenses	(75)	(268)
Increase (decrease) in liabilities:		
Accounts payable	6,733	3,204
Accrued payroll and employee benefits	24	1,054
Accrued leave	6,539	(779)
Net pension liability	(11,288)	-
Net Cash Flows from Operating Activities	\$ 482,272	\$ 431,421

Petersburg Borough, Alaska
Schedule of Expenditures of Federal Awards

<i>Year Ended June 30, 2015</i>	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Federal Share of Expend- itures
Department of Agriculture				
USDA Project: Green's Camp Phase I&II	10-DG-11100500-216	10.665	\$ 95,580	\$ 21,415
Passed through the State of Alaska Department of Commerce, Community and Economic Development -				
National Forest Receipts	N/A	10.665	1,204,494	<u>1,204,494</u>
Total Department of Agriculture				<u>1,225,909</u>
Department of Transportation				
Pass through the State of Alaska Department of Transportation and Public Facilities:				
ADA Compliant Van	2554-14-0100	20.513	32,899	<u>32,899</u>
Environmental Protection Agency				
Passed through the State of Alaska Department of Environmental Conservation:				
ACWF Pumpstation 1, Upgrade Loan Subsidy	685261	66.458	13,699	1,974
ACWF Pumpstation 1, Upgrade Loan	685261	66.458	519,696	<u>8,200</u>
Total Environmental Protection Agency				<u>10,174</u>
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
Continuing Education - Alcock	N/A	45.310	1,500	1,500
ILC: Rekindling Heritage/Awakening Future	LS-00-13-0002-13	45.310	16,940	<u>7,410</u>
Total Institute of Museum and Library Services				<u>10,410</u>
Department of Commerce				
Passed through the State of Alaska Department of Commerce, Community, and Economic Development:				
Alaska Chinook Salmon Mitigation Infrastructure Grant-Fish Cleaning Float	13-CSMI-008	11.438	215,543	<u>188,185</u>

Petersburg Borough, Alaska
Schedule of Expenditures of Federal Awards

<i>Year Ended June 30, 2015</i>	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Federal Share of Expend- itures
Department of Homeland Security				
Passed through the State of Alaska Department of Military and Veteran Affairs				
2014 Homeland Security Grant	14SHSP-GR34094	97.067	\$ 80,139	\$ <u>14,404</u>
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	596,631	<u>596,631</u>
Total Federal Financial Assistance				<u>\$2,078,612</u>

Petersburg Borough, Alaska

Schedule of State Financial Assistance

<i>Year Ended June 30, 2015</i>	Grant Number	Total Grant Award	State Share of Expend- itures
Department of Commerce, Community and Economic Development			
*Community Dock/Vehicle Drive Down Design/Construction	12-DC-418	\$1,810,000	\$ 1,727,912
Public Library Construction	12-DC-422	263,000	47,260
Elderly Housing Roof Replacement	12-DC-419	370,000	9,736
*Sons of Norway Hall Renovation/Improvements	13-DC-300	250,000	110,600
Police Department Design, Planning, and Pre-Construction	13-DC-341	350,000	59,222
*Crane Dock Upgrade	13-DC-425	800,000	702,299
Sandy Beach Bathroom Remodel	13-DM-093	25,000	750
Sandy Beach Shelter	13-DM-186	40,000	9,532
Cemetery Columbarium	15-DC-135	85,000	20,402
PD/Jail/Admin/Finance Facility	15-DC136	1,007,500	39,746
Fish Resource Landing Tax	2015	23,824	23,824
*Commercial Dock/Vehicle Drive Down Design/Construction	13-DC-595	5,600,000	4,255,648
*Shared Fisheries Business Tax	2015	1,249,730	1,249,730
Total Department of Commerce, Community and Economic Development			8,256,661
Department of Education and Early Development			
*Debt Retirement Program	2015	366,830	366,830
Public Library Assistance Grant	PLA-14-76159	6,650	6,650
Early Literacy Grant	2015	2,000	2,000
Total Department of Education and Early Development			375,480
Department of Natural Resources			
E. Haugen Public Use Area Maintenance	2014	6,242	6,115
E. Haugen Public Use Area Maintenance	2015	6,242	1,626
Total Department of Natural Resources			7,741
Department of Environmental Conservation			
Pump Station 1 Upgrades	MMG 68535	1,714,125	72,192

Petersburg Borough, Alaska

Schedule of State Financial Assistance, continued

<i>Year Ended June 30, 2015</i>	Grant Number	Total Grant Award	State Share of Expend- itures
Department of Military and Veteran's Affairs			
Local Emergency Planning Committee	15 LEPC-GR35602	\$ 9,559	<u>\$ 9,083</u>
Department of Transportation and Public Facilities			
ADA Compliant Van	2554-14-0200	1,354	<u>1,354</u>
Department of Revenue			
*Revenue Sharing	2014	536,843	536,843
Liquor Licenses	2014	11,000	<u>11,000</u>
Total Department of Revenue			<u>547,843</u>
Department of Administration			
*PERS Relief	N/A	2,210,698	2,210,698
*Borough Organizational Grant	N/A	600,000	<u>100,000</u>
Total Department of Administration			<u>2,310,698</u>
Total State Financial Assistance			<u>\$11,581,052</u>

* Major Program

Petersburg Borough, Alaska

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2015

1. Basis of Presentation

The accompanying schedules of state financial assistance and expenditures of federal awards (the "Schedules") include the state and federal grant activity of Petersburg Borough under programs of the state and federal governments for the year ended June 30, 2015. The information in these Schedules is presented in accordance with the requirements of *the State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedules present only a selected portion of the operations of Petersburg Borough, they are not intended to and do not present the financial position, changes in net position or cash flows of Petersburg Borough.

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting.

2. Summary of Significant Accounting Policies

Expenditures reported in the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts reflected in the schedule (if any) represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. PERS On-Behalf

The Borough has recorded \$2,210,698 in PERS On-Behalf payments in the Schedule of State Financial Assistance. This represents the PERS relief payment appropriated and transferred into the plan during FY2015.

In the governmental fund financial statements, on-behalf revenue and expenditures have been recognized in the year appropriated and transferred to the plan. However, in the full accrual financial statements, GASB 68 provisions prescribe that on-behalf pension contributions in a special funding situation may only be recognized during the measurement period in which the plan recognizes the contributions, effectively creating a one-year timing difference between the cash contribution and revenue and expense recognition by the Borough.

As a result of these perspective and timing differences, amounts reported in the financial statements do not agree to the amounts reported on the Schedule of State Financial Assistance.

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Single Audit Section



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

Honorable Mayor and Borough Assembly
Petersburg Borough, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2015, and the related notes to the financial statements, which collectively comprise Petersburg Borough's basic financial statements and have issued our report thereon dated December 11, 2015.

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
December 11, 2015



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3601 C Street, Suite 600
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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, Alaska

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 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, 2015. 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 \$558,058 in federal awards which is not included in the schedule during the year ended June 30, 2015. 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, 2015.

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
December 11, 2015



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

Honorable Mayor and Borough Assembly
Petersburg Borough, Alaska

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, 2015. 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 \$15,675,404 in state awards which is not included in the schedule during the year ended June 30, 2015. 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, 2015.

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
December 11, 2015

Petersburg Borough, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

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 federal 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 federal 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 federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
15.226	Payment in Lieu of Tax	Department of the Interior

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

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

State Financial Assistance

Internal control over major state 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 a State major program: \$ 100,000

Petersburg Borough, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

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, 2015

Government Auditing Standards Findings

There were no prior year findings reported.

Federal Award Findings and Questioned Costs

There were no prior year findings reported.

State of Alaska Award Findings and Questioned Costs

There were no prior year findings reported.

Petersburg Borough, Alaska

Corrective Action Plan Year Ended June 30, 2015

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