



Petersburg Borough, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, and Single Audit Reports
Year Ended June 30, 2016

Petersburg Borough, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and Single Audit Reports
Year Ended June 30, 2016

Petersburg Borough, Alaska

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditor's Report		1-3
Management's Discussion and Analysis		6-17
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	20
Statement of Activities	A-2	21
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	22
Reconciliation of Governmental Funds		
Balance Sheet to Statement of Net Position	B-2	23
Statement of Revenues, Expenditures and Changes in		
Fund Balances	B-3	24
Reconciliation of Change in Fund Balances of		
Governmental Funds to Statement of Activities	B-4	25
Proprietary Funds:		
Statement of Net Position	C-1	26-27
Statement of Revenues, Expenses and Changes		
in Net Position	C-2	28
Statement of Cash Flows	C-3	30-31
Notes to Basic Financial Statements		32-62
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in		
Fund Balance - Budget and Actual - General Fund	D-1	64
Public Employees Retirement System:		
Schedule of the Borough's Information on the Net Pension Liability	E-1	65
Schedule of the Borough's Contributions	E-2	66
Notes to Required Supplementary Information		67
Supplementary Information		
Combining and Individual Fund Financial Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	F-1	70
Combining Statement of Revenues, Expenditures		
and Changes in Fund Balances	F-2	71

Petersburg Borough, Alaska

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Nonmajor Enterprise Funds:		
Combining Statement of Net Position	G-1	72
Combining Statement of Revenues, Expenses and Changes in Net Position	G-2	73
Combining Statement of Cash Flows	G-3	74
General Fund:		
Balance Sheet	H-1	76
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	H-2	77-79
Special Revenue Funds:		
Miscellaneous Grants:		
Balance Sheet	I-1	81
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-2	82
National Forest Receipts - School:		
Balance Sheet	I-3	83
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-4	84
National Forest Receipts - Streets and Roads:		
Balance Sheet	I-5	85
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-6	86
Property Development:		
Balance Sheet	I-7	87
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-8	88
E911 Surcharge:		
Balance Sheet	I-9	89
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-10	90
Borough Organizational:		
Balance Sheet	I-11	91
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-12	92
Transient Room Tax:		
Balance Sheet	I-13	93
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-14	94

Petersburg Borough, Alaska

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Debt Service Fund:		
Balance Sheet	J-1	96
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	J-2	97
Capital Project Funds:		
Police, Jail and Administration Building Renovation:		
Balance Sheet	K-1	100
Statement of Revenues, Expenditures and Changes In Fund Balances	K-2	101
Nonmajor Capital Project Funds:		
Combining Balance Sheet	K-3	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	K-4	103
Enterprise Funds:		
Electric Utility:		
Statement of Net Position	L-1	106
Statement of Revenues, Expenses and Changes in Net Position	L-2	107-108
Statement of Cash Flows	L-3	109
Schedule of Electric Utility Capital Projects	L-4	110
Water Utility:		
Statement of Net Position	L-5	111
Statement of Revenues, Expenses and Changes in Net Position	L-6	112
Statement of Cash Flows	L-7	113
Wastewater Utility:		
Statement of Net Position	L-8	114
Statement of Revenues, Expenses and Changes in Net Position	L-9	115
Statement of Cash Flows	L-10	116
Schedule of Wastewater Utility Capital Projects	L-11	117
Sanitation Utility:		
Statement of Net Position	L-12	118
Statement of Revenues, Expenses and Changes in Net Position	L-13	119
Statement of Cash Flows	L-14	120
Harbor and Port Facilities:		
Statement of Net Position	L-15	121
Statement of Revenues, Expenses and Changes in Net Position	L-16	122

Petersburg Borough, Alaska

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Enterprise Funds, continued:		
Harbor and Port Facilities, continued:		
Statement of Cash Flows	L-17	123
Schedule of Harbor and Port Facilities Capital Projects	L-18	124
Elderly Housing:		
Statement of Net Position	L-19	125
Statement of Revenues, Expenses and Changes in Net Position	L-20	126
Statement of Cash Flows	L-21	127
Assisted Living:		
Statement of Net Position	L-22	128
Statement of Revenues, Expenses and Changes in Net Position	L-23	129
Statement of Cash Flows	L-24	130
Motor Pool Internal Service Fund:		
Statement of Net Position	M-1	132
Statement of Revenues, Expenses and Changes in Net Position	M-2	133
Statement of Cash Flows	M-3	134
Schedule of Expenditures of Federal Awards	N-1	135-136
Schedule of State Financial Assistance	O-1	137-138
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance		139
SINGLE AUDIT SECTION		
Single Audit Reports		
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 <i>Government Auditing Standards</i>		142-143
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance		144-145
Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>		146-147
Schedule of Findings and Questioned Costs		148-149

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 17, the budgetary comparison information on page 64, and the Schedules of Net Pension Liability and Pension Contributions on pages 65 through 67, 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, 2016 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, 2016 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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, 2016 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

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, 2015 (not presented herein), and have issued our report thereon dated December 11, 2015 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, 2015 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, 2015 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2015 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, 2015.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, 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 22, 2016

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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, 2016. 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 \$131.87 million. Of this amount, \$22.1 million (unrestricted net position) 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 \$3.79 million and was available for spending. The unassigned fund balance for the General Fund represented 44% 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, deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference being 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 two major governmental fund, the General Fund and the Police, Jail and Administration Building capital project fund. Data from fourteen other governmental funds are combined into a single, aggregated presentation, labeled the Non-major Funds. The fourteen 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, 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 of resources exceeded liabilities by \$131,870,591 at the close of the most recent fiscal year. This was a net increase of \$1,070,017 from the previous year.

The largest portion of the Borough's net position, 80%, 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	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 18,851,371	\$ 18,337,798	\$ 18,016,090	\$ 15,827,437	\$ 36,867,461	\$ 34,165,235
Restricted cash and investments	-	-	17,480	17,476	17,480	17,476
Capital assets, net of depreciation	46,947,212	45,789,731	75,298,147	76,776,956	122,245,359	122,566,687
Deferred outflows of resources	1,191,434	630,664	820,858	363,715	2,012,292	994,379
Total Assets and Deferred Outflows of Resource:	66,990,017	64,758,193	94,152,575	92,985,584	161,142,592	157,743,777
Liabilities						
Long-term liabilities outstanding	12,855,207	11,982,767	13,884,403	12,934,155	26,739,610	24,916,922
Other liabilities	949,046	562,803	1,435,288	831,160	2,384,334	1,393,963
Deferred Inflows of resources	84,273	375,404	63,784	256,914	148,057	632,318
Total Liabilities and Deferred Inflows of Resource:	13,888,526	12,920,974	15,383,475	14,022,229	29,272,001	26,943,203
Net Position						
Net investment in capital assets	39,523,274	37,717,173	65,415,710	66,519,176	104,938,984	104,236,349
Restricted	4,836,938	4,619,403	-	-	4,836,938	4,619,403
Unrestricted	8,741,279	9,500,643	13,353,390	12,444,179	22,094,669	21,944,822
Total Net Position	\$ 53,101,491	\$ 51,837,219	\$ 78,769,100	\$ 78,963,355	\$ 131,870,591	\$ 130,800,574

Petersburg Borough

Management's Discussion and Analysis

Governmental Activities

Governmental activities change in net position for 2016 was an increase of \$1.26 million. Key elements of this follows:

- \$1.8 million in capital grant spending for the Police, Jail, Admin Building Renovation.

The net position for the Borough's governmental activities is \$53.1 million. A substantial portion (74%) 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 \$8.74 million as of June 30, 2016.

Business-type Activities

The net position for the Borough's business-type activities is \$78.77 million, a decrease of \$194,255. As with governmental activities, a substantial portion (83%) of the net position is invested in capital assets net of related debt. The Borough uses these assets to provide services to the citizens.

The unrestricted net position of the business-type activities was \$13.35 million as of June 30, 2016. This is an increase in unrestricted net position of \$909,211.

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Petersburg Borough
Management's Discussion and Analysis

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 698,904	\$ 843,830	\$ 11,414,684	\$ 10,801,212	\$ 12,113,588	\$ 11,645,042
Operating grants and contributions	1,628,436	2,202,870	201,182	194,691	1,829,618	2,397,561
Capital grants and contributions	2,003,514	155,760	1,122,970	7,040,509	3,126,484	7,196,269
General Revenues:						
Property Tax	3,168,103	3,162,959	-	-	3,168,103	3,162,959
Sales Tax	2,945,432	3,107,719	-	-	2,945,432	3,107,719
Payment in lieu of taxes	615,402	608,784	-	-	615,402	608,784
Other taxes	303,484	103,373	-	-	303,484	103,373
Grants and entitlements not restricted to a specific purpose	1,354,989	1,821,397	-	-	1,354,989	1,821,397
Investment Income	258,833	288,212	212,922	96,041	471,755	384,253
Other	6,997	7,746	-	-	6,997	7,746
Total revenues	12,984,034	12,302,650	12,951,758	18,132,453	25,935,852	30,435,103
Expenses						
General Government	1,829,736	1,509,891	-	-	1,829,736	1,509,891
Public Safety	2,518,931	2,435,275	-	-	2,518,931	2,435,275
Public Works	1,681,078	1,817,715	-	-	1,681,078	1,817,715
Community Services	218,415	519,683	-	-	218,415	519,683
Culture & Recreation	2,299,422	2,272,904	-	-	2,299,422	2,272,904
Education	2,206,072	2,104,058	-	-	2,206,072	2,104,058
Electric utility	-	-	5,631,256	5,610,624	5,631,256	5,610,624
Water utility	-	-	1,692,103	1,488,636	1,692,103	1,488,636
Wastewater utility	-	-	959,838	837,477	959,838	837,477
Sanitation utility	-	-	1,264,569	1,070,799	1,264,569	1,070,799
Harbor/Port Facilities	-	-	2,580,449	2,031,255	2,580,449	2,031,255
Elderly Housing	-	-	492,669	380,879	492,669	380,879
Assisted Living	-	-	1,491,297	1,230,164	1,491,297	1,230,164
Total expenses	10,753,654	10,659,526	14,112,181	12,649,834	24,865,835	23,309,360
Increase (decrease) in net position before transfers	2,230,440	1,643,124	(1,160,423)	5,482,619	1,070,017	7,125,743
Transfers	(966,168)	(1,346,304)	966,168	1,346,304	-	-
Increase (decrease) in net position	1,264,272	296,820	(194,255)	6,828,923	1,070,017	7,125,743
Beginning net position,	51,837,219	51,540,399	78,963,355	72,134,432	130,800,574	123,674,831
Ending net position	\$ 53,101,491	\$ 51,837,219	\$ 78,769,100	\$ 78,963,355	\$ 131,870,591	\$ 130,800,574

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

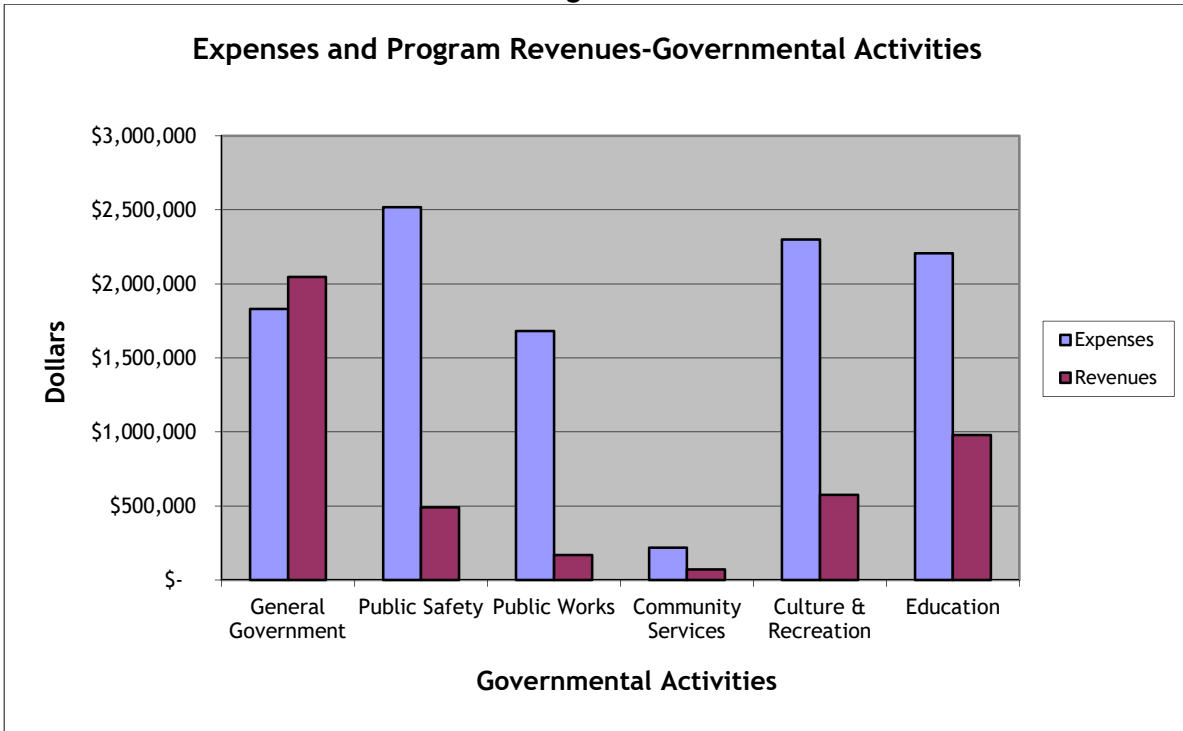
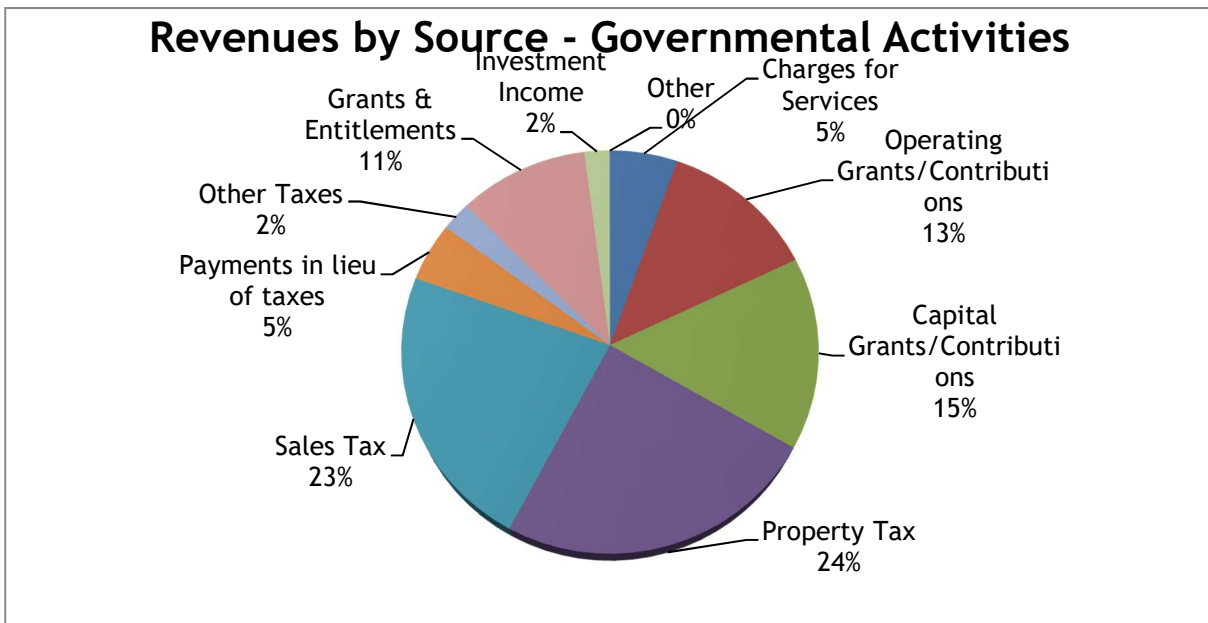


Figure 2 shows the percentages of all revenue sources for governmental activities, both program and general. In 2016, sales taxes and property tax totaled 23% and 24%, respectively, of revenues, both decreasing from the prior year's 25% and 26%. This decrease resulting from an increase in capital grants and contributions.

Figure 2



Petersburg Borough

Management's Discussion and Analysis

Business Type Activities. Net position decreased by \$194,255 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

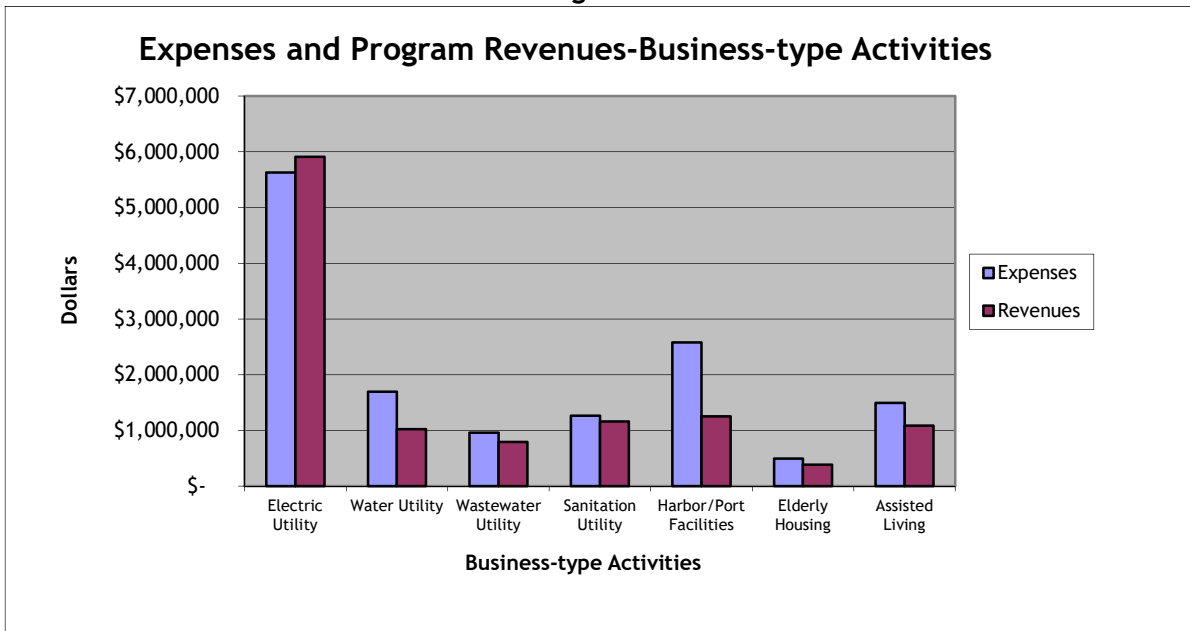
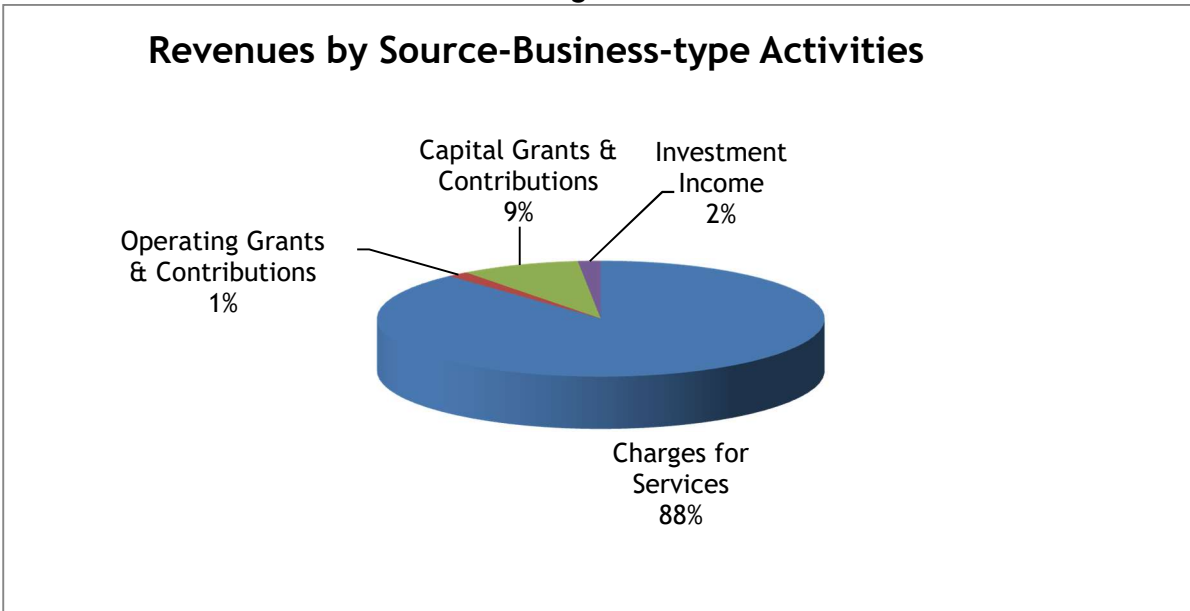


Figure 4



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 \$16,131,582, an increase of \$581,060 in comparison with the prior year.

The total fund balances of the governmental funds are made up of five components. \$68,407 nonspendable, which is the General Fund's prepaid health insurance, \$4,836,938 restricted (National Forest Receipts School and Public Roads funding), \$7,182,431 committed (primarily for economic development and capital projects), \$256,941 assigned (Debt Service and Borough Organizational), and \$3,786,865 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 \$3,786,865, while total fund balance was \$3,855,272. 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 44% of total General Fund expenditures. This is a decrease of 1% from the previous year. In 2015 unassigned fund balance decreased by 9%.

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

- The Electric Utility Fund's unrestricted net position was \$6,634,774, an increase of \$770,674 from the prior year.
- The Water Utility Fund's unrestricted net position was \$895,179, an increase of \$22,941.
- The Wastewater Utility Fund's unrestricted net position totaled \$1,136,740 at the end of the year, a decrease of \$96,515.
- 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 \$74,418 which is a decrease of \$115,939 from the prior year.
- The Harbor Fund increased its unrestricted net position by \$521,527, for a total of \$2,164,517. The majority of this increase is due to a large share of State Fisheries Business Tax payment of \$570,118.

Petersburg Borough

Management's Discussion and Analysis

- The Elderly Housing Facility's unrestricted net position showed a decrease in fiscal year 2016 of \$56,695 for a total of \$473,458.
-
- The Assisted Living Fund presents a deficit net position of \$507,623 at year end. This is due to implementing the net pension liability amounting to \$773,616. Without this long-term liability unrestricted fund balance in FY 2016 would have been \$265,993.
- The Motor Pool Fund's unrestricted net position showed a decrease in fiscal year 2016 of \$396,726 for a total of \$4,168,145.

General Fund Budgetary Highlights

- The General Fund showed a negative net change of (\$605,318) after transfers in and transfers out. This was due to a large transfer out to the Police/Municipal Building Renovation project of \$1,325,000.
- Sales Tax had a negative variance of \$162,287 (-5%).
- 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 \$170,118 from what was budgeted. The additional revenue was transferred out to the Harbor Fund which is shown in the negative variance of the same amount in transfers out.
- Tobacco tax showed revenue equaling \$248,023, a positive variance of \$48,023 from what was budgeted.

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Petersburg Borough

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2016, the Borough had invested \$122.2 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 a decrease from the previous year of \$0.3 million.

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

- \$133,405 was spent in fiscal year 2016 on the Library capital project, mainly landscaping.
- The Municipal Building renovation saw \$1,854,238 in used grant funds toward design of the project in FY 2016.
- \$66,256 of State Legislating grant revenues was passed through the Borough to the Sons of Norway for improvements to the hall.
- \$1,379,455 was spent in fiscal year 2016 on the Wastewater Pumpstation #1. A section of Haugen Drive sewer lines were also replaced totaling \$181,422.
- The Sanitation department purchased \$81,910 in new recycle cans for the community. And spent \$29,163 on the Landfill Slope Stabilization Project.
- \$127,043 was spent on the Commercial Drive Down - Bulkhead Loading Dock Project in fiscal year 2016.
- The Elderly Housing Facility had multiple window replacements that totaled \$10,210 in fiscal year 2016.
- New motor pool vehicles purchased this year were a new line service truck \$139,633 and flatbed truck \$39,832 for Power and Light. A Mini-excavator was purchased for Public Works \$66,568 as well as a RAVO Model 5 Sweeper \$213,811. \$92,130 was spent on two SUV patrol vehicles for the Police Department. Sanitation purchased a new Recycle truck for \$207,475 and the Wastewater department purchased a new forklift for \$62,657.

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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	
	2016	2015	2016	2015	2016	2015
Land and improvements	\$ 3,859,126	\$ 3,708,171	\$ 2,399,493	\$ 2,399,493	\$ 6,258,619	\$ 6,107,664
Infrastructure	15,367,236	15,492,602	-	-	15,367,236	15,492,602
Buildings	21,468,018	22,786,044	12,592,027	13,160,196	34,060,045	35,946,240
Improvements other than buildings	91,856	29,361	54,124,415	56,230,614	54,216,271	56,259,975
Machinery and equipment	3,188,728	2,663,590	4,283,901	4,663,302	7,472,629	7,326,892
Construction in progress	2,972,248	1,109,963	1,898,311	323,351	4,870,559	1,433,314
Total Capital Assets	\$46,947,212	\$ 45,789,731	\$ 75,298,147	\$76,776,956	\$ 122,245,359	\$ 122,566,687

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 \$26.7 million. Of this amount, \$11.2 million comprises debt backed by the full faith and credit of the government (i.e., general obligation bonds), with outstanding bond premiums of \$1,103,705. \$9,023,957 is employee accrued leave and pension obligation and \$5,330,979 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.

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Petersburg Borough
Management's Discussion and Analysis

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

	Governmental activities		Business-type activities		Total activities	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 7,665,412	\$ 8,342,943	\$ 4,653,294	\$ 5,053,917	\$ 12,318,706	\$ 13,396,860
Accrued leave and pension obligation	5,189,795	3,639,824	3,834,162	2,457,896	9,023,957	6,097,720
Loans, long-term	-	-	5,330,979	5,321,012	5,330,979	5,321,012
Landfill closure liability	-	-	65,968	101,330	65,968	101,330
Total Long-Term Debt	\$ 12,855,207	\$ 11,982,767	\$ 13,884,403	\$ 12,934,155	\$ 26,739,610	\$ 24,916,922

The Borough's governmental activity debt increased by \$0.9 million during the current year due to the pension obligation. The Borough's business-type debt increased by \$1.0 million during the current year due to the pension obligation. Additional information on the Petersburg Borough's long-term debt can be found in note 7 to the financial statements.

Economic Forecast and Rates for Next Fiscal Year

- Water (2%), Wastewater (4.5%) and Sanitation (2%) rates are set to increase on July 1, 2016.
- Construction projects scheduled for the 2017 fiscal year include the 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 2017 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 School District	Petersburg Medical Center
<i>June 30, 2016</i>					
Assets and Deferred Outflows of Resources					
Assets					
Cash and investments	\$ 19,748,522	\$ 13,036,709	\$ 32,785,231	\$ 2,507,045	\$ 2,851,940
Receivables, net	1,512,420	2,082,376	3,594,796	248,987	3,798,329
Internal balances	(2,481,927)	2,481,927	-	-	-
Inventory	-	361,436	361,436	5,295	206,290
Prepaid items	72,356	53,642	125,998	241,697	50,607
Restricted cash and investments	-	17,480	17,480	-	3,112,652
Land and construction in progress	6,831,374	4,297,804	11,129,178	-	-
Other capital assets, net of accumulated depreciation	40,115,838	71,000,343	111,116,181	491,989	3,852,588
Total Assets	65,798,583	93,331,717	159,130,300	3,495,013	13,872,406
Deferred Outflows of Resources					
Deferred outflows of resources related to pension	949,960	719,022	1,668,982	1,104,446	1,925,867
Deferred charges on refunding	241,474	101,836	343,310	-	-
Total Deferred Outflows of Resources	1,191,434	820,858	2,012,292	1,104,446	1,925,867
Total Assets and Deferred Outflows of Resources	\$ 66,990,017	\$ 94,152,575	\$ 161,142,592	\$ 4,599,459	\$ 15,798,273
Liabilities, Deferred Inflows of Resources and Net Position					
Liabilities					
Accounts payable	\$ 597,982	\$ 954,064	\$ 1,552,046	\$ 54,820	\$ 253,915
Accrued payroll and employee benefits	242,197	180,320	422,517	16,629	271,190
Unearned revenue	25,251	112,422	137,673	-	-
Customer deposits	-	67,879	67,879	-	-
Accrued interest	83,616	120,603	204,219	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued leave	429,782	231,318	661,100	47,838	609,851
Bonds payable	570,004	384,996	955,000	-	-
Loans payable	-	394,495	394,495	-	26,356
Capital lease	-	-	-	-	77,952
Due in more than one year:					
Bonds payable	6,248,352	4,011,649	10,260,001	-	-
Bond premium, net	847,056	256,649	1,103,705	-	-
Loans payable	-	4,936,484	4,936,484	-	102,270
Capital lease	-	-	-	-	245,291
Net pension liability	4,760,013	3,602,844	8,362,857	5,295,730	8,920,507
Landfill closure liability	-	65,968	65,968	-	-
Total Liabilities	13,804,253	15,319,691	29,123,944	5,415,017	10,507,332
Deferred Inflows of Resources related to pension	84,273	63,784	148,057	92,713	157,930
Net Position					
Net investment in capital assets	39,523,274	65,415,710	104,938,984	491,989	3,400,719
Restricted:					
School support and roads	4,836,938	-	4,836,938	-	-
Scholarships	-	-	-	87,523	-
Foundation	-	-	-	-	381,954
Unrestricted (deficit)	8,741,279	13,353,390	22,094,669	(1,487,783)	1,350,338
Total Net Position	53,101,491	78,769,100	131,870,591	(908,271)	5,133,011
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 66,990,017	\$ 94,152,575	\$ 161,142,592	\$ 4,599,459	\$ 15,798,273

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Statement of Activities

Year Ended June 30, 2016	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Component Units		
					Governmental Activities	Business-type Activities	Total	Petersburg School District	Petersburg Medical Center
Primary Government									
Governmental activities:									
General government	\$ 1,829,736	\$ 70,874	\$ 218,685	\$ 1,756,871	\$ 216,694	\$ -	\$ 216,694	\$ -	\$ -
Public safety	2,518,931	405,226	85,455	-	(2,028,250)	-	(2,028,250)	-	-
Public works	1,681,078	28,484	140,177	-	(1,512,417)	-	(1,512,417)	-	-
Community services	218,415	6,385	64,599	-	(147,431)	-	(147,431)	-	-
Culture and recreation	2,299,422	187,935	140,175	246,643	(1,724,669)	-	(1,724,669)	-	-
Education	2,206,072	-	979,345	-	(1,226,727)	-	(1,226,727)	-	-
Total governmental activities	10,753,654	698,904	1,628,436	2,003,514	(6,422,800)		(6,422,800)		
Business-type activities:									
Electric Utility	5,631,256	5,819,365	92,546	-	-	280,655	280,655	-	-
Water Utility	1,692,103	1,013,563	10,110	-	-	(668,430)	(668,430)	-	-
Wastewater Utility	959,838	782,310	11,608	995,927	-	830,007	830,007	-	-
Sanitation Utility	1,264,569	1,144,864	13,181	-	-	(106,524)	(106,524)	-	-
Harbor and Port Facilities	2,580,449	1,224,918	29,724	127,043	-	(1,198,764)	(1,198,764)	-	-
Elderly Housing	492,669	378,942	7,465	-	-	(106,262)	(106,262)	-	-
Assisted Living Facilities	1,491,297	1,050,722	36,548	-	-	(404,027)	(404,027)	-	-
Total business-type activities	14,112,181	11,414,684	201,182	1,122,970		(1,373,345)	(1,373,345)		
Total Primary Government	\$ 24,865,835	\$ 12,113,588	\$ 1,829,618	\$ 3,126,484	\$ (6,422,800)	\$ (1,373,345)	\$ (7,796,145)		
Component Units									
School district - education	\$ 11,067,423	\$ 108,995	\$ 1,805,491	\$ 309,030				\$ (8,843,907)	\$ -
Medical center	\$ 15,678,242	\$ 13,831,818	\$ 916,958	\$ -				\$ -	\$ (929,466)
General Revenues									
Property taxes					3,168,103	-	3,168,103	-	-
Sales taxes					2,945,432	-	2,945,432	-	-
Payments in lieu of taxes					615,402	-	615,402	-	-
Other taxes					303,484	-	303,484	-	-
Contributions from primary government					-	-	-	1,800,000	61,109
Grants and entitlements not restricted to a specific purpose					1,354,989	-	1,354,989	6,152,187	-
Investment income (loss)					258,833	212,922	471,755	735	(153,815)
Other					6,997	-	6,997	167,286	26,278
Transfers					(966,168)	966,168	-	-	-
Total General Revenues and Transfers					7,687,072	1,179,090	8,866,162	8,120,208	(66,428)
Change in Net Position					1,264,272	(194,255)	1,070,017	(723,699)	(995,894)
Net Position, beginning of year					51,837,219	78,963,355	130,800,574	(184,572)	6,128,905
Net Position, end of year					\$ 53,101,491	\$ 78,769,100	\$ 131,870,591	\$ (908,271)	\$ 5,133,011

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Governmental Funds

Balance Sheet

	Major Funds				Total Govern- mental Funds
	General	Police, Jail and Administration Building Renovation Capital Project Fund	Nonmajor Funds		
<i>June 30, 2016</i>					
Assets					
Cash and investments	\$ 3,578,484	\$ 2,280,682	\$ 9,548,859	\$ 15,408,025	
Receivables, net of allowance for doubtful accounts:					
Property taxes	34,865	-	-	34,865	
Sales taxes	325,273	-	8,835	334,108	
Grants and shared revenues	-	947,172	98,026	1,045,198	
Accounts	34,843	-	-	34,843	
Interest	57,550	-	2,720	60,270	
Prepaid insurance	68,407	-	-	68,407	
Due from other funds	66,715	-	-	66,715	
Total Assets	\$ 4,166,137	\$ 3,227,854	\$ 9,658,440	\$ 17,052,431	
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 68,229	\$ 521,492	\$ 6,470	\$ 596,191	
Accrued payroll and employee benefits	232,692	-	-	232,692	
Unearned revenue	9,944	3,000	12,307	25,251	
Due to other funds	-	-	66,715	66,715	
Total Liabilities	310,865	524,492	85,492	920,849	
Fund Balances					
Nonspendable	68,407	-	-	68,407	
Restricted	-	-	4,836,938	4,836,938	
Committed	-	2,703,362	4,479,069	7,182,431	
Assigned	-	-	256,941	256,941	
Unassigned	3,786,865	-	-	3,786,865	
Total Fund Balances	3,855,272	2,703,362	9,572,948	16,131,582	
Total Liabilities and Fund Balances	\$ 4,166,137	\$ 3,227,854	\$ 9,658,440	\$ 17,052,431	

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2016

Total fund balances for governmental funds \$ 16,131,582

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

	Governmental Funds	Internal Service Fund	
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	\$ 3,859,126	-	
Construction in progress	2,972,248	-	
Buildings	49,348,633	-	
Improvements other than buildings	236,859	-	
Infrastructure	17,050,621	-	
Machinery and equipment	2,044,813	6,996,540	
Accumulated depreciation	<u>(31,302,853)</u>	<u>(4,258,775)</u>	
Total capital assets	<u>44,209,447</u>	<u>2,737,765</u>	46,947,212
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	(6,818,356)	-	
Deferred charges on refunding, net of accumulated amortization	241,474	-	
Bond premium, net of accumulated amortization	(847,056)	-	
Net pension liability	(4,578,241)	(181,772)	
Accrued interest	(83,616)	-	
Accrued leave	<u>(410,355)</u>	<u>(19,427)</u>	
Total long-term liabilities	<u>(12,496,150)</u>	<u>(201,199)</u>	(12,697,349)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.			
Deferred outflows of resources related to pension	913,684	36,276	
Deferred inflows of resources related to pension	<u>(81,055)</u>	<u>(3,218)</u>	
Total deferred pension items	<u>832,629</u>	<u>33,058</u>	865,687
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>1,854,359</u>
Total Net Position of Governmental Activities			<u>\$ 53,101,491</u>

See accompanying notes to basic financial statements.

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

Year Ended June 30, 2016	Major Funds			Total Govern- mental Funds
	General	Police, Jail and Administration Building Renovation Capital Project Fund	Nonmajor Funds	
Revenues				
Property taxes	\$ 3,168,103	\$ -	\$ -	\$ 3,168,103
Sales taxes	2,945,432	-	-	2,945,432
Other taxes	283,634	-	55,461	339,095
Intergovernmental	2,403,463	1,756,621	1,444,800	5,604,884
Licenses and permits	8,530	-	-	8,530
Charges for services	324,221	-	96,382	420,603
Fines and forfeitures	17,311	-	-	17,311
Overhead charges	568,128	-	-	568,128
Investment income	198,951	-	59,882	258,833
Other	8,425	250	150,000	158,675
Total Revenues	9,926,198	1,756,871	1,806,525	13,489,594
Expenditures				
Current:				
General government	1,568,864	-	71,784	1,640,648
Public safety	2,189,043	-	27,661	2,216,704
Public works	1,493,157	-	-	1,493,157
Community services	151,117	-	64,599	215,716
Culture and recreation	1,381,796	-	136,868	1,518,664
Education - contribution to school district	1,800,000	-	-	1,800,000
Debt service	-	-	903,118	903,118
Capital outlay	-	1,854,239	300,120	2,154,359
Total Expenditures	8,583,977	1,854,239	1,504,150	11,942,366
Excess (Deficiency) of Revenues Over Expenditure:	1,342,221	(97,368)	302,375	1,547,228
Other Financing Sources (Uses)				
Transfers in	600,000	2,800,730	588,857	3,989,587
Transfers out	(2,547,539)	-	(2,408,216)	(4,955,755)
Net Other Financing Sources (Uses)	(1,947,539)	2,800,730	(1,819,359)	(966,168)
Net Change in Fund Balances	(605,318)	2,703,362	(1,516,984)	581,060
Fund Balances, beginning of year	4,460,590	-	11,089,932	15,550,522
Fund Balances, end of year	\$ 3,855,272	\$ 2,703,362	\$ 9,572,948	\$ 16,131,582

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, 2016

Net change in fund balances - total governmental funds \$ 581,060

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 capital outlays (\$2,210,773) exceeded depreciation (\$1,601,038). 609,735

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	\$ 583,337	
Decrease in unamortized bond premium	94,194	
Decrease in deferred charges on bonds	<u>(28,911)</u>	
		648,620

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.

Increase in accrued leave	\$ (45,346)	
Decrease in accrued interest	7,469	
Increase in net pension liability and related accounts	<u>(619,504)</u>	
		(657,381)

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. 82,238

Change in Net Position of Governmental Activities **\$ 1,264,272**

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, 2016</i>								
Assets and Deferred Outflows of Resources								
Current Assets								
Cash and investments	\$ 7,366,431	\$ 1,005,049	\$ 806,309	\$ 2,701,719	\$ 230,593	\$ 926,608	\$ 13,036,709	\$ 4,340,497
Receivables, net of allowance for doubtful accounts	392,234	82,993	1,323,928	172,959	-	110,262	2,082,376	3,136
Inventories	285,610	50,916	24,910	-	-	-	361,436	-
Prepaid expenses	11,753	1,589	5,253	13,151	14,768	7,128	53,642	3,949
Total Current Assets	8,056,028	1,140,547	2,160,400	2,887,829	245,361	1,043,998	15,534,163	4,347,582
Restricted Cash								
Security deposits	-	-	-	-	-	17,480	17,480	-
Property, Plant and Equipment								
Land and land improvements	1,848,295	-	-	360,059	-	191,139	2,399,493	-
Buildings	3,073,919	5,178,330	9,091,647	339,690	3,920,170	5,109,153	26,712,909	-
Improvements other than buildings	5,129,194	26,797,940	9,507,240	37,355,199	-	1,048,011	79,837,584	-
Machinery and equipment	16,980,411	3,000,849	414,226	552,033	89,262	424,093	21,460,874	6,996,540
Construction in progress	30,334	23,333	1,702,651	141,993	-	-	1,898,311	-
Total property, plant and equipment	27,062,153	35,000,452	20,715,764	38,748,974	4,009,432	6,772,396	132,309,171	6,996,540
Accumulated depreciation	(16,912,491)	(13,834,145)	(10,897,491)	(10,239,737)	(1,301,253)	(3,825,907)	(57,011,024)	(4,258,775)
Net Property, Plant and Equipment	10,149,662	21,166,307	9,818,273	28,509,237	2,708,179	2,946,489	75,298,147	2,737,765
Total Assets	18,205,690	22,306,854	11,978,673	31,397,066	2,953,540	4,007,967	90,849,790	7,085,347
Deferred Outflows of Resources								
Deferred outflows of resources related to pension	260,117	42,705	49,034	125,562	154,391	87,213	719,022	36,276
Deferred charges on refunding	-	-	-	13,373	66,347	22,116	101,836	-
Total Deferred Outflows of Resources	260,117	42,705	49,034	138,935	220,738	109,329	820,858	36,276
Total Assets and Deferred Outflows of Resources	\$ 18,465,807	\$ 22,349,559	\$ 12,027,707	\$ 31,536,001	\$ 3,174,278	\$ 4,117,296	\$ 91,670,648	\$ 7,121,623

See accompanying notes to basic financial statements.

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

June 30, 2016	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
Liabilities, Deferred Inflows of Resources and Net Position								
Liabilities								
Current Liabilities								
Accounts payable	\$ 148,600	\$ 1,518	\$ 760,652	\$ 6,438	\$ 9,530	\$ 27,326	\$ 954,064	\$ 1,791
Accrued payroll and employee benefits	54,713	9,925	15,611	35,651	40,239	24,181	180,320	9,505
Accrued leave	86,571	11,644	19,033	56,512	44,315	13,243	231,318	19,427
Prepaid moorage	-	-	-	107,966	-	-	107,966	-
Unearned revenue	-	-	-	-	3,204	1,252	4,456	-
Customer deposits	31,864	7,021	6,481	-	4,500	18,013	67,879	-
Accrued interest	33,165	40,193	20,870	2,008	18,275	6,092	120,603	-
Current portion:								
General obligation bonds	115,000	-	-	99,996	127,500	42,500	384,996	-
ADEC loans	-	305,550	88,945	-	-	-	394,495	-
Total Current Liabilities	469,913	375,851	911,592	308,571	247,563	132,607	2,446,097	30,723
Noncurrent Liabilities								
General obligation bonds	2,165,000	-	-	441,649	1,053,750	351,250	4,011,649	-
Bond premium, net of accumulated amortization	43,142	-	-	6,621	155,165	51,721	256,649	-
ADEC loans	-	2,880,674	2,055,810	-	-	-	4,936,484	-
Net pension liability	1,303,383	213,984	245,697	629,160	773,616	437,004	3,602,844	181,772
Landfill closure liability	-	-	-	-	-	65,968	65,968	-
Total Noncurrent Liabilities	3,511,525	3,094,658	2,301,507	1,077,430	1,982,531	905,943	12,873,594	181,772
Total Liabilities	3,981,438	3,470,509	3,213,099	1,386,001	2,230,094	1,038,550	15,319,691	212,495
Deferred Inflows of Resource, related to pension	23,075	3,788	4,350	11,139	13,696	7,736	63,784	3,218
Net Position								
Net investment in capital assets	7,826,520	17,980,083	7,673,518	27,974,344	1,438,111	2,523,134	65,415,710	2,737,765
Unrestricted (deficit)	6,634,774	895,179	1,136,740	2,164,517	(507,623)	547,876	10,871,463	4,168,145
Total Net Position	14,461,294	18,875,262	8,810,258	30,138,861	930,488	3,071,010	76,287,173	6,905,910
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 18,465,807	\$ 22,349,559	\$ 12,027,707	\$ 31,536,001	\$ 3,174,278	\$ 4,117,296		\$ 7,121,623
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							2,481,927	
							\$ 78,769,100	

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, 2016</i>								
Operating Revenues	\$ 5,447,021	\$ 1,013,563	\$ 782,310	\$ 1,224,918	\$ 1,050,722	\$ 1,523,806	\$ 11,042,340	\$ 855,479
Operating Expenses								
Salaries and benefits	1,349,191	356,565	307,869	818,581	1,071,844	692,560	4,596,610	190,286
Services, supplies, and other charges	3,287,743	330,351	146,319	289,892	203,010	532,910	4,790,225	240,304
Allocated overhead and motor pool charges	290,359	90,682	123,850	96,905	76,477	318,669	996,942	8,097
Depreciation	599,436	839,753	329,268	1,362,976	100,467	235,780	3,467,680	274,359
Total Operating Expenses	5,526,729	1,617,351	907,306	2,568,354	1,451,798	1,779,919	13,851,457	713,046
Income (Loss) from Operations	(79,708)	(603,788)	(124,996)	(1,343,436)	(401,076)	(256,113)	(2,809,117)	142,433
Nonoperating Revenues (Expenses)								
Investment income	116,822	15,108	20,876	39,560	4,521	16,035	212,922	-
SEAPA distribution	372,344	-	-	-	-	-	372,344	-
Interest expense	(124,138)	(77,475)	(59,013)	(26,849)	(40,637)	(13,544)	(341,656)	-
Gain on disposal of capital assets	12,150	-	-	-	-	-	12,150	-
Federal interest subsidy	30,969	-	-	-	-	-	30,969	-
State PERS relief	61,577	10,110	11,608	29,724	36,548	20,646	170,213	8,587
Total Nonoperating Revenues (Expenses)	469,724	(52,257)	(26,529)	42,435	432	23,137	456,942	8,587
Income (loss) before capital contributions and transfers	390,016	(656,045)	(151,525)	(1,301,001)	(400,644)	(232,976)	(2,352,175)	151,020
Capital contributions	-	-	995,927	127,043	-	-	1,122,970	-
Transfers in	-	165,000	-	570,118	231,050	-	966,168	-
Change in Net Position	390,016	(491,045)	844,402	(603,840)	(169,594)	(232,976)	(263,037)	151,020
Net Position, beginning of year	14,071,278	19,366,307	7,965,856	30,742,701	1,100,082	3,303,986		6,754,890
Net Position, end of year	\$ 14,461,294	\$ 18,875,262	\$ 8,810,258	\$ 30,138,861	\$ 930,488	\$ 3,071,010		\$ 6,905,910
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							68,782	
Change in Net Position of Business-Type Activities							\$ (194,255)	

See accompanying notes to basic financial statements.

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Petersburg Borough, Alaska

Proprietary Funds
Statement of Cash Flows

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<i>Year Ended June 30, 2016</i>								
Cash Flows from (for) Operating Activities								
Receipts from customers and users	\$ 5,836,397	\$ 1,014,852	\$ 778,960	\$ 1,200,047	\$ 1,050,922	\$ 1,507,322	\$ 11,388,500	\$ 856,322
Payments for interfund services used	(290,359)	(90,682)	(123,850)	(96,905)	(76,477)	(318,669)	(996,942)	(8,097)
Payments to suppliers	(3,329,126)	(307,241)	(68,721)	(338,799)	(195,313)	(572,400)	(4,811,600)	(250,927)
Payments to employees	(1,186,142)	(261,643)	(288,502)	(636,103)	(839,146)	(501,406)	(3,712,942)	(177,161)
Net cash flows from (for) operating activities	1,030,770	355,286	297,887	128,240	(60,014)	114,847	1,867,016	420,137
Cash Flows from (for) Capital and Related Financing Activities								
Principal paid on long-term debt	(110,000)	(302,435)	(87,603)	(91,663)	(123,750)	(41,250)	(756,701)	-
Interest paid on long-term debt	(128,048)	(74,687)	(44,014)	(26,621)	(57,299)	(19,099)	(349,768)	-
Proceeds from issuance of debt	-	-	28,842	-	-	-	28,842	-
Proceeds from sale of assets	12,150	-	-	-	-	-	12,150	-
Purchase of property, plant and equipment	(105,697)	(23,333)	(938,091)	(147,295)	-	(129,958)	(1,344,374)	(822,105)
Transfers in	-	165,000	-	570,118	231,050	-	966,168	-
Capital contributions received	-	2,204	200,521	380,554	-	-	583,279	-
Federal interest subsidy received	30,969	-	-	-	-	-	30,969	-
Net cash flows from (for) capital and related financing activities	(300,626)	(233,251)	(840,345)	685,093	50,001	(190,307)	(829,435)	(822,105)
Cash Flows from Investing Activities								
Investment income received	116,822	15,108	20,876	39,560	4,521	16,035	212,922	-
Net increase (decrease) in cash and investments	846,966	137,143	(521,582)	852,893	(5,492)	(59,425)	1,250,503	(401,968)
Cash and Investments, beginning of year	6,519,465	867,906	1,327,891	1,848,826	236,085	1,003,513	11,803,686	4,742,465
Cash and Investments, end of year	\$ 7,366,431	\$ 1,005,049	\$ 806,309	\$ 2,701,719	\$ 230,593	\$ 944,088	\$ 13,054,189	\$ 4,340,497

See accompanying notes to basic financial statements.

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

Year Ended June 30, 2016	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	\$ (79,708)	\$ (603,788)	\$ (124,996)	\$ (1,343,436)	\$ (401,076)	\$ (256,113)	\$ (2,809,117)	\$ 142,433
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:								
Depreciation	599,436	839,753	329,268	1,362,976	100,467	235,780	3,467,680	274,359
PERS relief	61,577	10,110	11,608	29,724	36,548	20,646	170,213	8,587
Amortization of deferred outflows of resources for pension	(154,287)	(32,694)	(27,403)	(86,187)	(105,471)	(66,414)	(472,456)	(21,011)
Amortization of deferred inflows of resources for pensions	(87,197)	(6,643)	(18,189)	(29,888)	(37,277)	(13,936)	(193,130)	(12,688)
Nonoperating revenues received	372,344	-	-	-	-	-	372,344	-
Increase in allowance for doubtful accounts	1,385	406	340	11,289	-	76	13,496	-
(Increase) decrease in assets:								
Accounts receivable	16,552	1,638	(3,506)	(18,443)	-	(16,623)	(20,382)	843
Inventories	27,883	23,815	(2,160)	-	-	-	49,538	-
Prepaid expenses	234	(71)	(880)	(587)	452	(318)	(1,170)	(981)
Increase (decrease) in liabilities:								
Accounts payable	(69,500)	(634)	80,638	(48,320)	7,245	(3,810)	(34,381)	(9,642)
Accrued payroll and employee benefits	(2,524)	(1,096)	2,565	1,921	794	1,115	2,775	229
Accrued leave	(3,448)	1,545	172	(7,140)	5,680	320	(2,871)	(6,090)
Unearned revenue	-	-	-	-	200	(55)	145	-
Customer deposits	(905)	(755)	(184)	-	-	118	(1,726)	-
Prepaid moorage	-	-	-	(17,717)	-	-	(17,717)	-
Net pension liability	348,928	123,700	50,614	274,048	332,424	249,423	1,379,137	44,098
Landfill closure liability	-	-	-	-	-	(35,362)	(35,362)	-
Net Cash Flows from Operating Activities	\$ 1,030,770	\$ 355,286	\$ 297,887	\$ 128,240	\$ (60,014)	\$ 114,847	\$ 1,867,016	\$ 420,137
Supplemental Disclosure of Cash Flow Information								
Capital assets purchased on account	\$ -	\$ -	\$ 644,496	\$ -	\$ -	\$ -	\$ 644,496	\$ -

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Notes to Basic Financial Statements
Year Ended June 30, 2016

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.

The *Police, Jail, and Administration Building Renovation Capital Project Fund* accounts for the costs to renovate the Police, Jail and Administration Building.

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 in governmental funds 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.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the financial statements may also present deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Generally, the Borough reports deferred charges on bond refundings and pension related items as deferred outflows of resources. These items are amortized to expense over time.

In addition to liabilities, the financial statements may also present deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until later. The Borough reports certain pension related items as deferred inflows of resources. These items are amortized as a reduction of expense over varying periods of time.

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 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 as of and for the year ended June 30, 2016, follows:

Due from Other Funds

Due to the General Fund from nonmajor governmental funds for short-term advances to cover capital costs	\$ 66,715
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Transfers:

From General Fund to:	
Police, Jail and Administration Building Renovation Capital Project Fund to cover capital costs	\$ 1,325,000
Harbor and Port Facilities Enterprise Fund to cover capital costs	570,118
Assisted Living Enterprise Fund for operating subsidies	231,050
Nonmajor governmental fund to cover debt service costs	416,136
Nonmajor governmental funds to cover operating costs	5,235

Total transfers from General Fund	2,547,539
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Petersburg Borough, Alaska

Notes to Basic Financial Statements

From nonmajor governmental funds to:	
General Fund to cover operating costs	\$ 600,000
Water Utility Enterprise Fund to cover capital costs	165,000
National Forest Receipts - Streets and Roads Special Revenue Fund for operating costs	167,486
Police, Jail and Administration Building Renovation Capital Project Fund to cover capital costs	1,475,730
<hr/>	
Total transfers from nonmajor governmental funds	2,408,216
<hr/>	
Total Transfers to Other Funds	\$ 4,955,755

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, 2016.

	Pooled Cash And Investments	Economic Development Fund	Totals
Bank deposits	\$ 695,085	\$ -	\$ 695,085
Investments	28,046,083	4,061,543	32,107,626
<hr/>			
Total Cash and Investments	\$ 28,741,168	\$ 4,061,543	\$ 32,802,711
<hr/>			
	Pooled Cash And Investments	Economic Develop- ment Fund	Totals
Cash and investments	\$ 28,723,688	\$ 4,061,543	\$ 32,785,231
Restricted cash and investments	17,480	-	17,480
<hr/>			
Total Cash and Investments	\$ 28,741,168	\$ 4,061,543	\$ 32,802,711

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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 Development 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 Development 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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Borough has no formal policy relating to interest rate risk.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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, 2016 are as follows:

	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1-5	Greater Than 5
Investment type:				
Money market funds	\$ 1,409,609	\$ 1,409,609	\$ -	\$ -
U.S. government agencies	1,121,766	-	1,121,766	-
Municipal bonds	1,589,306	478,698	1,110,608	-
Certificates of deposit	22,100,862	4,721,733	17,125,550	253,579
Pooled investments	1,824,540	1,824,540	-	-
Total Investments	\$ 28,046,083	\$ 8,434,580	\$ 19,357,924	\$ 253,579

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Borough's policy does limit investments to specified ratings based on instrument type as defined on the prior page. The Borough's U.S. government agency investments of \$1,121,766 were rated as follows by Standard and Poor's: \$347,588 rated AA+, and \$774,178 rated AA-. The Borough's municipal bonds of \$1,589,306 were rated as follows; muni bonds rated by Standard and Poor's: \$712,332 rated AA+, \$313,489 rated AA, \$232,769 rated AA-; muni bonds not rated by Standard and Poor's were rated by Moody's as follows: \$330,716 rated Aa3.

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.

Concentration of Credit Risk

The Borough places no limit on the amount it may invest in any one issuer. The Borough has no investments from any one issuer that represents 5% or more of total investments other than U.S government securities.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Investment maturities in the Economic Fund investments at June 30, 2016 are as follows:

	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
Investment type:			
Certificates of deposit	\$ 1,456,337	\$ 644,572	\$ 811,765
Money market funds	556,220	556,220	-
Total subject to interest rate risk	2,012,557	<u>\$ 1,200,792</u>	<u>\$ 81,765</u>
International equity securities	297,732		
U.S. equity securities	1,751,254		
Total Investments	\$ 4,061,543		

Fair Value Measurement

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

The Borough has the following recurring fair value measurements as of June 30, 2016:

- U.S. government agency securities of \$1,121,766 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs)
- Municipal bonds of \$1,589,306 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs)
- International and U.S. equities of \$2,048,986 are valued using quoted market prices (Level 1 inputs)

The Borough has investments in money market funds and certificates of deposits totaling \$25,523,028 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2016. The Borough's investment in AMLIP is measured at net asset value, as of June 30, 2016. Management believes that these values approximate fair value.

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Petersburg Borough, Alaska

Notes to Basic Financial Statements

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, 2016, receivables for the Borough's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Police, Jail and Administration Building Renovation	Nonmajor Governmental Funds	Electric Utility	Water Utility
Grants, loans and shared revenues	\$ -	\$ 947,172	\$ 98,026	\$ -	181
Property, sales and transient room taxes	360,138	-	8,835	-	-
Accounts	34,843	-	-	395,291	83,407
Interest	57,550	-	2,720	-	-
Total receivables	452,531	947,172	109,581	395,291	83,588
Less allowance for doubtful accounts	-	-	-	(3,057)	(595)
Net Receivables	\$ 452,531	\$ 947,172	\$ 109,581	\$ 392,234	\$ 82,993

	Wastewater Utility	Nonmajor Enterprise and Harbor Internal Service Funds		Total
Grants, loans and shared revenues	\$ 1,251,746	\$ -	\$ -	\$ 2,297,125
Property, sales and transient room taxes	-	-	-	368,973
Accounts	72,881	197,449	113,928	897,799
Interest	-	-	-	60,270
Total receivables	1,324,627	197,449	113,928	3,624,167
Less allowance for doubtful accounts	(699)	(24,490)	(530)	(29,371)
Net Receivables	\$ 1,323,928	\$ 172,959	\$ 113,398	\$ 3,594,796

Petersburg Borough, Alaska

Notes to Basic Financial Statements

6. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,708,171	\$ 150,955	\$ -	\$ 3,859,126
Construction in progress	1,109,963	1,862,285	-	2,972,248
Total assets not being depreciated	4,818,134	2,013,240	-	6,831,374
<i>Capital assets being depreciated:</i>				
Buildings	49,341,037	7,596	-	49,348,633
Improvements other than buildings	172,261	64,598	-	236,859
Machinery and equipment*	8,098,939	942,414	-	9,041,353
Infrastructure	17,045,591	5,030	-	17,050,621
Total assets being depreciated	74,657,828	1,019,638	-	75,677,466
Less accumulated depreciation for:				
Buildings	26,554,993	1,325,622	-	27,880,615
Improvements other than buildings	142,900	2,103	-	145,003
Machinery and equipment*	5,435,349	417,276	-	5,852,625
Infrastructure	1,552,989	130,396	-	1,683,385
Total accumulated depreciation	33,686,231	1,875,397	-	35,561,628
Total capital assets being depreciated, net	40,971,597	(855,759)	-	40,115,838
Governmental Activity				
Capital Assets, net	\$ 45,789,731	\$ 1,157,481	\$ -	\$ 46,947,212

* The ending balances include \$6,996,540 and \$4,258,775 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, 2015	Additions	Deletions	Balance June 30, 2016
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,399,493	\$ -	\$ -	\$ 2,399,493
Construction in progress	323,351	1,574,960	-	1,898,311
Total assets not being depreciated	2,722,844	1,574,960	-	4,297,804
<i>Capital assets being depreciated:</i>				
Buildings	26,698,033	14,876	-	26,712,909
Improvements other than buildings	79,536,049	301,535	-	79,837,584
Machinery and equipment	21,401,502	97,500	(38,128)	21,460,874
Total assets being depreciated	127,635,584	413,911	(38,128)	128,011,367
<i>Less accumulated depreciation for:</i>				
Buildings	13,537,837	583,045	-	14,120,882
Improvements other than buildings	23,305,435	2,407,734	-	25,713,169
Machinery and equipment	16,738,200	476,901	(38,128)	17,176,973
Total accumulated depreciation	53,581,472	3,467,680	(38,128)	57,011,024
Total capital assets being depreciated, net	74,054,112	(3,053,769)	-	71,000,343
Business-Type Activity				
Capital Assets, net	\$ 76,776,956	\$ (1,478,809)	\$ -	\$ 75,298,147

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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	\$ 58,230	\$ 123,462	\$ 181,692
Public safety	325,288	74,077	399,365
Public works	274,713	74,077	348,790
Culture and recreation	662,381	2,744	665,125
Education	280,425	-	280,425
Total Governmental Activities	\$ 1,601,037	\$ 274,360	\$ 1,875,397

Business-Type Activities	Depreciation
Electric utility	\$ 599,436
Water utility	839,753
Wastewater utility	329,268
Sanitation utility	139,325
Harbor and port facilities	1,362,976
Elderly housing	96,455
Assisted living	100,467
Total Business-Type Activities	\$ 3,467,680

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Petersburg Borough, Alaska

Notes to Basic Financial Statements

7. Long-term Debt

Bonds and notes payable at June 30, 2016, are comprised of the following:

Governmental Activities	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	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%	\$ 850,000	\$ -	\$ 55,000	\$ 795,000	\$ 55,000
\$197,540 2007 general obligation pool refunding bonds, due in annual installments of \$20,004 to \$24,172 through 2021, plus interest at 3.875% to 5.5%	126,693	-	18,337	108,356	20,004
\$5,850,000 2005 general obligation school bonds, paid in full in 2016.	280,000	-	280,000	-	-
\$2,010,000 2012 general obligation refunding school bonds, due in annual installments of \$170,000 to \$240,000 through 2025, plus interest at 2.0% to 5.0%	2,000,000	-	165,000	1,835,000	170,000
\$1,150,000 2012 Series 3 general obligation library bonds, due in annual installments of \$65,000 to \$100,000 through 2028, plus interest at 2.0% to 5.0%	980,000	-	65,000	915,000	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	260,000
Accrued leave	390,526	180,026	140,770	429,782	429,782*
Net pension liability	3,249,298	1,510,715	-	4,760,013	-
Total Governmental Activities	\$ 11,041,517	\$ 1,690,741	\$ 724,107	12,008,151	\$ 999,786
Unamortized bond premium				847,056	
				<u>\$ 12,855,207</u>	

* The ending balance includes \$19,427 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, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
<i>General Obligation Bonds:</i>					
\$987,460 2007 general obligation harbor refunding bonds, due in annual installments of \$99,996 to \$120,828 through 2021, plus interest at 3.875% to 5.5%	\$ 633,308	-	\$ 91,663	\$ 541,645	\$ 99,996
\$1,910,000 2012 general obligation elderly housing and assisted living refunding bonds, due in annual installments of \$170,000 to \$220,000 through 2024, plus interest at 2.0% to 5.0%	1,740,000	-	165,000	1,575,000	170,000
\$2,800,000 2010 general obligation electric bonds, due in annual installments of \$115,000 to \$200,000 through 2031, plus interest at 2.0% to 6.34% with partial rebate subsidy of interest	2,390,000	-	110,000	2,280,000	115,000
<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)	473,830	-	94,766	379,064	94,766
\$1,989,840 Water Utility note, due in annual installments of \$106,980 to \$120,508 through 2025, including interest at 1.5% (loan number 685041)	1,128,054	-	105,399	1,022,655	106,980
\$643,823 Wastewater Utility note, due in annual installments of \$34,190 to \$38,515 through 2025, including interest at 1.5% (loan number 685011)	360,521	-	33,685	326,836	34,190
\$1,317,577 Water Utility note, due in annual installments of \$63,239 to \$75,609 through 2029, including interest at 1.5% (loan number 685051)	962,620	-	62,304	900,316	63,239
\$600,000 (maximum) Water Utility note, due in annual installments of \$12,365 to \$16,165 through 2034, including interest at 1.5% (loan number 685241)	281,695	-	12,182	269,513	12,365

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
<i>Notes Payable, continued:</i>					
\$642,460 Water Utility note, due in annual installments of \$28,200 to \$36,868 through 2035; interest at 1.5% (loan number 685251)	\$ 642,460	\$ -	\$ 27,784	\$ 614,676	\$ 28,200
\$629,191 Wastewater Utility note, due in annual installments of \$23,994 to \$31,368 through 2035; interest at 1.5% (loan number 685211)	546,630	-	23,639	522,991	23,994
\$728,000 (maximum) Wastewater Utility note, due in annual installments of \$30,761 to \$39,622 through 2035; interest at 1.5% (loan number 685221)	700,154	-	32,208	667,946	30,761
\$649,620 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685261)	212,063	383,529	-	595,592	-
\$400,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685271)	12,985	18,405	-	31,390	-
Accrued leave (net)	234,189	139,774	142,645	231,318	231,318
Net pension liability	2,223,707	1,379,137	-	3,602,844	-
Total Business-Type Activities	\$12,542,216	\$ 1,920,845	\$ 901,275	13,561,786	\$ 1,010,809
Unamortized bond premium				<u>256,649</u>	
				<u>\$ 13,818,435</u>	

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

Governmental Activities

<i>Year Ending June 30,</i>	General Obligation Bonds		
	Principal	Interest	Total
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	681,172	191,005	875,177
Thereafter	3,705,000	447,750	4,152,750
	<u>\$ 6,818,356</u>	<u>\$ 1,690,223</u>	<u>\$ 8,508,579</u>

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Business-Type Activities

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
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	450,828	142,606	593,434
2022-2026	1,405,000	455,380	1,860,380
2027-2031	920,000	150,599	1,070,599
	\$ 4,396,645	\$ 1,506,459	\$ 5,903,104

Year Ending June 30,	Notes Payable		
	Principal	Interest	Total
2017	\$ 394,495	\$ 70,561	\$ 465,056
2018	398,992	64,642	463,634
2019	403,556	58,657	462,213
2020	408,187	52,604	460,791
2021	318,122	46,482	364,604
2022-2026	1,502,221	159,383	1,661,604
2027-2031	793,456	69,014	862,470
2032-2036	484,968	18,265	503,232
	\$ 4,703,997	\$ 539,608	\$ 5,243,605

Component Units

The following is a summary of long-term debt transactions for the Borough's discreetly presented component units, for the year ended June 30, 2016:

Petersburg School District	Balance			Balance		Due Within
	July 1, 2015	Additions		Retirements	June 30, 2016	
Accrued leave	\$ 38,894	\$ 8,944	\$ -	\$ 47,838	\$ 47,838	
Net pension liability	3,293,323	2,002,407	-	5,295,730	-	
Total	\$ 3,332,217	\$ 2,011,351	\$ -	\$ 5,343,568	\$ 47,838	

Petersburg Medical Center	Balance			Balance		Due Within
	July 1, 2015	Additions		Retirements	June 30, 2016	
Accrued leave	\$ 489,994	\$ 119,857	\$ -	\$ 609,851	\$ 609,851	
Loans payable	153,273	-	24,647	128,626	26,356	
Capital leases	100,578	328,770	106,105	323,243	77,952	
Net pension liability	5,684,599	3,235,908	-	8,920,507	-	
Total	\$ 6,428,444	\$ 3,684,535	\$ 130,752	\$ 9,982,227	\$ 714,159	

Petersburg Borough, Alaska

Notes to Basic Financial Statements

8. Fund Balances

Fund balances reported at June 30, 2016 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	Police, Jail and Administration Building Renovation	Total Nonmajor Funds	Totals
Nonspendable - prepaid insurance	\$ 68,407	\$ -	\$ -	\$ 68,407
Restricted:				
School support	-	-	4,210,403	4,210,403
Streets and roads	-	-	626,535	626,535
Total restricted	-	-	4,836,938	4,836,938
Committed:				
Economic development	-	-	4,064,263	4,064,263
Public works	-	-	102,511	102,511
Public safety	-	-	37,624	37,624
Capital projects	-	2,703,362	246,886	2,950,248
Tourism	-	-	27,785	27,785
Total committed	-	2,703,362	4,479,069	7,182,431
Assigned:				
General government	-	-	91,647	91,647
Debt service	-	-	152,206	152,206
Subsequent year's expenditures	-	-	13,088	13,088
Total assigned	-	-	256,941	256,941
Unassigned	3,786,865	-	-	3,786,865
Total Fund Balances	\$ 3,855,272	\$ 2,703,362	\$ 9,572,948	\$ 16,131,582

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 2016, the Borough conducted an analysis of the closure liability and recommended that the liability be reduced 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 \$65,968. This liability is based on what it would cost to perform all closure and post-closure care in 2016. Actual costs may be higher due to inflation, changes in technology or changes in regulations. At June 30, 2016, 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. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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

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

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (police and firefighters are required to contribute 7.50% 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. 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 change results in lower ARM Board Rates than previously adopted.

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. 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 in 2015 was significantly higher than the statutory amount. In 2016, the on-behalf contribution has returned to “normal” levels and generally equals the statutory calculation. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

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 FY16, the rate uses an 8% pension discount rate and a 4.55% 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.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Contribution rates for the year ended June 30, 2016 were determined in the June 30, 2013 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	13.25%	16.38%	3.63 %	37.79%
Postemployment healthcare (see Note 12)	8.75%	10.81%	1.56 %	58.73%
Total Contribution Rates	22.00%	27.19%	5.19 %	96.52%

In 2016, the Borough was credited with the following contributions to the pension plan.

	Measurement Period Borough FY15	Borough FY16
Employer contributions (including DBUL)	\$ 470,978	\$ 498,118
Nonemployer contributions (on-behalf)	2,210,698	199,169
Total Contributions	\$ 2,681,676	\$ 697,287

In addition, employee contributions to the Plan totaled \$178,533 during the Borough fiscal year.

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

At June 30, 2016, 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:

	2016
Borough proportionate share of NPL	\$ 8,362,857
State's proportionate share of NPL associated with the Borough	2,239,001
Total Net Pension Liability	\$ 10,601,858

The net pension liability was measured as of June 30, 2015, 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, 2016, the Borough's proportion was 0.17243 percent, which was an increase of 0.055088 from its proportion measured as of the prior measurement date.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

For the year ended June 30, 2016, the Borough recognized pension expense of \$1,841,922 and on-behalf revenue of \$309,199 for support provided by the State. At June 30, 2016, 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	\$ 9,748	\$ -
Changes in assumptions	488,985	-
Net difference between projected and actual earnings on pension plan investments	-	(148,057)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	672,131	-
Borough contributions subsequent to the measurement date	498,118	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ 1,668,982	\$ (148,057)

The \$498,118 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, 2017. 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,

2017		\$ 972,185
2018		8,505
2019		(95,087)
2020		137,204

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Petersburg Borough, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2015 (Borough fiscal year 2016) was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2015. The actuarial assumptions used in the June 30, 2014 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry Age Normal - Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	Amounts for FY14 and FY13 were allocated to employers based on actual contributions made in FY14 and FY13, respectively. Amounts for FY15 were allocated to employers based on the projected present value of contributions for FY2017-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	Inflation - 3.12% per year Productivity - 0.50% per year Peace Officer/Firefighter - graded by years of service from 9.66% to 4.92% All others - graded by age and years of service from 8.55% to 4.34%
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 3.12% annually.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB

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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	5.35%
Global equity (non-US)	5.55%
Private equity	6.25%
Fixed income	0.80%
Real estate	3.65%
Alternative equity	4.70%

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 Borough's proportionate share of the net pension liability calculated using the discount rate of 8.00%, 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%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Borough's proportionate share of the net pension liability	\$ 11,117,712	\$ 8,362,857	\$ 6,043,556

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% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2016, the Borough was required to contribute 5% of covered salary into the Plan. In addition, during 2016, the State on-behalf contribution rate for OPEB was 1.56%.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2016 were \$117,976 and \$188,761, 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 8.75% 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 to the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2016 and 2014 were \$85,893 and \$311,569, respectively.

<i>Year Ended June 30,</i>	Annual OPEB Costs	Borough Contributions	% of Costs Contributed
2016	\$ 328,942	\$ 328,942	100 %
2015	\$ 355,307	\$ 355,307	100 %
2014	\$ 435,655	\$ 435,655	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, 2016 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.68%	1.68%
Occupational death and disability benefits	0.22%	1.05%
Total Contribution Rates	1.90%	2.73%

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, 2015, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,005 per year for each full-time employee, and \$1.28 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2016, the Borough contributed \$136,592 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, 2016.

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.

16. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 75 will result in the biggest reporting change. However, actual impacts have not yet been determined.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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 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 77 - Tax Abatement Disclosures - Effective for year-end June 30, 2017 - 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.

GASB 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans - Effective for year-end June 30, 2017 - This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees through a cost-sharing multiple-employer defined benefit pension plan that is (1) not a state or local government pension plan, (2) used to provide defined benefit pensions to employees of both government and non-government employers, and (3) has no predominant state or local government employer, either individually or collectively with other governmental employers providing pensions in the plan.

GASB 80 - Blending Requirements for Certain Component Units - Effective for year-end June 30, 2017, with earlier application encouraged - This statement requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement amends the previous requirements established in paragraph 53 of GASB 14. The criterion specified in GASB 80 does not apply to component units included in the financial reporting entity pursuant to GASB 39.

GASB 81 - Irrevocable Split-Interest Agreements - Effective for year-end June 30, 2018, with earlier application encouraged - This statement establishes recording and recognition criteria for governments who receive resources pursuant to an irrevocable split-interest agreement.

17. Subsequent Events

On November 3, 2016, the Borough issued General Obligation Refunding Bonds, 2016 Series A, to advance refund \$740,000 of the outstanding 2007 Series A bond principal of \$795,000 at June 30, 2016. Also on November 3, 2016, the Borough issued General Obligation Refunding Bonds, 2016 Series B, to advance refund \$530,000 of the outstanding 2007 Series B bond principal of \$650,000 at June 30, 2016. The Refunding bonds are due in annual installments of \$5,000 to \$140,000, plus interest rates from 2.0% to 5.0%. The FY 2017 Principal payments of \$55,000 and \$120,000 were not subject to prepayment provisions.

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, 2016</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 2,595,814	\$ 3,193,000	\$ 3,168,103	\$ (24,897)
Sales taxes	3,020,840	3,031,840	2,945,432	(86,408)
Other taxes	293,000	236,000	283,634	47,634
Intergovernmental	2,319,371	2,252,673	2,403,463	150,790
Licenses and permits	7,500	7,500	8,530	1,030
Charges for services	280,700	348,798	324,221	(24,577)
Fines and forfeitures	14,550	14,550	17,311	2,761
Overhead charges	568,128	568,128	568,128	-
Investment income	80,000	80,715	198,951	118,236
Other revenues	10,861	8,746	8,425	(321)
Total Revenues	9,190,764	9,741,950	9,926,198	184,248
Expenditures				
General government	1,974,163	1,974,162	1,568,864	405,298
Public safety	2,228,274	2,248,807	2,189,043	59,764
Public works	1,222,943	1,543,710	1,493,157	50,553
Community services	2,316,205	151,438	151,117	321
Culture and recreation	1,399,179	1,420,179	1,381,796	38,383
Education - contribution to school district	-	1,800,000	1,800,000	-
Total Expenditures	9,140,764	9,138,296	8,583,977	554,319
Excess of Revenues Over Expenditures	50,000	603,654	1,342,221	738,567
Other Financing Sources (Uses)				
Transfers in	600,000	600,000	600,000	-
Transfers out	(650,000)	(2,372,186)	(2,547,539)	(175,353)
Total Other Financing Sources (Uses)	(50,000)	(1,772,186)	(1,947,539)	(175,353)
Net Change in Fund Balance	\$ -	\$ (1,168,532)	(605,318)	\$ 563,214
Fund Balance, beginning of year			4,460,590	
Fund Balance, end of year			\$ 3,855,272	

See accompanying notes to Required Supplementary Information.

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

<i>June 30,</i>	Borough's Proportion of the Net Pension Liability	Borough's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Borough's Covered Payroll	Borough's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.11734%	\$ 5,473,005	\$ 4,937,000	\$ 10,410,005	\$ 4,927,243	111.08%	62.37%
2016	0.17243%	\$ 8,362,857	\$ 2,239,001	\$ 10,601,858	\$ 4,803,880	174.09%	63.96%

See accompanying notes to Required Supplementary Information.

Petersburg Borough, Alaska
Public Employees Retirement System (PERS)
Schedule of the Borough's Contributions

<i>Year Ended June 30,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Borough's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 470,978	\$ 470,978	\$ -	\$ 4,803,880	9.80%
2016	\$ 498,118	\$ 498,118	\$ -	\$ 4,932,921	10.10%

See accompanying notes to Required Supplementary Information.

Petersburg Borough, Alaska

Notes to Required Supplementary Information

1. Budgetary Comparison Schedule

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

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

This table is presented based on the Plan measurement date. For June 30, 2016, the Plan measurement date is June 30, 2015.

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

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

There was a significant change in the allocation methodology. For the measurement period ended June 30, 2014, the liability was allocated to participating employers based on actual contributions for 2014. For the measurement period ended June 30, 2015, the liability is allocated based on projected contributions for fiscal years 2017-2039, as calculated in the June 30, 2014 actuarial valuation.

3. Schedule of Borough Contributions - Public Employees Retirement System

This table is based on the Borough's contributions for each fiscal year presented. These contributions have been 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

	Special Revenue Funds								Capital Project Funds						Total Nonmajor Govern- mental Funds
	Miscel- laneous Grants	National Forest Receipts - School	National Forest Receipts - Streets and Roads	Property Develop- ment	E911 Surcharge	Borough Organiz- ational	Transient Room Tax	Debt Service Fund	Library Construc- tion	Fishing Park	Birch Street Rebuild	Rasmus Enge Bridge Rehab	Economic Delevop- ment	Homeland Security	
<i>June 30, 2016</i>															
Assets															
Cash and investments	\$ 5,306	\$ 4,210,403	\$ 626,535	\$ 102,511	\$ 37,624	\$ 91,647	\$ 18,950	\$ 147,324	\$ 112,373	\$ 99,927	\$ 23,708	\$ 11,008	\$ 4,061,543	\$ -	\$ 9,548,859
Receivables:															
Grants and shared revenues	26,429	-	-	-	-	-	-	4,882	-	-	-	-	-	66,715	98,026
Transient room taxes	-	-	-	-	-	-	8,835	-	-	-	-	-	-	-	8,835
Interest	-	-	-	-	-	-	-	-	-	-	-	2,720	-	-	2,720
Total Assets	\$ 31,735	\$ 4,210,403	\$ 626,535	\$ 102,511	\$ 37,624	\$ 91,647	\$ 27,785	\$ 152,206	\$ 112,373	\$ 99,927	\$ 23,708	\$ 11,008	\$ 4,064,263	\$ 66,715	\$ 9,658,440
Liabilities and Fund Balances															
Liabilities															
Accounts payable	\$ 6,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,470
Unearned revenue	12,307	-	-	-	-	-	-	-	-	-	-	-	-	-	12,307
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	66,715	66,715
Total Liabilities	18,647	-	-	-	-	-	-	-	130	-	-	-	-	66,715	85,492
Fund Balances															
Restricted:															
Streets and roads	-	-	626,535	-	-	-	-	-	-	-	-	-	-	-	626,535
School support	-	4,210,403	-	-	-	-	-	-	-	-	-	-	-	-	4,210,403
Committed:															
Economic development	-	-	-	-	-	-	-	-	-	-	-	-	4,064,263	-	4,064,263
Public works	-	-	-	102,511	-	-	-	-	-	-	-	-	-	-	102,511
Public safety	-	-	-	-	37,624	-	-	-	-	-	-	-	-	-	37,624
Capital projects	-	-	-	-	-	-	-	-	112,243	99,927	23,708	11,008	-	-	246,886
Tourism	-	-	-	-	-	-	27,785	-	-	-	-	-	-	-	27,785
Assigned:															
General government	-	-	-	-	-	91,647	-	-	-	-	-	-	-	-	91,647
Debt service	-	-	-	-	-	-	-	152,206	-	-	-	-	-	-	152,206
Subsequent year's expenditure:	13,088	-	-	-	-	-	-	-	-	-	-	-	-	-	13,088
Total Fund Balances	13,088	4,210,403	626,535	102,511	37,624	91,647	27,785	152,206	112,243	99,927	23,708	11,008	4,064,263	-	9,572,948
Total Liabilities and Fund Balances	\$ 31,735	\$ 4,210,403	\$ 626,535	\$ 102,511	\$ 37,624	\$ 91,647	\$ 27,785	\$ 152,206	\$ 112,373	\$ 99,927	\$ 23,708	\$ 11,008	\$ 4,064,263	\$ 66,715	\$ 9,658,440

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

Year Ended June 30, 2016	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	
Revenues															
Transient taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,461
Intergovernmental	215,436	491,081	86,661	-	-	-	-	488,264	96,643	-	-	-	-	66,715	1,444,800
Charges for services	12,318	-	-	3,605	80,459	-	-	-	-	-	-	-	-	-	96,382
Investment income (loss)	-	64,518	7,789	5,687	-	-	-	-	-	-	-	-	(18,112)	-	59,882
Donations	-	-	-	-	-	-	-	-	150,000	-	-	-	-	-	150,000
Total Revenues	227,754	555,599	94,450	9,292	80,459	-	55,461	488,264	246,643	-	-	-	(18,112)	66,715	1,806,525
Expenditures															
General government	-	-	-	6,960	-	22,173	42,651	-	-	-	-	-	-	-	71,784
Public safety	18,740	-	-	-	8,921	-	-	-	-	-	-	-	-	-	27,661
Community services	64,599	-	-	-	-	-	-	-	-	-	-	-	-	-	64,599
Culture and recreation	136,868	-	-	-	-	-	-	-	-	-	-	-	-	-	136,868
Debt service:															
Principal	-	-	-	-	-	-	-	583,337	-	-	-	-	-	-	583,337
Interest	-	-	-	-	-	-	-	319,781	-	-	-	-	-	-	319,781
Capital outlay	-	-	-	-	-	-	-	-	133,405	-	-	-	100,000	66,715	300,120
Total Expenditures	220,207	-	-	6,960	8,921	22,173	42,651	903,118	133,405	-	-	-	100,000	66,715	1,504,150
Excess (Deficiency) of Revenues Over Expenditures	7,547	555,599	94,450	2,332	71,538	(22,173)	12,810	(414,854)	113,238	-	-	-	(118,112)	-	302,375
Other Financing Sources (Uses)															
Transfers in	5,235	-	167,486	-	-	-	-	416,136	-	-	-	-	-	-	588,857
Transfers out	-	(600,000)	-	(1,350,730)	(125,000)	-	-	-	-	-	-	(167,486)	(165,000)	-	(2,408,216)
Total Other Financing Sources (Uses)	5,235	(600,000)	167,486	(1,350,730)	(125,000)	-	-	416,136	-	-	-	(167,486)	(165,000)	-	(1,819,359)
Net Change in Fund Balances	12,782	(44,401)	261,936	(1,348,398)	(53,462)	(22,173)	12,810	1,282	113,238	-	-	(167,486)	(283,112)	-	(1,516,984)
Fund Balances (Deficit), beginning 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	-	11,089,932
Fund Balances, end of year	\$ 13,088	\$ 4,210,403	\$ 626,535	\$ 102,511	\$ 37,624	\$ 91,647	\$ 27,785	\$ 152,206	\$ 112,243	\$ 99,927	\$ 23,708	\$ 11,008	\$ 4,064,263	\$ -	\$ 9,572,948

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

<i>June 30, 2016</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and investments	\$ 315,500	\$ 611,108	\$ 926,608
Receivables, net of allowance for doubtful accounts	110,262	-	110,262
Prepaid expenses	4,696	2,432	7,128
Total Current Assets	430,458	613,540	1,043,998
Restricted Cash - security deposits	-	17,480	17,480
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	807,695	240,316	1,048,011
Machinery and equipment	310,352	113,741	424,093
Total property, plant and equipment	3,392,947	3,379,449	6,772,396
Accumulated depreciation	(1,394,935)	(2,430,972)	(3,825,907)
Net Property, Plant and Equipment	1,998,012	948,477	2,946,489
Total Assets	2,428,470	1,579,497	4,007,967
Deferred Outflows of Resources			
Deferred outflows of resources related to pension	55,679	31,534	87,213
Deferred charges on refunding	-	22,116	22,116
Total Deferred Outflows of Resources	55,679	53,650	109,329
Total Assets and Deferred Outflows of Resources	\$ 2,484,149	\$ 1,633,147	\$ 4,117,296
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current Liabilities:			
Accounts payable	\$ 25,320	\$ 2,006	\$ 27,326
Accrued payroll and employee benefits	16,634	7,547	24,181
Accrued leave	11,222	2,021	13,243
Unearned revenue	-	1,252	1,252
Customer deposits	8,641	9,372	18,013
Accrued interest	-	6,092	6,092
Current portion of general obligation bonds	-	42,500	42,500
Total Current Liabilities	61,817	70,790	132,607
Noncurrent Liabilities			
General obligation bonds	-	351,250	351,250
Bond premium, net of accumulated amortization	-	51,721	51,721
Net pension liability	278,995	158,009	437,004
Landfill closure liability	65,968	-	65,968
Total Noncurrent Liabilities	344,963	560,980	905,943
Total Liabilities	406,780	631,770	1,038,550
Deferred Inflows of Resources related to pension	4,939	2,797	7,736
Net Position			
Net investment in capital assets	1,998,012	525,122	2,523,134
Unrestricted	74,418	473,458	547,876
Total Net Position	2,072,430	998,580	3,071,010
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,484,149	\$ 1,633,147	\$ 4,117,296

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

<i>Year Ended June 30, 2016</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
Operating Revenues	\$ 1,144,864	\$ 378,942	\$ 1,523,806
Operating Expenses			
Salaries and benefits	465,026	227,534	692,560
Services, supplies, and other charges	409,707	123,203	532,910
Allocated overhead and motor pool charges	285,598	33,071	318,669
Depreciation	139,325	96,455	235,780
Total Operating Expenses	1,299,656	480,263	1,779,919
Loss from Operations	(154,792)	(101,321)	(256,113)
Nonoperating Revenues (Expenses)			
Investment income	6,095	9,940	16,035
Interest expense	-	(13,544)	(13,544)
State PERS relief	13,181	7,465	20,646
Total Nonoperating Revenues (Expenses)	19,276	3,861	23,137
Change in Net Position	(135,516)	(97,460)	(232,976)
Net Position, beginning of year	2,207,946	1,096,040	3,303,986
Net Position, end of year	\$ 2,072,430	\$ 998,580	\$ 3,071,010

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

<i>Year Ended June 30, 2016</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,128,627	\$ 378,695	\$ 1,507,322
Payments for interfund services used	(285,598)	(33,071)	(318,669)
Payments to suppliers	(449,202)	(123,198)	(572,400)
Payments to employees	(358,859)	(142,547)	(501,406)
Net cash flows from operating activities	34,968	79,879	114,847
Cash Flows for Capital and Related Financing Activities			
Principal paid on long-term debt	-	(41,250)	(41,250)
Interest paid on long-term debt	-	(19,099)	(19,099)
Purchase of property, plant and equipment	(119,748)	(10,210)	(129,958)
Net cash flows for capital and related financing activities	(119,748)	(70,559)	(190,307)
Cash Flows from Investing Activities			
Investment income received	6,095	9,940	16,035
Net increase (decrease) in cash and investments	(78,685)	19,260	(59,425)
Cash and Investments, beginning of year	394,185	609,328	1,003,513
Cash and Investments, end of year	\$ 315,500	\$ 628,588	\$ 944,088
Cash and Investments at End of Year			
Cash and investments	\$ 315,500	\$ 611,108	\$ 926,608
Restricted cash	-	17,480	17,480
Total Cash and Investments	\$ 315,500	\$ 628,588	\$ 944,088
Reconciliation of Loss from Operations to Net Cash			
Flows from Operating Activities			
Loss from operations	\$ (154,792)	\$ (101,321)	\$ (256,113)
Adjustments to reconcile loss from operations to net cash flows from operating activities:			
Noncash expenses:			
Depreciation	139,325	96,455	235,780
PERS relief	13,181	7,465	20,646
Amortization of deferred outflows of resources for pensions	(40,693)	(25,721)	(66,414)
Amortization of deferred inflows of resources for pensions	(10,676)	(3,260)	(13,936)
Increase in allowance for doubtful accounts	76	-	76
(Increase) decrease in assets:			
Accounts receivable	(16,623)	-	(16,623)
Prepaid expenses	(209)	(109)	(318)
Increase (decrease) in liabilities:			
Accounts payable	(3,924)	114	(3,810)
Accrued payroll and employee benefits	836	279	1,115
Accrued leave	(325)	645	320
Unearned revenue	-	(55)	(55)
Customer deposits	310	(192)	118
Net pension liability	143,844	105,579	249,423
Landfill closure liability	(35,362)	-	(35,362)
Net Cash Flows from Operating Activities	\$ 34,968	\$ 79,879	\$ 114,847

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>	2016	2015
Assets		
Cash and investments	\$ 3,578,484	\$ 4,094,470
Receivables:		
Property taxes	34,865	27,134
Sales taxes	325,273	415,401
Accounts	34,843	43,748
Interest	57,550	60,269
Total receivables	452,531	546,552
Prepaid insurance	68,407	63,029
Due from other funds	66,715	19,923
Total Assets	\$ 4,166,137	\$ 4,723,974
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 68,229	\$ 49,008
Accrued payroll and employee benefits	232,692	208,343
Unearned revenue	9,944	6,033
Total Liabilities	310,865	263,384
Fund Balance		
Nonspendable - prepaid insurance	68,407	63,029
Unassigned	3,786,865	4,397,561
Total Fund Balance	3,855,272	4,460,590
Total Liabilities and Fund Balance	\$ 4,166,137	\$ 4,723,974

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

<i>Years Ended June 30,</i>	2016			2015
	Budget	Actual	Variance with Budget	Actual
Revenues				
Taxes:				
Property taxes	\$ 3,193,000	\$ 3,168,103	\$ (24,897)	\$ 3,162,959
Sales taxes	3,031,840	2,945,432	(86,408)	3,107,719
Motor vehicle registration	32,000	35,611	3,611	34,953
Transient room taxes	4,000	-	(4,000)	46,556
Tobacco taxes	200,000	248,023	48,023	56,817
Total taxes	6,460,840	6,397,169	(63,671)	6,409,004
Intergovernmental:				
Payments in lieu of taxes	500,000	615,402	115,402	608,784
Library grants	13,250	6,650	(6,600)	6,650
Fisheries business tax	650,000	820,118	170,118	1,249,730
Shared fisheries business tax and landing tax	22,000	14,377	(7,623)	23,824
Liquor licenses	7,000	8,600	1,600	11,000
Jail and special services contract	220,684	178,626	(42,058)	320,684
State PERS relief	393,153	156,057	(237,096)	1,256,872
9th officer position	91,739	91,739	-	91,739
State revenue sharing	354,847	511,894	157,047	536,843
Total intergovernmental	2,252,673	2,403,463	150,790	4,106,126
Licenses and permits	7,500	8,530	1,030	18,124
Charges for services:				
Police and public safety	15,200	2,962	(12,238)	16,162
Ambulance fees	35,000	34,129	(871)	40,252
Public works	7,500	28,484	20,984	24,874
SEACAD reimbursement	66,698	53,516	(13,182)	60,163
Recreation activity fees	210,000	179,922	(30,078)	193,319
Park charges	-	1,500	1,500	297
Cemetery charges	2,000	1,880	(120)	2,840

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

<i>Years Ended June 30,</i>	2016			2015
	Budget	Actual	Variance with Budget	Actual
Revenues, continued				
Charges for services, continued:				
Library charges	\$ 4,000	\$ 4,633	\$ 633	\$ 3,905
Cemetery plot sales	1,000	6,385	5,385	800
Passport services	2,500	2,375	(125)	2,872
Other charges for services	4,900	8,435	3,535	11,160
Total charges for services	348,798	324,221	(24,577)	356,644
Fines and forfeitures	14,550	17,311	2,761	11,417
Overhead charges	568,128	568,128	-	550,492
Investment income	80,715	198,951	118,236	101,130
Other revenues:				
Lease income	7,746	6,997	(749)	7,746
Library donations	1,000	1,428	428	1,831
Total other revenues	8,746	8,425	(321)	9,577
Total Revenues	9,741,950	9,926,198	184,248	11,562,514
Expenditures				
General government:				
Borough Assembly	129,107	126,280	2,827	141,279
Borough manager	390,804	366,923	23,881	421,148
Borough attorney	65,000	43,313	21,687	59,049
Information systems	83,750	84,942	(1,192)	129,182
Finance	635,692	605,758	29,934	574,340
Nondepartmental PERS on-behalf	393,153	156,057	237,096	1,256,872
Other	276,656	185,591	91,065	213,665
Total general government	1,974,162	1,568,864	405,298	2,795,535

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

<i>Years Ended June 30,</i>	2016			2015
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued				
Public safety:				
Police department	\$ 1,328,945	\$ 1,305,756	\$ 23,189	\$ 1,301,063
Jail	372,053	352,017	20,036	335,026
Fire department	547,809	531,270	16,539	521,799
Total public safety	2,248,807	2,189,043	59,764	2,157,888
Public works:				
Streets	1,222,943	1,182,086	40,857	1,102,551
Community development	320,767	311,071	9,696	174,285
Facilities maintenance	-	-	-	345,209
Total public works	1,543,710	1,493,157	50,553	1,622,045
Community services	151,438	151,117	321	203,362
Culture and recreation:				
Library	440,236	418,555	21,681	374,434
Parks and recreation	979,943	963,241	16,702	865,308
Total culture and recreation	1,420,179	1,381,796	38,383	1,239,742
Education - contribution to school district	1,800,000	1,800,000	-	1,800,000
Total Expenditures	9,138,296	8,583,977	554,319	9,818,572
Excess of Revenues Over Expenditures	603,654	1,342,221	738,567	1,743,942
Other Financing Sources (Uses)				
Transfers in	600,000	600,000	-	605,000
Transfers out	(2,372,186)	(2,547,539)	(175,353)	(2,852,169)
Total Other Financing Sources (Uses)	(1,772,186)	(1,947,539)	(175,353)	(2,247,169)
Net Change in Fund Balance	<u>\$ (1,168,532)</u>	(605,318)	<u>\$ 563,214</u>	(503,227)
Fund Balance, beginning of year		<u>4,460,590</u>		<u>4,963,817</u>
Fund Balance, end of year		<u>\$ 3,855,272</u>		<u>\$ 4,460,590</u>

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>	2016	2015
Assets		
Cash and investments	\$ 5,306	\$ 18,574
Receivables - grants	26,429	117,270
Total Assets	\$ 31,735	\$ 135,844
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 6,340	\$ 95,987
Accrued payroll and related liabilities	-	355
Unearned revenue	12,307	39,196
Total Liabilities	18,647	135,538
Fund Balance		
Assigned for subsequent year's expenditures	13,088	306
Total Liabilities and Fund Balance	\$ 31,735	\$ 135,844

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

Years Ended June 30,	2016			2015
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 368,463	\$ 215,436	\$ (153,027)	\$ 308,494
Charges for police service	-	12,318	12,318	2,708
Total Revenues	368,463	227,754	(140,709)	311,202
Expenditures				
Public safety:				
Police department	2,866	11,867	(9,001)	101,677
Local emergency planning committee	9,509	6,873	2,636	9,083
Community service - cemetery	45,000	64,599	(19,599)	20,402
Culture and recreation:				
Hazard mitigation	5,000	-	5,000	-
Library	23,000	22,449	551	15,593
Campgrounds	6,242	6,280	(38)	7,740
IMLS library	7,000	6,000	1,000	7,000
City Creek repairs	60,000	8,047	51,953	-
Wilson Creek repairs	18,000	17,550	450	-
Greens Camp	22,000	439	21,561	-
Sandy Beach shelter	5,650	2,251	3,399	9,532
Sandy Beach bathroom	14,196	7,596	6,600	750
ILC grant expenditures	-	-	-	7,410
Sons of Norway	150,000	66,256	83,744	110,600
Total Expenditures	368,463	220,207	148,256	311,202
Excess of Revenues Over Expenditures	-	7,547	7,547	-
Other Financing Sources				
Transfers in	-	5,235	5,235	-
Net Change in Fund Balance	\$ -	12,782	\$ 12,782	-
Fund Balance, beginning of year		306		306
Fund Balance, end of year		\$ 13,088		\$ 306

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

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 4,210,403	\$ 4,254,804
Fund Balance		
Restricted for school support	\$ 4,210,403	\$ 4,254,804

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>	2016			2015
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental - national forest receipts	\$ -	\$ 491,081	\$ 491,081	\$ 1,023,820
Investment income	5,000	64,518	59,518	31,626
Total Revenues	5,000	555,599	550,599	1,055,446
Expenditures				
Capital outlay	-	-	-	153,394
Excess of Revenues Over Expenditures	5,000	555,599	550,599	902,052
Other Financing Uses				
Transfers out	(675,000)	(600,000)	75,000	(605,000)
Net Change in Fund Balance	<u>\$ (670,000)</u>	(44,401)	<u>\$ 625,599</u>	297,052
Fund Balance, beginning of year		<u>4,254,804</u>		<u>3,957,752</u>
Fund Balance, end of year		<u>\$ 4,210,403</u>		<u>\$ 4,254,804</u>

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

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 626,535	\$ 364,599
Fund Balance		
Restricted for streets and roads	\$ 626,535	\$ 364,599

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>	2016			2015
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental - national forest receipts	\$ -	\$ 86,661	\$ 86,661	\$ 180,674
Investment income	-	7,789	7,789	1,749
Total Revenues	-	94,450	94,450	182,423
Expenditures				
Capital outlay - paving	644,261	-	644,261	-
Excess (Deficiency) of Revenues Over Expenditures	(644,261)	94,450	738,711	182,423
Other Financing Sources				
Transfer in	167,486	167,486	-	-
Net Change in Fund Balance	<u>\$ (476,775)</u>	261,936	<u>\$ 738,711</u>	182,423
Fund Balance, beginning of year		<u>364,599</u>		<u>182,176</u>
Fund Balance, end of year		<u>\$ 626,535</u>		<u>\$ 364,599</u>

Petersburg Borough, Alaska
Property Development Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 102,511	\$ 1,450,909
Fund Balance		
Committed for public works	\$ 102,511	\$ 1,450,909

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>	2016			2015
	Budget	Actual	Variance with Budget	Actual
Revenues				
Charges for services/rock sales	\$ -	\$ 3,605	\$ 3,605	\$ 85
Sale of capital assets	-	-	-	9,173
Investment income	-	5,687	5,687	9,258
Total Revenues	-	9,292	9,292	109,600
Expenditures				
Land acquisition	-	-	-	109,600
General government - professional services	-	6,960	(6,960)	-
Total Expenditures	-	6,960	(6,960)	109,600
Excess (Deficiency) of Revenues Over Expenditures	-	2,332	2,332	(100,342)
Other Financing Uses				
Transfers in (out)	(1,350,730)	(1,350,730)	-	1,306,567
Net Change in Fund Balance	<u>\$ (1,350,730)</u>	(1,348,398)	<u>\$ 2,332</u>	1,206,225
Fund Balance, beginning of year		<u>1,450,909</u>		<u>244,684</u>
Fund Balance, end of year		<u>\$ 102,511</u>		<u>\$ 1,450,909</u>

Petersburg Borough, Alaska
E911 Surcharge Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 37,624	\$ 91,086
Fund Balance		
Committed for public safety	\$ 37,624	\$ 91,086

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>	2016			2015
	Budget	Actual	Variance with Budget	Actual
Revenues				
Charges for services	\$ 66,466	\$ 80,459	\$ 13,993	\$ 70,347
Expenditures				
Public safety - professional services	11,000	8,921	2,079	8,967
Excess of Revenues Over Expenditures	55,466	71,538	16,072	61,380
Other Financing Uses				
Transfers out	(125,000)	(125,000)	-	-
Net Change in Fund Balance	<u>\$ (69,534)</u>	(53,462)	<u>\$ 16,072</u>	61,380
Fund Balance, beginning of year		<u>91,086</u>		<u>29,706</u>
Fund Balance, end of year		<u>\$ 37,624</u>		<u>\$ 91,086</u>

Petersburg Borough, Alaska
Borough Organizational Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 91,647	\$ 148,907
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ -	\$ 35,087
Fund Balance		
Assigned for general government	91,647	113,820
Total Liabilities and Fund Balance	\$ 91,647	\$ 148,907

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>	2016			2015
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ 100,000
Expenditures				
General government:				
Assessment services	5,000	5,000	-	30,000
Comprehensive plan/zoning/mapping	200,000	17,173	182,827	188,949
Attorney	-	-	-	4,304
Advertising and communications	-	-	-	6,370
Total Expenditures	205,000	22,173	182,827	229,623
Net Change in Fund Balance	<u>\$ (205,000)</u>	(22,173)	<u>\$ 182,827</u>	(129,623)
Fund Balance, beginning of year		<u>113,820</u>		<u>243,443</u>
Fund Balance, end of year		<u>\$ 91,647</u>		<u>\$ 113,820</u>

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

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 18,950	\$ 6,783
Receivables - transient room taxes	8,835	8,192
Total Assets	\$ 27,785	\$ 14,975
Fund Balance		
Committed for tourism	\$ 27,785	\$ 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,</i>	2016			2015
	Budget	Actual	Variance with Budget	Actual
Revenues				
Transient taxes	\$ 46,000	\$ 55,461	\$ 9,461	\$ 14,975
Expenditures				
General government - miscellaneous	44,000	42,651	1,349	-
Net Change in Fund Balance	<u>\$ 2,000</u>	12,810	<u>\$ 8,112</u>	14,975
Fund Balance, beginning of year		<u>14,975</u>		<u>-</u>
Fund Balance, end of year		<u>\$ 27,785</u>		<u>\$ 14,975</u>

Debt Service Fund

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

Petersburg Borough, Alaska

Debt Service Fund
Balance Sheet

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 147,324	\$ 145,544
Receivables - grants and shared revenues	4,882	5,380
Total Assets	\$ 152,206	\$ 150,924
Fund Balance		
Assigned for debt service	\$ 152,206	\$ 150,924

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

<i>Years Ended June 30,</i>	2016			2015
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 490,186	\$ 488,264	\$ (1,922)	\$ 366,830
Expenditures				
Debt service:				
2005 general obligation aquatic center/voc.ed bonds:				
Principal	280,000	280,000	-	265,000
Interest	153,304	150,100	3,204	153,799
2007 general obligation aquatic center refunding bonds:				
Principal	55,000	55,000	-	50,000
Interest	36,431	36,431	-	38,925
2007 general obligation pool refunding bonds:				
Principal	18,337	18,337	-	18,337
Interest	5,325	5,325	-	6,190
2012 (Series 2) general obligation refunding school bonds:				
Principal	165,000	165,000	-	-
Interest	87,600	87,600	-	90,900
2012 (Series 3) general obligation library bonds:				
Principal	65,000	65,000	-	60,000
Interest	40,325	40,325	-	42,725
Other debt service charges	-	-	-	30,183
Total Expenditures	906,322	903,118	3,204	756,059
Excess (Deficiency) of Revenues Over Expenditures	(416,136)	(414,854)	1,282	(389,229)
Other Financing Sources (Uses)				
Transfers in	416,136	416,136	-	364,298
Refunding bonds issued	-	-	-	3,165,000
Premium on refunding	-	-	-	545,381
Payment to refunded bond escrow agent	-	-	-	(3,673,977)
Total Other Financing Sources (Uses)	416,136	416,136	-	400,702
Net Change in Fund Balance	<u>\$ -</u>	1,282	<u>\$ 1,282</u>	11,473
Fund Balance, beginning of year		<u>150,924</u>		<u>139,451</u>
Fund Balance, end of year		<u>\$ 152,206</u>		<u>\$ 150,924</u>

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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.

Police, Jail and Administration Building Renovation

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

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.

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.

Petersburg Borough, Alaska
Police, Jail, and Administration Building Renovation Capital Project Fund
Balance Sheet

<i>June 30,</i>	2016	2015
Assets		
Cash and investments	\$ 2,280,682	\$ 3,000
Receivables - grants	947,172	-
Total Assets	\$ 3,227,854	\$ 3,000
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 521,492	\$ -
Unearned revenue	3,000	3,000
Total Liabilities	524,492	3,000
Fund Balances		
Committed for capital projects	2,703,362	-
Total Liabilities and Fund Balance	\$ 3,227,854	\$ 3,000

Petersburg Borough, Alaska
Police, Jail, and Administrative Building Renovation Capital Project Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance

<i>Years Ended June 30,</i>	2016	2015
Revenues		
Intergovernmental	\$ 1,756,621	\$ -
Donations	250	-
Total Revenues	1,756,871	-
Expenditures		
Capital projects and improvements:		
Professional services	491,757	-
Construction	860,293	-
Public safety	223,189	-
Materials and supplies	206,242	-
Other	72,758	-
Total Expenditures	1,854,239	-
Deficiency of Revenues Over Expenditures	(97,368)	-
Other Financing Sources		
Transfers in	2,800,730	-
Net Change in Fund Balance	2,703,362	-
Fund Balance, beginning of year	-	-
Fund Balance, end of year	\$ 2,703,362	\$ -

Petersburg Borough, Alaska
Nonmajor Capital Project Funds
Combining Balance Sheet

<i>June 30, 2016</i>	Library Construc- tion	Fishing Park	Birch Street Rebuild	Rasmus Enge Bridge Reconstruction	Economic Development	Homeland Security	Totals
Assets							
Cash and investments	\$ 112,373	\$ 99,927	\$ 23,708	\$ 11,008	\$ 4,061,543	\$ -	\$ 4,308,559
Receivables:							
Grants	-	-	-	-	-	66,715	66,715
Accrued interest	-	-	-	-	2,720	-	2,720
Total Assets	\$ 112,373	\$ 99,927	\$ 23,708	\$ 11,008	\$ 4,064,263	\$ 66,715	\$ 4,377,994
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130
Due to other funds	-	-	-	-	-	66,715	66,715
Total Liabilities	130	-	-	-	-	66,715	66,845
Fund Balances							
Committed:							
Economic development	-	-	-	-	4,064,263	-	4,064,263
Capital projects	112,243	99,927	23,708	11,008	-	-	246,886
Total Fund Balances	112,243	99,927	23,708	11,008	4,064,263	-	4,311,149
Total Liabilities and Fund Balances	\$ 112,373	\$ 99,927	\$ 23,708	\$ 11,008	\$ 4,064,263	\$ 66,715	\$ 4,377,994

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

<i>Year Ended June 30, 2016</i>	Library Construc- tion	Fishing Park	Birch Street Rebuild	Rasmus Enge Bridge Reconstruction	Economic Development	Homeland Security	Totals
Revenues							
Intergovernmental	\$ 96,643	\$ -	\$ -	\$ -	\$ -	\$ 66,715	\$ 163,358
Investment income (loss)	-	-	-	-	(18,112)	-	(18,112)
Donations	150,000	-	-	-	-	-	150,000
Total Revenues	246,643	-	-	-	(18,112)	66,715	295,246
Expenditures							
Capital projects and improvements:							
Professional services	108,053	-	-	-	-	-	108,053
Contributions	-	-	-	-	100,000	-	100,000
Materials and supplies	25,352	-	-	-	-	66,715	92,067
Total Expenditures	133,405	-	-	-	100,000	66,715	300,120
Excess (Deficiency) of Revenues Over Expenditures	113,238	-	-	-	(118,112)	-	(4,874)
Other Financing Uses							
Transfers out	-	-	-	(167,486)	(165,000)	-	(332,486)
Net Change in Fund Balances	113,238	-	-	(167,486)	(283,112)	-	(337,360)
Fund Balances (Deficit), beginning of year	(995)	99,927	23,708	178,494	4,347,375	-	4,648,509
Fund Balances, end of year	\$ 112,243	\$ 99,927	\$ 23,708	\$ 11,008	\$ 4,064,263	\$ -	\$ 4,311,149

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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>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 7,366,431	\$ 6,519,465
Accounts receivable	395,291	411,843
Allowance for doubtful accounts	(3,057)	(1,672)
Inventories	285,610	313,493
Prepaid expenses	11,753	11,987
Total Current Assets	8,056,028	7,255,116
Property, Plant and Equipment		
Land and land improvements	1,848,295	1,848,295
Buildings	3,073,919	3,059,043
Improvements other than buildings	5,129,194	5,068,706
Machinery and equipment	16,980,411	17,018,539
Construction in progress	30,334	-
Total property, plant and equipment	27,062,153	26,994,583
Accumulated depreciation	(16,912,491)	(16,351,182)
Net Property, Plant and Equipment	10,149,662	10,643,401
Total Assets	18,205,690	17,898,517
Deferred Outflows of Resources, related to pension	260,117	105,830
Total Assets and Deferred Outflows of Resources	\$ 18,465,807	\$ 18,004,347
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 148,600	\$ 218,100
Accrued payroll and employee benefits	54,713	57,237
Accrued leave	86,571	90,019
Accrued interest	33,165	33,994
Customer deposits	31,864	32,769
Current portion of general obligation bonds	115,000	110,000
Total Current Liabilities	469,913	542,119
Noncurrent Liabilities		
General obligation bonds	2,165,000	2,280,000
Bond premium, net of accumulated amortization	43,142	46,223
Net pension liability	1,303,383	954,455
Total Noncurrent Liabilities	3,511,525	3,280,678
Total Liabilities	3,981,438	3,822,797
Deferred Inflows of Resources, related to pension	23,075	110,272
Net Position		
Net investment in capital assets	7,826,520	8,207,178
Unrestricted	6,634,774	5,864,100
Total Net Position	14,461,294	14,071,278
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 18,465,807	\$ 18,004,347

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

<i>Years Ended June 30,</i>	2016	2015
Operating Revenues		
Residential electric	\$ 1,970,473	\$ 1,915,809
Large commercial	2,258,359	2,141,208
General	817,080	805,178
Street and highway lighting	83,441	77,617
Harbor electric	232,957	201,843
Pole rental	52,540	51,400
Other	32,171	86,894
Total Operating Revenues	5,447,021	5,279,949
Operating Expenses		
Power production:		
Salaries	77,715	74,421
Employee benefits	44,069	40,800
Materials and supplies	104,513	150,222
Services and charges	79,110	32,736
SEAPA power purchase costs	2,773,025	2,713,200
Total power production	3,078,432	3,011,379
Distribution:		
Salaries	393,094	355,258
Employee benefits	218,341	182,983
Materials and supplies	10,292	27,069
Services and charges	40,898	38,918
Total distribution	662,625	604,228
General and administrative:		
Salaries	349,164	356,978
Employee benefits	266,808	240,617
Materials and supplies	87,249	178,674
Services and charges	192,656	208,212
Allocated overhead	179,156	184,766
Motor pool charges:		
Operation and maintenance	65,054	54,385
Equipment replacement	46,149	58,085
Total general and administrative	1,186,236	1,281,717

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

<i>Years Ended June 30,</i>	2016	2015
Operating Expenses, continued		
Depreciation	\$ 599,436	\$ 620,865
Total Operating Expenses	5,526,729	5,518,189
Loss from Operations	(79,708)	(238,240)
Nonoperating Revenues (Expenses)		
Investment income	116,822	55,785
SEAPA distribution	372,344	212,301
Interest expense	(124,138)	(128,188)
Gain on disposal of capital assets	12,150	-
Federal interest subsidy	30,969	29,732
State PERS relief	61,577	70,801
Total Nonoperating Revenues (Expenses)	469,724	240,431
Change in Net Position	390,016	2,191
Net Position, beginning of year	14,071,278	14,069,087
Net Position, end of year	\$ 14,461,294	\$ 14,071,278

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

<i>Years Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 5,836,397	\$ 5,530,486
Payments for interfund services used	(290,359)	(297,236)
Payments to suppliers	(3,329,126)	(3,468,680)
Payments to employees	(1,186,142)	(1,196,508)
Net cash flows from operating activities	1,030,770	568,062
Cash Flows for Capital and Related Financing Activities		
Purchase of property, plant and equipment	(105,697)	(94,133)
Proceeds from sale of capital assets	12,150	-
Principal paid on long-term debt	(110,000)	(105,000)
Interest paid on long-term debt	(128,048)	(135,716)
Federal interest subsidy received	30,969	29,732
Net cash flows for capital and related financing activities	(300,626)	(305,117)
Cash Flows from Investing Activities		
Investment income received	116,822	55,785
Net increase in cash and investments	846,966	318,730
Cash and Investments, beginning of year	6,519,465	6,200,735
Cash and Investments, end of year	\$ 7,366,431	\$ 6,519,465
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (79,708)	\$ (238,240)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	599,436	620,865
PERS relief	61,577	70,801
Amortization of deferred outflows of resources for pensions	(154,287)	(27,476)
Amortization of deferred inflows of resources for pensions	(87,197)	110,272
Nonoperating revenues received	372,344	212,301
Increase (decrease) in allowance for doubtful accounts	1,385	(10,695)
(Increase) decrease in assets:		
Accounts receivable	16,552	45,765
Inventories	27,883	(52,629)
Prepaid expenses	234	(813)
Increase (decrease) in liabilities:		
Accounts payable	(69,500)	(66,207)
Accrued payroll and employee benefits	(2,524)	336
Accrued leave	(3,448)	(25,572)
Customer deposits	(905)	3,166
Net pension liability	348,928	(73,812)
Net Cash Flows from Operating Activities	\$ 1,030,770	\$ 568,062

Petersburg Borough, Alaska

Electric Utility Enterprise Fund

Schedule of Electric Utility

Capital Projects

<i>Year Ended June 30, 2016</i>	Auto Control System	24.9 Rebuild	Standby Diesel Generator	Hydro Substation Upgrade	PMPL Headquarters Building Remodel	Totals
Funding Sources						
Electric utility	\$ 34,185	\$ 26,304	\$ 14,876	\$ 18,598	\$ 11,734	\$ 105,697
Expenditures						
Professional services	\$ 19,951	\$ -	\$ 14,876	\$ 16,239	\$ 11,734	\$ 62,800
Construction and contractors	-	26,304	-	-	-	26,304
Other	14,234	-	-	2,359	-	16,593
Total Expenditures	\$ 34,185	\$ 26,304	\$ 14,876	\$ 18,598	\$ 11,734	\$ 105,697

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

<i>June 30,</i>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,005,049	\$ 867,906
Receivables:		
Grants and loans	181	2,385
Accounts	83,407	85,045
Allowance for doubtful accounts	(595)	(189)
Inventories	50,916	74,731
Prepaid expenses	1,589	1,518
Total Current Assets	1,140,547	1,031,396
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
Construction in progress	23,333	-
Total property, plant and equipment	35,000,452	34,977,119
Accumulated depreciation	(13,834,145)	(12,994,391)
Net Property, Plant and Equipment	21,166,307	21,982,728
Total Assets	22,306,854	23,014,124
Deferred Outflows of Resources related to pension	42,705	10,011
Total Assets and Deferred Outflows of Resources	\$ 22,349,559	\$ 23,024,135
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,518	\$ 2,152
Accrued payroll and employee benefits	9,925	11,021
Accrued leave	11,644	10,099
Customer deposits	7,021	7,776
Accrued interest	40,193	37,406
Current portion - ADEC loans	305,550	302,435
Total Current Liabilities	375,851	370,889
Noncurrent Liabilities		
ADEC loans	2,880,674	3,186,224
Net pension liability	213,984	90,284
Total Noncurrent Liabilities	3,094,658	3,276,508
Total Liabilities	3,470,509	3,647,397
Deferred Inflows of Resources related to pension	3,788	10,431
Net Position		
Net investment in capital assets	17,980,083	18,494,069
Unrestricted	895,179	872,238
Total Net Position	18,875,262	19,366,307
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 22,349,559	\$ 23,024,135

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

<i>Years Ended June 30,</i>	2016	2015
Operating Revenues		
Residential water	\$ 523,359	\$ 512,675
Commercial water	475,543	421,400
Water delivery	8,509	13,121
Other	6,152	5,746
Total Operating Revenues	1,013,563	952,942
Operating Expenses		
Salaries	185,091	180,122
Employee benefits	171,474	93,337
Materials and supplies	201,526	129,977
Services and charges	128,825	117,305
Allocated overhead	75,162	65,123
Motor pool charges:		
Operation and maintenance	4,789	10,669
Equipment replacement	10,731	16,862
Depreciation	839,753	841,535
Total Operating Expenses	1,617,351	1,454,930
Loss from Operations	(603,788)	(501,988)
Nonoperating Revenues (Expenses)		
Investment income	15,108	6,191
Interest expense	(77,475)	(42,367)
State PERS relief	10,110	6,697
Total Nonoperating Revenues (Expenses)	(52,257)	(29,479)
Loss before transfers	(656,045)	(531,467)
Transfers in	165,000	165,000
Change in Net Position	(491,045)	(366,467)
Net Position, beginning of year	19,366,307	19,732,774
Net Position, end of year	\$ 18,875,262	\$ 19,366,307

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

<i>Years Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,014,852	\$ 960,957
Payments for interfund services used	(90,682)	(92,654)
Payments to suppliers	(307,241)	(255,965)
Payments to employees	(261,643)	(265,730)
Net cash flows from operating activities	355,286	346,608
Cash Flows for Capital and Related Financing Activities		
Principal paid on long-term debt	(302,435)	(259,990)
Interest paid on long-term debt	(74,687)	(42,364)
Purchase of property, plant and equipment	(23,333)	-
Transfers in	165,000	165,000
Capital contributions received	2,204	24,140
Net cash flows for capital and related financing activities	(233,251)	(113,214)
Cash Flows from Investing Activities		
Investment income received	15,108	6,191
Net increase in cash and investments	137,143	239,585
Cash and Investments, beginning of year	867,906	628,321
Cash and Investments, end of year	\$ 1,005,049	\$ 867,906
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (603,788)	\$ (501,988)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	839,753	841,535
PERS relief	10,110	6,697
Amortization of deferred outflows of resources for pensions	(32,694)	(2,599)
Amortization of deferred inflows of resources for pensions	(6,643)	10,431
Increase (decrease) in allowance for doubtful accounts	406	(2,697)
(Increase) decrease in assets:		
Accounts receivable	1,638	9,843
Inventories	23,815	(10,517)
Prepaid expenses	(71)	1,375
Increase (decrease) in liabilities:		
Accounts payable	(634)	459
Accrued payroll and employee benefits	(1,096)	(1,132)
Accrued leave	1,545	1,734
Customer deposits	(755)	869
Net pension liability	123,700	(7,402)
Net Cash Flows from Operating Activities	\$ 355,286	\$ 346,608

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

<i>June 30,</i>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 806,309	\$ 1,327,891
Receivables:		
Grants and loan	1,251,746	85,177
Accounts	72,881	69,375
Allowance for doubtful accounts	(699)	(359)
Inventories	24,910	22,750
Prepaid expenses	5,253	4,373
Total Current Assets	2,160,400	1,509,207
Property, Plant and Equipment		
Buildings	9,091,647	9,091,647
Improvements other than buildings	9,507,240	9,325,818
Machinery and equipment	414,226	407,311
Construction in progress	1,702,651	308,401
Total property, plant and equipment	20,715,764	19,133,177
Accumulated depreciation	(10,897,491)	(10,568,223)
Net Property, Plant and Equipment	9,818,273	8,564,954
Total Assets	11,978,673	10,074,161
Deferred Outflows of Resources related to pension	49,034	21,631
Total Assets and Deferred Outflows of Resources	\$ 12,027,707	\$ 10,095,792
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable - operations	\$ 116,156	\$ 35,518
Accounts payable - capital	644,496	-
Accrued payroll and employee benefits	15,611	13,046
Accrued leave	19,033	18,861
Customer deposits	6,481	6,665
Accrued interest	20,870	5,871
Current portion of ADEC loans	88,945	87,603
Total Current Liabilities	911,592	167,564
Noncurrent Liabilities		
ADEC loans	2,055,810	1,744,750
Net pension liability	245,697	195,083
Total Noncurrent Liabilities	2,301,507	1,939,833
Total Liabilities	3,213,099	2,107,397
Deferred Inflows of Resources related to pension	4,350	22,539
Net Position		
Net investment in capital assets	7,673,518	6,732,601
Unrestricted	1,136,740	1,233,255
Total Net Position	8,810,258	7,965,856
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 12,027,707	\$ 10,095,792

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

<i>Years Ended June 30,</i>	2016	2015
Operating Revenues		
Residential sewer	\$ 559,639	\$ 532,997
Commercial sewer	205,154	195,378
Other	17,517	13,152
Total Operating Revenues	782,310	741,527
Operating Expenses		
Salaries	192,345	181,830
Employee benefits	115,524	111,459
Materials and supplies	38,057	41,265
Services and charges	108,262	96,802
Allocated overhead	54,080	49,807
Motor pool charges:		
Operation and maintenance	19,686	20,612
Equipment replacement	50,084	36,537
Depreciation	329,268	308,216
Total Operating Expenses	907,306	846,528
Loss from Operations	(124,996)	(105,001)
Nonoperating Revenues (Expenses)		
Investment income	20,876	11,135
Interest expense	(59,013)	(5,906)
State PERS relief	11,608	14,472
Total Nonoperating Revenues (Expenses)	(26,529)	19,701
Loss before capital contributions	(151,525)	(85,300)
Capital contributions	995,927	156,729
Change in Net Position	844,402	71,429
Net Position, beginning of year	7,965,856	7,894,427
Net Position, end of year	\$ 8,810,258	\$ 7,965,856

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

<i>Years Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 778,960	\$ 834,244
Payments for interfund services used	(123,850)	(106,956)
Payments to suppliers	(68,721)	(109,434)
Payments to employees	(288,502)	(276,453)
Net cash flows from operating activities	297,887	341,401
Cash Flows for Capital and Related Financing Activities		
Principal paid on long-term debt	(87,603)	(33,187)
Interest paid on long-term debt	(44,014)	(5,898)
Purchase of property, plant and equipment	(938,091)	(157,571)
Proceeds from issuance of debt	28,842	39,671
Capital contributions received	200,521	-
Net cash flows for capital and related financing activities	(840,345)	(156,985)
Cash Flows from Investing Activities		
Investment income received	20,876	11,135
Net increase (decrease) in cash and investments	(521,582)	195,551
Cash and Investments, beginning of year	1,327,891	1,132,340
Cash and Investments, end of year	\$ 806,309	\$ 1,327,891
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (124,996)	\$ (105,001)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	329,268	308,216
PERS relief	11,608	14,472
Amortization of deferred outflows of resources for pensions	(27,403)	(5,616)
Amortization of deferred inflows of resources for pensions	(18,189)	22,539
Increase (decrease) in allowance for doubtful accounts	340	(1,969)
(Increase) decrease in assets:		
Accounts receivable	(3,506)	93,448
Inventories	(2,160)	5,422
Prepaid expenses	(880)	(100)
Increase (decrease) in liabilities:		
Accounts payable	80,638	23,311
Accrued payroll and employee benefits	2,565	(224)
Accrued leave	172	1,660
Customer deposits	(184)	1,238
Net pension liability	50,614	(15,995)
Net Cash Flows from Operating Activities	\$ 297,887	\$ 341,401
Supplemental Disclosure of Cash Flow Information		
Capital assets purchased on account	\$ 644,496	\$ -

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

<i>Year Ended June 30, 2016</i>	Pumpstation #1 Upgrade	SCADA Upgrade	Scow Bay Pumpstation #1 Upgrade	Composting and Septage Receiving	Totals
Funding Sources					
Intergovernmental	\$ 995,927	\$ -	\$ -	\$ -	\$ 995,927
Wastewater Utility	383,528	3,350	5,420	9,374	401,672
Total Funding Sources	\$ 1,379,455	\$ 3,350	\$ 5,420	\$ 9,374	\$ 1,397,599
Expenditures					
Contractor	\$ 1,257,794	\$ -	\$ -	\$ 9,374	\$ 1,267,168
Professional services	121,661	3,350	5,420	-	130,431
Total Expenditures	\$ 1,379,455	\$ 3,350	\$ 5,420	\$ 9,374	\$ 1,397,599

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

<i>June 30,</i>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 315,500	\$ 394,185
Accounts receivable	110,792	94,169
Allowance for doubtful accounts	(530)	(454)
Prepaid expenses	4,696	4,487
Total Current Assets	430,458	492,387
Property, Plant and Equipment		
Land and land improvements	63,720	63,720
Buildings	2,211,180	2,211,180
Improvements other than buildings	807,695	778,532
Machinery and equipment	310,352	219,767
Total property, plant and equipment	3,392,947	3,273,199
Accumulated depreciation	(1,394,935)	(1,255,610)
Net Property, Plant and Equipment	1,998,012	2,017,589
Total Assets	2,428,470	2,509,976
Deferred Outflows of Resources related to pension	55,679	14,986
Total Assets and Deferred Outflows of Resources	\$ 2,484,149	\$ 2,524,962
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 25,320	\$ 29,244
Accrued payroll and employee benefits	16,634	15,798
Accrued leave	11,222	11,547
Customer deposits	8,641	8,331
Total Current Liabilities	61,817	64,920
Noncurrent Liabilities		
Net pension liability	278,995	135,151
Estimated landfill closure liability	65,968	101,330
Total Noncurrent Liabilities	344,963	236,481
Total Liabilities	406,780	301,401
Deferred Inflows of Resources related to pension	4,939	15,615
Net Position		
Net investment in capital assets	1,998,012	2,017,589
Unrestricted	74,418	190,357
Total Net Position	2,072,430	2,207,946
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,484,149	\$ 2,524,962

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

<i>Years Ended June 30,</i>	2016	2015
Operating Revenues		
Refuse collection	\$ 806,773	\$ 808,587
Landfill charges	332,116	306,895
Other	5,975	2,395
Total Operating Revenues	1,144,864	1,117,877
Operating Expenses		
Salaries	243,455	224,068
Employee benefits	221,571	115,784
Materials and supplies	41,476	36,832
Services and charges	134,088	184,583
Bale disposal	234,143	240,362
Allocated overhead	85,573	81,726
Motor pool charges:		
Operation and maintenance	102,172	79,920
Equipment replacement	97,853	85,777
Depreciation	139,325	74,062
Total Operating Expenses	1,299,656	1,123,114
Loss from Operations	(154,792)	(5,237)
Nonoperating Revenues		
Investment income	6,095	3,482
State PERS relief	13,181	10,026
Total Nonoperating Revenues	19,276	13,508
Change in Net Position	(135,516)	8,271
Net Position, beginning of year	2,207,946	2,199,675
Net Position, end of year	\$ 2,072,430	\$ 2,207,946

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

<i>Years Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,128,627	\$ 1,132,036
Payments for interfund services used	(285,598)	(247,423)
Payments to suppliers	(449,202)	(478,594)
Payments to employees	(358,859)	(336,115)
Net cash flows from operating activities	34,968	69,904
Cash Flows for Capital and Related Financing Activities		
Purchase of property, plant and equipment	(119,748)	(64,179)
Cash Flows from Investing Activities		
Investment income received	6,095	3,482
Net increase (decrease) in cash and investments	(78,685)	9,207
Cash and Investments, beginning of year	394,185	384,978
Cash and Investments, end of year	\$ 315,500	\$ 394,185
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (154,792)	\$ (5,237)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	139,325	74,062
PERS relief	13,181	10,026
Amortization of deferred outflows of resources for pensions	(40,693)	(3,891)
Amortization of deferred inflows or resources for pensions	(10,676)	15,615
Increase (decrease) in allowance for doubtful accounts	76	(2,638)
(Increase) decrease in assets:		
Accounts receivable	(16,623)	15,867
Prepaid expenses	(209)	629
Increase (decrease) in liabilities:		
Accounts payable	(3,924)	7,624
Accrued payroll and employee benefits	836	(1,631)
Accrued leave	(325)	(5,301)
Customer deposits	310	930
Net pension liability	143,844	(11,081)
Landfill closure liability	(35,362)	(25,070)
Net Cash Flows from Operating Activities	\$ 34,968	\$ 69,904

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

<i>June 30,</i>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 2,701,719	\$ 1,848,826
Receivables:		
Grants	-	253,511
Accounts	197,449	179,006
Allowance for doubtful accounts	(24,490)	(13,201)
Prepaid expenses	13,151	12,564
Total Current Assets	2,887,829	2,280,706
Property, Plant and Equipment		
Land and land improvements	360,059	360,059
Buildings	339,690	339,690
Improvements other than buildings	37,355,199	37,334,947
Machinery and equipment	552,033	552,033
Construction in progress	141,993	14,950
Total property, plant and equipment	38,748,974	38,601,679
Accumulated depreciation	(10,239,737)	(8,876,763)
Net Property, Plant and Equipment	28,509,237	29,724,916
Total Assets	31,397,066	32,005,622
Deferred Outflows of Resources		
Deferred outflows of resources related to pension	125,562	39,375
Deferred charges on refunding	13,373	16,048
Total Deferred Outflows of Resources	138,935	55,423
Total Assets and Deferred Outflows of Resources	\$ 31,536,001	\$ 32,061,045
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 6,438	\$ 54,758
Accrued payroll and employee benefits	35,651	33,730
Accrued leave	56,512	63,652
Prepaid moorage	107,966	125,683
Accrued interest	2,008	3,129
Current portion of general obligation bonds	99,996	91,663
Total Current Liabilities	308,571	372,615
Noncurrent Liabilities		
General obligation bonds	441,649	541,645
Bond premium, net of accumulated amortization	6,621	7,945
Net pension liability	629,160	355,112
Total Noncurrent Liabilities	1,077,430	904,702
Total Liabilities	1,386,001	1,277,317
Deferred Inflows of Resources related to pension	11,139	41,027
Net Position		
Net investment in capital assets	27,974,344	29,099,711
Unrestricted	2,164,517	1,642,990
Total Net Position	30,138,861	30,742,701
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 31,536,001	\$ 32,061,045

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

<i>Years Ended June 30,</i>	2016	2015
Operating Revenues		
Harbor charges	\$ 1,049,805	\$ 961,799
Port charges and leases	169,865	164,678
Other	5,248	3,212
Total Operating Revenues	1,224,918	1,129,689
Operating Expenses		
Salaries	407,578	393,099
Employee benefits	411,003	228,189
Materials and supplies	48,723	47,300
Services and charges	241,169	218,448
Allocated overhead	77,183	73,010
Motor pool charges:		
Operation and maintenance	15,843	23,272
Equipment replacement	3,879	4,157
Depreciation	1,362,976	1,017,517
Total Operating Expenses	2,568,354	2,004,992
Loss from Operations	(1,343,436)	(875,303)
Nonoperating Revenues (Expenses)		
Investment income	39,560	11,793
Interest expense	(26,849)	(32,292)
State PERS relief	29,724	26,344
Total Nonoperating Revenues (Expenses)	42,435	5,845
Loss before capital contributions and transfers	(1,301,001)	(869,458)
Capital contributions	127,043	6,874,044
Transfers in	570,118	949,729
Change in Net Position	(603,840)	6,954,315
Net Position, beginning of year	30,742,701	23,788,386
Net Position, end of year	\$ 30,138,861	\$ 30,742,701

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

<i>Years Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,200,047	\$ 1,101,046
Payments for interfund services used	(96,905)	(100,439)
Payments to suppliers	(338,799)	(264,935)
Payments to employees	(636,103)	(592,142)
Net cash flows from operating activities	128,240	143,530
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(91,663)	(91,663)
Interest paid on long-term debt	(26,621)	(32,594)
Purchase of property, plant and equipment	(147,295)	(7,007,901)
Transfers in	570,118	949,729
Capital contributions received	380,554	7,300,646
Net cash flows from capital and related financing activities	685,093	1,118,217
Cash Flows from Investing Activities		
Investment income received	39,560	11,793
Net increase in cash and investments	852,893	1,273,540
Cash and Investments, beginning of year	1,848,826	575,286
Cash and Investments, end of year	\$ 2,701,719	\$ 1,848,826
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (1,343,436)	\$ (875,303)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	1,362,976	1,017,517
PERS relief	29,724	26,344
Amortization of deferred outflows of resources for pensions	(86,187)	(10,223)
Amortization of deferred inflows of resources for pensions	(29,888)	41,027
Increase in allowance for doubtful accounts	11,289	5,522
(Increase) decrease in assets:		
Accounts receivable	(18,443)	(45,766)
Prepaid expenses	(587)	(4,506)
Increase (decrease) in liabilities:		
Accounts payable	(48,320)	5,319
Accrued payroll and employee benefits	1,921	5,961
Accrued leave	(7,140)	(6,500)
Prepaid moorage	(17,717)	11,601
Net pension liability	274,048	(27,463)
Net Cash Flows from Operating Activities	\$ 128,240	\$ 143,530

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

<i>Year Ended June 30, 2016</i>	Commercial Dock Drive
Funding Source - Intergovernmental	\$ 127,043
Expenditures	
Professional services	\$ 9,380
Construction and contractors	113,032
Other	4,631
Total Expenditures	\$ 127,043

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

<i>June 30,</i>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 611,108	\$ 591,852
Prepaid expenses	2,432	2,323
Total Current Assets	613,540	594,175
Restricted Cash - security deposits	17,480	17,476
Property, Plant and Equipment		
Land and land improvements	127,419	127,419
Buildings	2,897,973	2,897,973
Improvements other than buildings	240,316	230,106
Machinery and equipment	113,741	113,741
Total property, plant and equipment	3,379,449	3,369,239
Accumulated depreciation	(2,430,972)	(2,334,517)
Net Property, Plant and Equipment	948,477	1,034,722
Total Assets	1,579,497	1,646,373
Deferred Outflows of Resources		
Deferred outflows of resources related to pension	31,534	5,813
Deferred charges on refunding	22,116	25,275
Total Deferred Outflows of Resources	53,650	31,088
Total Assets and Deferred Outflows of Resources	\$ 1,633,147	\$ 1,677,461
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,006	\$ 1,892
Accrued payroll and employee benefits	7,547	7,268
Accrued leave	2,021	1,376
Unearned revenue	1,252	1,307
Customer deposits	9,372	9,564
Accrued interest	6,092	7,417
Current portion of general obligation bonds	42,500	41,250
Total Current Liabilities	70,790	70,074
Noncurrent Liabilities		
General obligation bonds	351,250	393,750
Bond premium, net of accumulated amortization	51,721	59,110
Net pension liability	158,009	52,430
Total Noncurrent Liabilities	560,980	505,290
Total Liabilities	631,770	575,364
Deferred Inflows of Resources related to pension	2,797	6,057
Net Position		
Net investment in capital assets	525,122	565,887
Unrestricted	473,458	530,153
Total Net Position	998,580	1,096,040
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,633,147	\$ 1,677,461

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

<i>Years Ended June 30,</i>	2016	2015
Operating Revenues		
Federal government - rental subsidies	\$ 261,443	\$ 259,611
Rental income	117,499	122,016
Total Operating Revenues	378,942	381,627
Operating Expenses		
Salaries	96,496	84,876
Employee benefits	131,038	42,487
Materials and supplies	8,408	9,338
Services and charges	114,795	106,910
Allocated overhead	26,794	26,606
Motor pool charges:		
Operation and maintenance	3,083	3,728
Equipment replacement	3,194	1,891
Depreciation	96,455	90,700
Total Operating Expenses	480,263	366,536
Income (Loss) from Operations	(101,321)	15,091
Nonoperating Revenues (Expenses)		
Investment income	9,940	5,036
Interest expense	(13,544)	(16,296)
State PERS relief	7,465	3,890
Total Nonoperating Revenues (Expenses)	3,861	(7,370)
Income (loss) before capital contributions	(97,460)	7,721
Capital contributions	-	9,736
Change in Net Position	(97,460)	17,457
Net Position, beginning of year	1,096,040	1,078,583
Net Position, end of year	\$ 998,580	\$ 1,096,040

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

<i>Years Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 378,695	\$ 380,884
Payments for interfund services used	(33,071)	(32,225)
Payments to suppliers	(123,198)	(118,127)
Payments to employees	(142,547)	(120,786)
Net cash flows from operating activities	79,879	109,746
Cash Flows for Capital and Related Financing Activities		
Principal paid on long-term debt	(41,250)	(40,000)
Interest paid on long-term debt	(19,099)	(20,625)
Purchase of property, plant and equipment	(10,210)	(55,602)
Capital contributions received	-	9,736
Net cash flows for capital and related financing activities	(70,559)	(106,391)
Cash Flows from Investing Activities		
Investment income received	9,940	5,036
Net increase in cash and investments	19,260	8,391
Cash and Investments, beginning of year	609,328	600,937
Cash and Investments, end of year	\$ 628,588	\$ 609,328
Cash and Investments at End of Year		
Cash and investments	\$ 611,108	\$ 591,852
Restricted cash	17,480	17,476
Total Cash and Investments	\$ 628,588	\$ 609,328
Reconciliation of Income (Loss) from Operations to Net Cash		
Flows from Operating Activities		
Income (loss) from operations	\$ (101,321)	\$ 15,091
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	96,455	90,700
PERS relief	7,465	3,890
Amortization of deferred outflows of resources for pensions	(25,721)	(1,509)
Amortization of deferred inflows of resources for pensions	(3,260)	6,057
Increase in assets - prepaid expenses	(109)	(1,480)
Increase (decrease) in liabilities:		
Accounts payable	114	(399)
Accrued payroll and employee benefits	279	3,384
Accrued leave	645	(946)
Unearned revenue	(55)	208
Customer deposits	(192)	(951)
Net pension liability	105,579	(4,299)
Net Cash Flows from Operating Activities	\$ 79,879	\$ 109,746

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

<i>June 30,</i>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 230,593	\$ 236,085
Prepaid expenses	14,768	15,220
Total Current Assets	245,361	251,305
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	(1,301,253)	(1,200,786)
Net Property, Plant and Equipment	2,708,179	2,808,646
Total Assets	2,953,540	3,059,951
Deferred Outflows of Resources		
Deferred outflows of resources related to pension	154,391	48,920
Deferred charges on refunding	66,347	75,826
Total Deferred Outflows of Resources	220,738	124,746
Total Assets and Deferred Outflows of Resources	\$ 3,174,278	\$ 3,184,697
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 9,530	\$ 2,285
Accrued payroll and employee benefits	40,239	39,445
Accrued leave	44,315	38,635
Unearned revenue	3,204	3,004
Customer deposits	4,500	4,500
Accrued interest	18,275	22,250
Current portion of general obligation bonds	127,500	123,750
Total Current Liabilities	247,563	233,869
Noncurrent Liabilities		
General obligation bonds	1,053,750	1,181,250
Bond premium, net of accumulated amortization	155,165	177,331
Net pension liability	773,616	441,192
Total Noncurrent Liabilities	1,982,531	1,799,773
Total Liabilities	2,230,094	2,033,642
Deferred Inflows of Resources - related to pension	13,696	50,973
Net Position		
Net investment in capital assets	1,438,111	1,402,141
Deficit	(507,623)	(302,059)
Total Net Position	930,488	1,100,082
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 3,174,278	\$ 3,184,397

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

<i>Years Ended June 30,</i>	2016	2015
Operating Revenues		
Rents and royalties	\$ 253,841	\$ 256,241
Fees for services	412,770	380,873
Medicaid services	353,543	310,875
General relief for services	22,145	30,411
Transportation	4,938	3,103
Other revenues	3,485	3,797
Total Operating Revenues	1,050,722	985,300
Operating Expenses		
Salaries	565,315	526,505
Employee benefits	506,529	279,598
Materials and supplies	98,444	102,763
Services and charges	104,566	98,953
Allocated overhead	70,200	69,454
Motor pool charges:		
Operation and maintenance	3,083	3,539
Equipment replacement	3,194	1,891
Depreciation	100,467	100,467
Total Operating Expenses	1,451,798	1,183,170
Loss from Operations	(401,076)	(197,870)
Nonoperating Revenues (Expenses)		
Interest expense	(40,637)	(48,887)
Investment income	4,521	2,619
State PERS relief	36,548	32,729
Total Nonoperating Revenues (Expenses)	432	13,539
Loss before transfers	(400,644)	(211,409)
Transfers in	231,050	231,575
Change in Net Position	(169,594)	20,166
Net Position, beginning of year	1,100,082	1,079,916
Net Position, end of year	\$ 930,488	\$ 1,100,082

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

<i>Years Ended June 30,</i>	2016	2015
Cash Flows for Operating Activities		
Receipts from customers and users	\$ 1,050,922	\$ 985,257
Payments for interfund services used	(76,477)	(74,884)
Payments to suppliers	(195,313)	(209,134)
Payments to employees	(839,146)	(764,192)
Net cash flows for operating activities	(60,014)	(62,953)
Cash Flows from Capital and Related Financing Activities		
Principal paid on long term debt	(123,750)	(120,000)
Interest paid on long term debt	(57,299)	(61,575)
Transfers in	231,050	231,575
Net cash flows from capital and related financing activities	50,001	50,555
Cash Flows from Investing Activities		
Investment income received	4,521	2,619
Net decrease in cash and investments	(5,492)	(10,334)
Cash and Investments, beginning of year	236,085	246,419
Cash and Investments, end of year	\$ 230,593	\$ 236,085
Reconciliation of Loss from Operations to Net Cash		
Flows for Operating Activities		
Loss from operations	\$ (401,076)	\$ (197,870)
Adjustments to reconcile loss from operations to net cash flows for operating activities:		
Noncash expenses:		
Depreciation	100,467	100,467
PERS relief	36,548	32,729
Amortization of deferred outflows of resources for pensions	(105,471)	(12,701)
Amortization of deferred inflows of resources for pensions	(37,277)	50,973
(Increase) decrease in liabilities:		
Prepaid expenses	452	(4,438)
Increase (decrease) in liabilities:		
Accounts payable	7,245	(2,980)
Accrued payroll and employee benefits	794	5,656
Accrued leave	5,680	1,427
Unearned revenue	200	557
Customer deposits	-	(600)
Net pension liability	332,424	(36,173)
Net Cash Flows for Operating Activities	\$ (60,014)	\$ (62,953)

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>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 4,340,497	\$ 4,742,465
Receivables - other	3,136	3,979
Prepaid expenses	3,949	2,968
Total Current Assets	4,347,582	4,749,412
Equipment	6,996,540	6,174,435
Accumulated depreciation	(4,258,775)	(3,984,416)
Net Equipment	2,737,765	2,190,019
Total Assets	7,085,347	6,939,431
Deferred Outflows of Resources - related to pension	36,276	15,265
Total Assets and Deferred Outflows of Resources	\$ 7,121,623	\$ 6,954,696
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,791	\$ 11,433
Accrued payroll and employee benefits	9,505	9,276
Accrued leave	19,427	25,517
Total Current Liabilities	30,723	46,226
Noncurrent Liabilities - net pension liability	181,772	137,674
Total Liabilities	212,495	183,900
Deferred Inflows of Resources - related to pension	3,218	15,906
Net Position		
Net investment in capital assets	2,737,765	2,190,019
Unrestricted	4,168,145	4,564,871
Total Net Position	6,905,910	6,754,890
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 7,121,623	\$ 6,954,696

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

<i>Years Ended June 30,</i>	2016	2015
Operating Revenues		
Operation and maintenance charges	\$ 427,337	\$ 476,817
Replacement reserve charges	428,021	465,985
Other	121	-
Total Operating Revenues	855,479	942,802
Operating Expenses		
Salaries	115,410	133,900
Employee benefits	74,876	74,001
Materials and supplies	180,725	208,109
Services and charges	59,579	51,579
Motor pool charges:		
Operation and maintenance	7,960	14,755
Equipment replacement	137	2,414
Depreciation	274,359	311,947
Total Operating Expenses	713,046	796,705
Income from Operations	142,433	146,097
Nonoperating Revenues		
Gain on sale of capital assets	-	111,985
State PERS relief	8,587	10,212
Total Nonoperating Revenues	8,587	122,197
Income before capital contributions	151,020	268,294
Capital contributions	-	34,253
Change in Net Position	151,020	302,547
Net Position, beginning of year	6,754,890	6,452,343
Net Position, end of year	\$ 6,905,910	\$ 6,754,890

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

<i>Years Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from interfund services provided	\$ 856,322	\$ 942,942
Payments for interfund services used	(8,097)	(17,169)
Payments to suppliers	(250,927)	(253,030)
Payments to employees	(177,161)	(190,471)
Net cash flows from operating activities	420,137	482,272
Cash Flows for Capital and Related Financing Activities		
Proceeds from sale of equipment	-	138,725
Purchase of equipment	(822,105)	(452,201)
Capital contribution received	-	34,253
Net cash flows for capital and related financing activities	(822,105)	(279,223)
Net increase (decrease) in cash and investments	(401,968)	203,049
Cash and Investments, beginning of year	4,742,465	4,539,416
Cash and Investments, end of year	\$ 4,340,497	\$ 4,742,465
Reconciliation of Income from Operations to Net Cash		
Flows from Operating Activities		
Income from operations	\$ 142,433	\$ 146,097
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	274,359	311,947
PERS relief	8,587	10,212
Amortization of deferred outflows of resources for pensions	(21,011)	(3,963)
Amortization of deferred inflows of resources for pensions	(12,688)	15,906
(Increase) decrease in assets:		
Accounts receivable - other	843	140
Prepaid expenses	(981)	(75)
Increase (decrease) in liabilities:		
Accounts payable	(9,642)	6,733
Accrued payroll and employee benefits	229	24
Accrued leave	(6,090)	6,539
Net pension liability	44,098	(11,288)
Net Cash Flows from Operating Activities	\$ 420,137	\$ 482,272

Petersburg Borough, Alaska
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Passed Through Entity Identifying Number	Total Grant Award	Passed Through to Subrecipients	Federal Share of Expend- itures
Department of Agriculture					
Forest Service Schools and Roads Cluster:					
USDA Project: Green's Camp Phase I&II	10.665		\$ 95,580	\$ -	\$ 439
USDA Project: Wilson Creek	10.665		65,000	-	17,550
USDA Project: City Creek Trail	10.665		60,000	-	8,047
Passed through the State of Alaska Department of Commerce, Community and Economic Development - National Forest Receipts					
	10.665	N/A	577,742	-	577,742
Total Forest Service Schools and Roads Cluster					
				-	603,778
Total Department of Agriculture					
				-	603,778
Department of Justice					
2014 Bullet Proof Vest Program	16.607		1,433	-	1,433
2015 Bullet Proof Vest Program	16.607		1,084	-	1,084
Passed through the State of Alaska Department of Public Safety and the City and Borough of Sitka - Edward Byrne Memorial Justice Assistance					
	16.738	16-206	42,514	-	42,514
Total Department of Justice					
				-	45,031
Environmental Protection Agency					
Passed through the State of Alaska Department of Environmental Conservation:					
Clean Water State Revolving Fund Cluster:					
ACWF Scow Bay Pumpstation 1, Upgrade Loan	66.458	985271	56,000	-	1,246
ACWF Pumpstation 1, Upgrade Loan Subsidy	66.458	685261	828,702	-	318,162
Total Clean Water State Revolving Fund Cluster					
				-	319,408
Total Environmental Protection Agency					
				-	319,408
Institute of Museum and Library Services					
Passed through the State of Alaska Department of Education and Early Development:					
ILC: Learner to Malers/STEAM Programming	45.310	LS-00-14-0002-14	8,800	-	8,800

The accompanying notes are an integral part of this schedule.

Petersburg Borough, Alaska
Schedule of Expenditures of Federal Awards, continued
Year Ended June 30, 2016

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Passed Through Entity Identifying Number	Total Grant Award	Passed Through to Subrecipients	Federal Share of Expend- itures
Department of Homeland Security					
Passed through the State of Alaska Department of Military and Veteran Affairs:					
2015 Homeland Security Grant	97.067	20SHSP-GR34094	\$ 149,000	\$ -	\$ 149,000
2014 Homeland Security Grant	97.067	14SHSP-GR34094	81,119	-	66,715
Total Department of Homeland Security				-	215,715
Department of the Interior					
Passed through the State of Alaska Department of Commerce, Community and Economic Development - Payment in Lieu of Tax					
	15.226	N/A	603,537	-	603,537
Total Expenditures of Federal Awards				\$ -	\$1,796,269

The accompanying notes are an integral part of this schedule.

Petersburg Borough, Alaska
Schedule of State Financial Assistance
Year Ended June 30, 2016

Name of Award	Grant Number	Total Grant Award	State Share of Expend- itures
Department of Commerce, Community and Economic Development			
*Public Library Construction	12-DC-422	\$ 263,000	\$ 96,643
Sons of Norway Hall Renovation/Improvements	13-DC-300	250,000	66,256
Police Department Design, Planning, and Pre-Construction	13-DC-341	350,000	23,035
Sandy Beach Bathroom Remodel	13-DM-093	25,000	7,596
Sandy Beach Shelter	13-DM-186	40,000	2,251
*Police Station and Jail Facility	14-DC-128	2,500,000	1,239,036
Cemetery Columbarium	15-DC-135	85,000	64,598
*PD/Jail/Admin/Finance Facility	15-DC136	1,007,500	345,550
Fish Resource Landing Tax	2016	14,377	14,377
*Commercial Dock/Vehicle Drive Down Design/Construction	13-DC-595	5,600,000	127,043
*Shared Fisheries Business Tax	2016	820,118	820,118
Total Department of Commerce, Community and Economic Development			<u>2,806,503</u>
Department of Education and Early Development			
*Debt Retirement Program	2016	488,264	488,264
Public Library Assistance Grant	PLA-16-76101	6,650	6,650
Total Department of Education and Early Development			<u>494,914</u>
Department of Natural Resources			
E. Haugen Public Use Area Maintenance	2015	6,242	4,616
E. Haugen Public Use Area Maintenance	2016	6,242	1,664
Total Department of Natural Resources			<u>6,280</u>
Department of Environmental Conservation			
*Pump Station 1 Upgrades	MMG 68535	1,714,125	995,927

The accompanying notes are an integral part of this schedule.

Petersburg Borough, Alaska
Schedule of State Financial Assistance, continued
Year Ended June 30, 2016

Name of Award	Grant Number	Total Grant Award	State Share of Expend- itures
Department of Military and Veteran's Affairs			
Local Emergency Planning Committee	15 LEPC-GR35602	\$ 9,589	\$ 505
Local Emergency Planning Committee	20 LEPC-GY16	6,368	<u>6,368</u>
Total Department of Military and Veteran's Affairs			<u>6,873</u>
Department of Revenue			
*Revenue Sharing	2016	511,894	511,894
Liquor Licenses	2015	900	900
Liquor Licenses	2016	7,700	<u>7,700</u>
Total Department of Revenue			<u>520,494</u>
Department of Administration			
*PERS Relief	N/A	285,062	<u>285,062</u>
Total State Financial Assistance			<u>\$ 5,116,053</u>

* Major Program

The accompanying notes are an integral part of this schedule.

Petersburg Borough, Alaska

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and the schedule of state financial assistance (the "Schedules") includes the federal and state award activity of Petersburg Borough (the Borough) excluding its component units, Petersburg School District and Petersburg Medical Center, under programs of the federal and state governments for the year ended June 30, 2016. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the schedules presents only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in financial position, or cash flows of the Borough.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Federal De Minimis Indirect Cost Rate Election

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

4. PERS On-Behalf

The Borough has recorded \$285,062 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 FY2016.

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. This creates a significant 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, 2016, 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 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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.

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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 22, 2016



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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 the Uniform Guidance

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, 2016. 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. Our audit, described below, did not include the operations of the Petersburg School District because it was subjected to a separate audit; however it did not meet the threshold for an audit in accordance with the Uniform Guidance. 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 Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
December 22, 2016



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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, 2016. 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 \$7,314,462 in state awards which is not included in Petersburg Borough's schedule of state financial assistance during the year ended June 30, 2016. 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.

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, 2016.

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 22, 2016

Petersburg Borough, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued on whether the financial Statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X (none reported)

Noncompliance material to financial statements noted? yes X no

Federal Financial Assistance

Internal control over major federal programs:

Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X (none reported)

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
10.665	Schools and Roads - Grants to States	Department of Agriculture Forest Service

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

State Financial Assistance

Internal control over major state programs:

Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X (none reported)

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

Dollar threshold used to distinguish a State major program: \$ 75,000

Petersburg Borough, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2016

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 *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) 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.