



## Petersburg Borough, Alaska

Basic Financial Statements, Required  
Supplementary Information, Supplementary  
Information, and Single Audit Reports  
Year Ended June 30, 2018

## **Petersburg Borough, Alaska**

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Basic Financial Statements, Required Supplementary Information,  
Supplementary Information, and Single Audit Reports  
Year Ended June 30, 2018

# Petersburg Borough, Alaska

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## Financial Section

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## Independent Auditor's Report

Honorable Mayor and Borough Assembly  
Petersburg Borough, Alaska

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2018, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of Petersburg Borough, Alaska, as of June 30, 2018, 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.

## *Emphasis of Matter*

As discussed in Note 2 to the financial statements, in 2018 the Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 17, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund on page 70, and the Schedules of the Borough's Information on the Net Pension Liability and Pension Contributions and Schedules of the Borough's Information on the Net OPEB Liability and OPEB Contributions on pages 71 through 74, 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 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 and combining and individual fund financial statements and schedules listed in the table of contents 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*.

The accompanying Schedule of Expenditures of Federal Awards and combining and individual fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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, 2017 (not presented herein), and have issued our report thereon dated January 24, 2018 which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the 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, 2017 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, 2017 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 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, 2017.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Petersburg Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Petersburg Borough's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
February 8, 2019

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## Management's Discussion & Analysis

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# Petersburg Borough

## Management's Discussion and Analysis

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This section offers readers of the Petersburg Borough's (the Borough) financial statements a narrative overview and analysis of the financial activities of the Borough for the fiscal year that ended June 30, 2018. 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

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- The assets and deferred outflows of resources of the Borough exceed its liabilities at the close of the most recent year by \$129.7 million. Of this amount, \$16.3 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 \$3.6 million and was available for spending. The unassigned fund balance for the General Fund represented 41% of total General Fund expenditures exclusive of transfers out.

### Overview of the Financial Statements

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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, community services, culture and recreation, and education services. The business-type activities of the Borough include the electric, water, wastewater 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

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

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

The financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance. The Borough has one major governmental fund, the General Fund. Data from thirteen other governmental funds are combined into a single, aggregated presentation, labeled the Non-major Funds. The thirteen Non-major governmental funds report revenues and expenditures for: Miscellaneous Grants, National Forest Receipts - Schools, National Forest Receipts - Streets & Roads, Property Development, E911 Surcharge, Borough Organizational, Transient Room Tax, Debt Service, Library Construction, Fishing Park, Birch Economic Development, Homeland Security, and Police, Jail and Administration Building Renovation.

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 Facilities 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 34. 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

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### *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 and deferred inflows of resources by \$129,709,204 at the close of the most recent fiscal year. This was a net decrease of \$918,825 from the previous year. In 2018, the Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, opening net position was restated lower by \$1,901,597 from the previous year.

The largest portion of the Borough's net position, 84%, 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	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$ 14,763,531	\$ 14,632,681	\$ 17,504,093	\$ 17,575,216	\$ 32,267,624	\$ 32,207,897
Restricted cash and investments	-	-	17,486	17,486	17,486	17,486
Capital assets, net of depreciation	51,568,335	52,701,639	72,479,880	74,479,658	124,048,215	127,181,297
Deferred outflows of resources	796,613	1,378,711	631,723	1,103,984	1,428,336	2,482,695
<b>Total Assets and Deferred Outflows of Resources</b>	<b>67,128,479</b>	<b>68,713,031</b>	<b>90,633,182</b>	<b>93,176,344</b>	<b>157,761,661</b>	<b>161,889,375</b>
<b>Liabilities</b>						
Long-term liabilities outstanding	11,852,714	13,228,843	13,452,528	14,689,383	25,305,242	27,918,226
Other liabilities	446,151	583,868	697,850	737,541	1,144,001	1,321,409
Deferred Inflows of resources	873,670	63,796	729,544	56,318	1,603,214	120,114
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>13,172,535</b>	<b>13,876,507</b>	<b>14,879,922</b>	<b>15,483,242</b>	<b>28,052,457</b>	<b>29,359,749</b>
<b>Net Position</b>						
Net investment in capital assets	45,464,620	45,924,969	64,042,162	65,244,099	109,506,782	111,169,068
Restricted	3,921,265	3,773,343	-	-	3,921,265	3,773,343
Unrestricted	4,570,059	5,138,212	11,711,098	12,449,003	16,281,157	17,587,215
<b>Total Net Position</b>	<b>\$ 53,955,944</b>	<b>\$ 54,836,524</b>	<b>\$ 75,753,260</b>	<b>\$ 77,693,102</b>	<b>\$ 129,709,204</b>	<b>\$ 132,529,626</b>



# Petersburg Borough

## Management's Discussion and Analysis

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### *Governmental Activities*

Governmental activities change in net position for 2018 was an increase of \$141,103. Key elements of this follows:

- \$3.36 million and \$2.96 million in property tax and sales tax revenues, respectively.
- Grants and entitlements revenue not restricted to specific purpose of \$1.28 million.

The net position for the Borough's governmental activities is \$54 million. A substantial portion (84%) of the net position is invested in capital assets net of related debt. The Borough uses these assets to provide services to the citizens. The unrestricted net position of the governmental activities is \$4.57 million as of June 30, 2018.

### *Business-type Activities*

The net position for the Borough's business-type activities is \$75.8 million, a decrease of \$1,059,928. As with governmental activities, a substantial portion (85%) 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 \$11.7 million as of June 30, 2018. This is a decrease in unrestricted net position of \$907,566.

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# Petersburg Borough

## Management's Discussion and Analysis

**Table 2**  
**Changes in Net Position**

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.

	Governmental Activities		Business-type Activities		Total Activities	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 625,511	\$ 662,741	\$ 12,032,970	\$ 11,585,730	\$ 12,658,481	\$ 12,248,471
Operating grants and contributions	1,323,597	622,349	143,298	173,021	1,466,895	795,370
Capital grants and contributions	166,801	3,385,465	2,742	1,688,092	169,543	5,073,557
General Revenues:						
Property Tax	3,356,815	3,151,083	-	-	3,356,815	3,151,083
Sales Tax	2,961,386	2,950,026	-	-	2,961,386	2,950,026
Payment in lieu of taxes	585,888	578,688	-	-	585,888	578,688
Other taxes	318,571	301,145	-	-	318,571	301,145
Grants and entitlements not restricted to a specific purpose	1,280,039	698,998	-	-	1,280,039	698,998
Investment Income	335,962	312,761	57,092	30,198	393,054	342,959
Other	6,856	4,586	-	-	6,856	4,586
<b>Total revenues</b>	<b>10,961,426</b>	<b>12,667,842</b>	<b>12,236,102</b>	<b>13,477,041</b>	<b>23,197,528</b>	<b>26,144,883</b>
<b>Expenses</b>						
General Government	1,167,960	1,728,988	-	-	1,167,960	1,728,988
Public Safety	2,557,871	2,401,050	-	-	2,557,871	2,401,050
Public Works	1,473,877	1,424,236	-	-	1,473,877	1,424,236
Community Development	311,940	308,461	-	-	311,940	308,461
Community Services	138,404	272,322	-	-	138,404	272,322
Culture & Recreation	1,943,474	2,070,661	-	-	1,943,474	2,070,661
Education	2,221,728	2,215,509	-	-	2,221,728	2,215,509
Electric utility	-	-	6,032,668	6,330,003	6,032,668	6,330,003
Water utility	-	-	1,566,826	1,592,957	1,566,826	1,592,957
Wastewater utility	-	-	928,997	1,031,092	928,997	1,031,092
Sanitation utility	-	-	1,108,016	1,262,567	1,108,016	1,262,567
Harbor/Port Facilities	-	-	2,847,546	2,646,474	2,847,546	2,646,474
Elderly Housing	-	-	418,702	449,701	418,702	449,701
Assisted Living	-	-	1,398,344	1,751,827	1,398,344	1,751,827
<b>Total expenses</b>	<b>9,815,254</b>	<b>10,421,227</b>	<b>14,301,099</b>	<b>15,064,621</b>	<b>24,116,353</b>	<b>25,485,848</b>
Increase (decrease) in net position before transfers	1,146,172	2,246,615	(2,064,997)	(1,587,580)	(918,825)	659,035
Transfers	(1,005,069)	(511,582)	1,005,069	511,582	-	-
Increase (decrease) in net position	141,103	1,735,033	(1,059,928)	(1,075,998)	(918,825)	659,035
<b>Beginning net position, as restated</b>	<b>53,814,841</b>	<b>53,101,491</b>	<b>76,813,188</b>	<b>78,769,100</b>	<b>130,628,029</b>	<b>131,870,591</b>
<b>Ending net position</b>	<b>\$ 53,955,944</b>	<b>\$ 54,836,524</b>	<b>\$ 75,753,260</b>	<b>\$ 77,693,102</b>	<b>\$ 129,709,204</b>	<b>\$ 132,529,626</b>

# Petersburg Borough

## Management's Discussion and Analysis

Figure 1

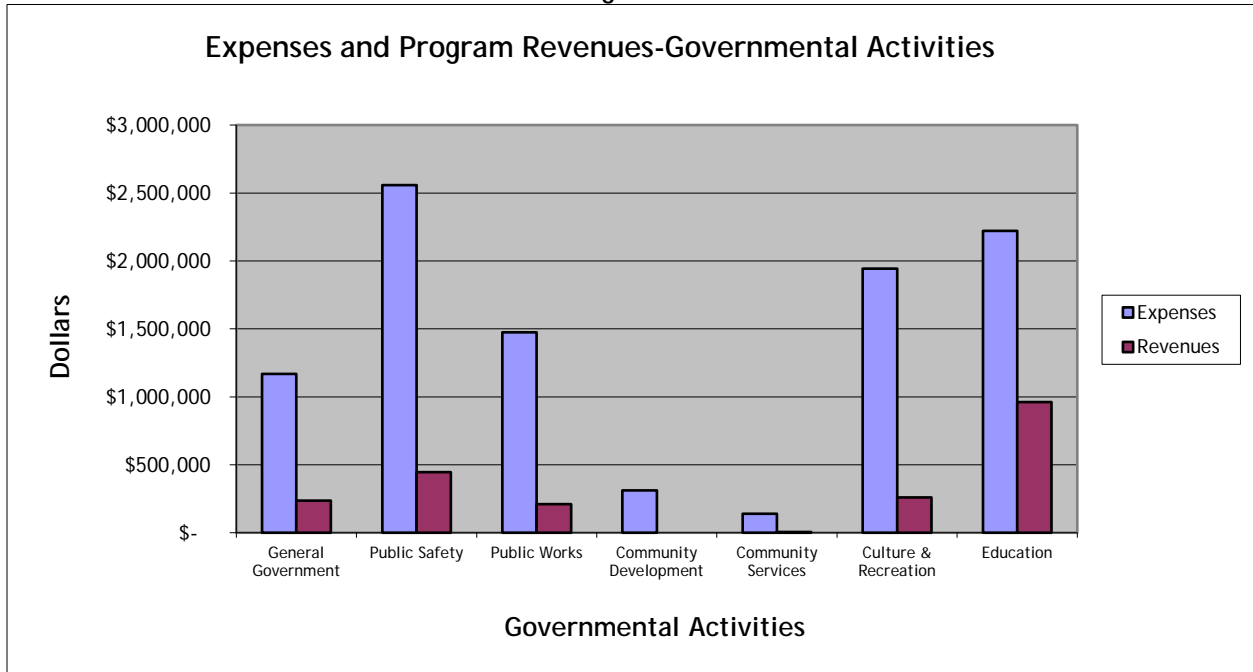
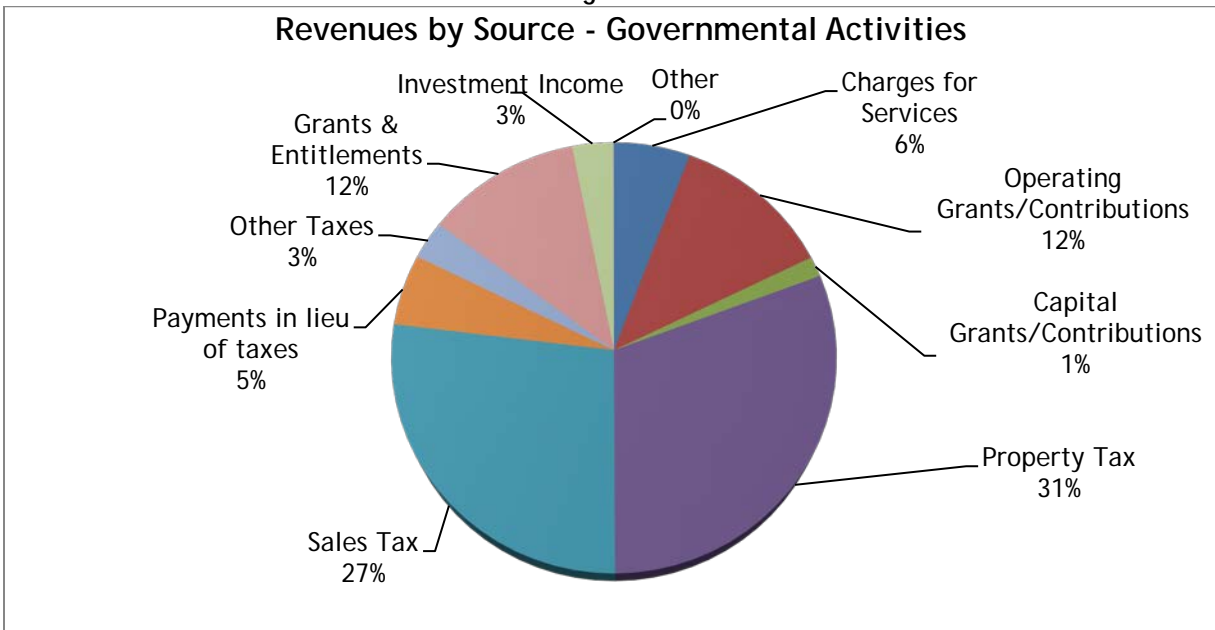


Figure 2 shows the percentages of all revenue sources for governmental activities, both program and general. In 2018, sales taxes and property tax totaled 27% and 31%, respectively, of revenues, both increasing from the prior year's 23% and 25%. This increase is the result of a decrease in capital grants and contributions.

Figure 2



# Petersburg Borough

## Management's Discussion and Analysis

**Business Type Activities.** Net position decreased by \$1,059,928 for the Borough's business-type activities.

Figure 3 shows expenses and program revenues for 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

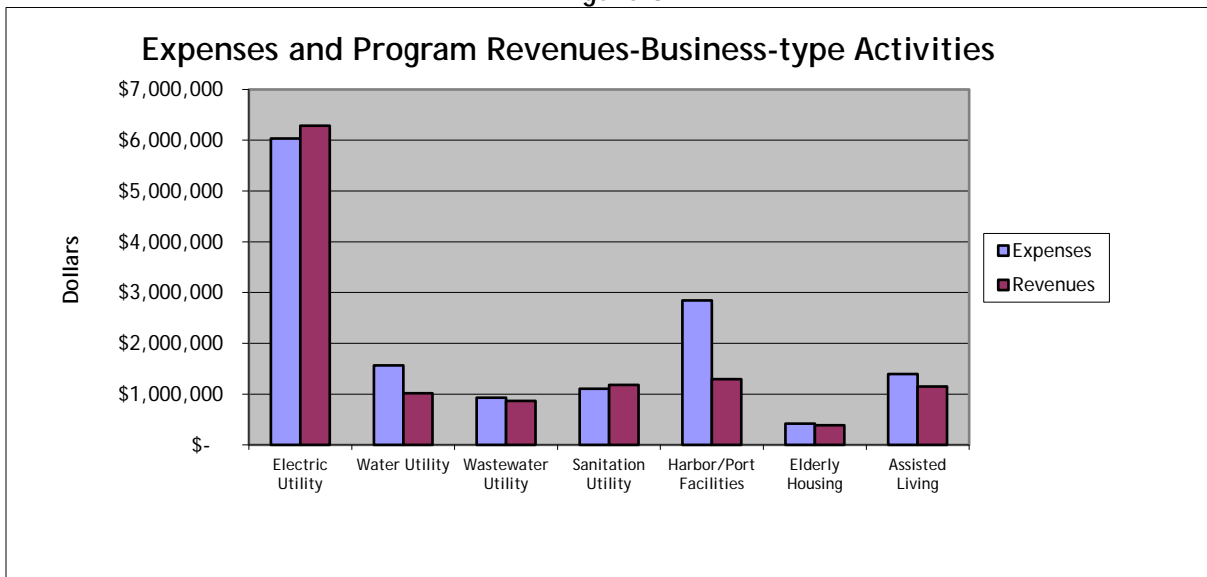
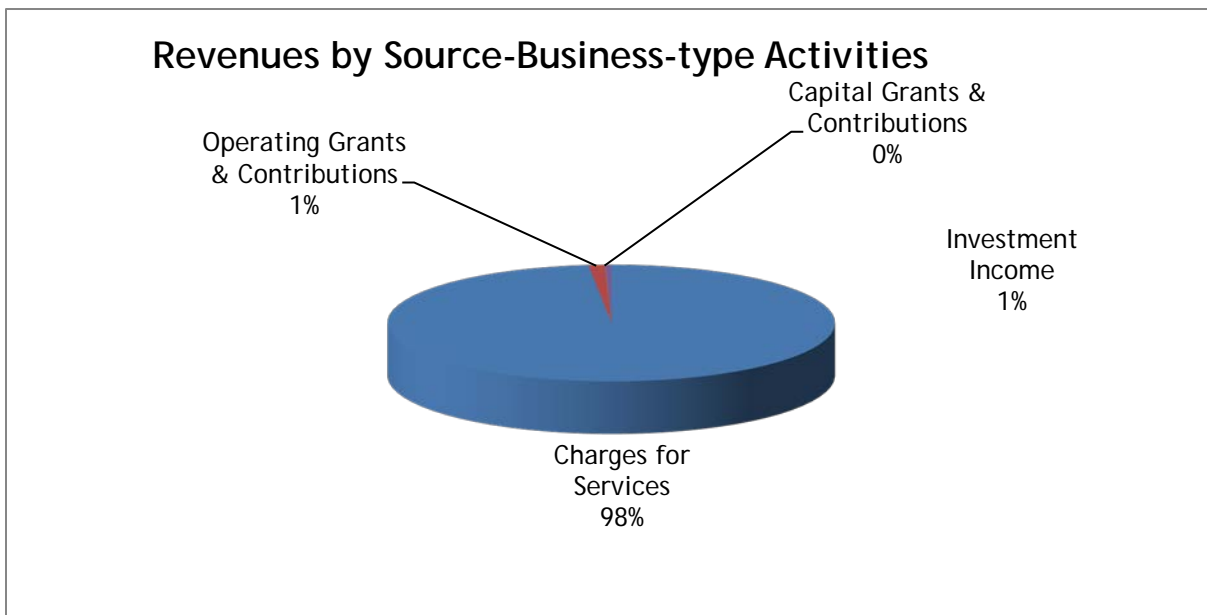


Figure 4



# Petersburg Borough

## Management's Discussion and Analysis

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### *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 \$12,483,914, an increase of \$208,436 in comparison with the prior year.

The total fund balances of the governmental funds are made up of five components. \$62,619 nonspendable, which is the General Fund's prepaid health insurance, \$3,921,265 restricted (National Forest Receipts School and Public Roads funding), \$4,624,829 committed (primarily for economic development and capital projects), \$256,248 assigned (Debt Service and Borough Organizational), and \$3,618,953 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 \$3,618,953, while total fund balance was \$3,681,572. 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 41% of total General Fund expenditures. This is a decrease of 6% from the previous year. In 2017 unassigned fund balance increased by 3%.

**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 \$6,052,966, a decrease of \$636,449 from the prior year.
- The Water Utility Fund's unrestricted net position was \$821,483, a decrease of \$130,120.
- The Wastewater Utility Fund's unrestricted net position was \$899,529 at the end of the year, an increase of \$45,297.
- The Sanitation Utility Fund is showing a large increase in this year's unrestricted net position due to net income from operations and a decrease in the net pension liability. Unrestricted net position was \$218,825, which is an increase of \$144,978 from the prior year.
- The Harbor Fund increased its unrestricted net position by \$172,193, to end the year at \$2,110,380. The majority of this increase is due to a larger share of State Fisheries Business Tax payment received of \$877,158.

# Petersburg Borough

## Management's Discussion and Analysis

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- The Elderly Housing Fund's unrestricted net position showed a decrease in fiscal year 2018 of \$62,518 to end the year at \$368,806.
- The Assisted Living Fund presents a deficit of unrestricted net position of \$1,262,177 at year end. This is due to the net pension and net other postemployment benefits liabilities, and related deferred outflows and inflows of resources amounting to \$1,107,504. Without these long-term liabilities and related deferred outflows and inflows of resources the deficit net position in FY 2018 would have been \$154,673.
- The Motor Pool Fund's unrestricted net position showed a slight increase in fiscal year 2018 of \$18,409 for a total of \$4,185,901.

### *General Fund Budgetary Highlights*

- General Fund revenues exceeds expenditures by \$1,092,431, which was a positive variance of \$180,021 over what was budgeted. This was due to actual expenditures being less than what was budgeted by \$67,595 and actual revenues exceeding budgeted amounts by \$112,426.
- Total taxes revenue recognized equaled \$6,619,701, a positive variance of \$55,701 from what was budgeted. This was mostly due to tobacco tax revenue exceeding what was budgeted by \$37,078.
- Intergovernmental revenue recognized was \$2,158,862, a positive variance of \$30,770 from what was budgeted. This is due to revenue from federal payments in lieu of taxes and state fisheries business tax revenues exceeding what was budgeted by \$35,888 and \$27,158, respectively.
- The General Fund had unbudgeted transfers out of \$492,269, due chiefly to a transfer of out of \$464,710 to the Police, Jail and Administration Building Renovation Capital Project Fund to cover capital costs.

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# Petersburg Borough

## Management's Discussion and Analysis

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### *Capital Asset and Debt Administration*

**Capital Assets.** As of June 30, 2018, the Borough had invested \$124 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 \$3.1 million.

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

- \$433,766 in renovations to the Police, Jail and Administration building.
- \$56,000 for the purchase of tsunami sirens.
- \$50,542 for the purchase of police communications equipment.
- \$632,035 on renovations to the Petersburg Municipal Power and Light building.
- \$135,214 on improvements for the 24.9 KV Electric Upgrade project.
- \$185,741 on the Electric Utility Generator Set Replacement project.
- \$228,732 on construction for the City Creek Dam Rehabilitation project.
- \$2,351,338 on construction for Wastewater Pumpstation #1.
- New motor pool vehicles purchased this year included a new SUV for the police department (\$48,015), an ambulance for the fire department (\$191,240), a forklift for the sanitation department (\$35,362) and a pickup truck for the wastewater department (\$34,978).

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**Petersburg Borough**  
**Management's Discussion and Analysis**

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

	Governmental activities		Business-type activities		Total activities	
	2018	2017	2018	2017	2018	2017
Land and improvements	\$ 4,076,919	\$ 4,066,348	\$ 2,399,493	\$ 2,399,493	\$ 6,476,412	\$ 6,465,841
Infrastructure	15,721,932	15,859,294	-	-	15,721,932	15,859,294
Buildings	27,548,487	28,641,269	12,238,539	12,090,617	39,787,026	40,731,886
Improvements other than buildings	72,581	79,122	53,410,032	53,300,663	53,482,613	53,379,785
Machinery and equipment	3,267,871	3,167,014	3,535,644	3,890,312	6,803,515	7,057,326
Construction in progress	880,545	888,592	896,172	2,798,573	1,776,717	3,687,165
<b>Total Capital Assets</b>	<b>\$ 51,568,335</b>	<b>\$ 52,701,639</b>	<b>\$ 72,479,880</b>	<b>\$ 74,479,658</b>	<b>\$ 124,048,215</b>	<b>\$ 127,181,297</b>

Additional information on the Borough's capital assets can be found in note 7 to the financial statements.

**Long-term Debt.** At the end of the current fiscal year, the Borough had total long-term debt outstanding of \$25.3 million. Of this amount, \$10.1 million comprises debt backed by the full faith and credit of the government (i.e., general obligation bonds), with outstanding unamortized bond premiums of \$920,782. \$714,668 is employee accrued leave. \$8,363,876 represents the Borough's net pension liability associated with membership in the State of Alaska Public Employees' Retirement System (PERS). \$1,346,167 is due to the Borough's net other postemployment benefits (OPEB) liability, also related to membership in PERS. \$4,703,775 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**

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**Table 4**  
**Borough of Petersburg Outstanding Debt**

	Governmental activities		Business-type activities		Total activities	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 6,301,852	\$ 7,005,586	\$ 3,808,934	\$ 4,241,851	\$ 10,110,786	\$ 11,247,437
Accrued leave	409,518	499,965	305,150	246,440	714,668	746,405
Net pension liability	4,406,244	5,723,292	3,957,632	5,052,454	8,363,876	10,775,746
Net OPEB liability	735,100	-	611,067	-	1,346,167	-
Loans, long-term	-	-	4,703,775	5,082,668	4,703,775	5,082,668
Landfill closure liability	-	-	65,970	65,970	65,970	65,970
<b>Total Long-Term Debt</b>	<b>\$ 11,852,714</b>	<b>\$ 13,228,843</b>	<b>\$ 13,452,528</b>	<b>\$ 14,689,383</b>	<b>\$ 25,305,242</b>	<b>\$ 27,918,226</b>

The Borough's governmental activities debt decreased by \$1,376,129 due to a decrease in the net pension liability of \$1,317,048 and continued repayment and amortization of outstanding general obligation bonds and premiums of \$703,734, being offset by the recording of the net OPEB liability of \$735,100. The Borough's business-type activities debt decreased by \$1,236,855, due to a decrease in the net pension liability of \$1,094,822 and continued repayment of general obligation bonds and ADEC loans of \$811,810, offset by the recording of the net OPEB liability of \$611,067.

Additional information on the Petersburg Borough's long-term debt can be found in note 8 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, 2018.
- Construction projects scheduled for the 2019 fiscal year include the Electric department's 24.9 Rebuild project, Scow Bay 1 Pump Station Upgrade, Pump Station 4 Force Main Replacement, City Creek Dam Rehabilitation, the PMPL Headquarters Building Remodel, and other smaller projects.
- Harbor Moorage rates increase on July 1, 2018 by approximately 12%.
- The new Marine Passenger Fee will go into effect beginning January 1, 2019 with a charge of \$5 per passenger.
- Anticipating more State of Alaska cuts to funding due to large State budget deficits.

For a copy of the Fiscal Year 2019 budget go to the Borough's website at [www.petersburgak.gov](http://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](mailto:jtow@petersburgak.gov).

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## Basic Financial Statements

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**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, 2018</i>					
<b>Assets and Deferred Outflows of Resources</b>					
<b>Assets</b>					
Cash and investments	\$ 16,616,285	\$ 13,655,919	\$ 30,272,204	\$ 2,660,899	\$ 4,105,198
Receivables, net	555,575	921,919	1,477,494	205,495	4,475,206
Internal balances	(2,475,603)	2,475,603	-	-	-
Inventory	-	386,706	386,706	17,912	210,499
Prepaid items	67,274	63,946	131,220	293,760	118,539
Restricted cash and investments	-	17,486	17,486	-	3,257,046
Land and construction in progress	4,957,464	3,295,665	8,253,129	81,159	-
Other capital assets, net of accumulated depreciation	46,610,871	69,184,215	115,795,086	439,162	4,358,350
<b>Total Assets</b>	<b>66,331,866</b>	<b>90,001,459</b>	<b>156,333,325</b>	<b>3,698,387</b>	<b>16,524,838</b>
<b>Deferred Outflows of Resources</b>					
Related to pension	475,192	454,247	929,439	549,414	831,948
Related to other postemployment benefits	123,284	102,485	225,769	161,682	289,374
Deferred charges on refunding	198,137	74,991	273,128	-	-
<b>Total Deferred Outflows of Resources</b>	<b>796,613</b>	<b>631,723</b>	<b>1,428,336</b>	<b>711,096</b>	<b>1,121,322</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 67,128,479</b>	<b>\$ 90,633,182</b>	<b>\$ 157,761,661</b>	<b>\$ 4,409,483</b>	<b>\$ 17,646,160</b>

**Petersburg Borough, Alaska**  
**Statement of Net Position, continued**

<i>June 30, 2018</i>	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Petersburg School District	Petersburg Medical Center
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>					
<b>Liabilities</b>					
Accounts payable	\$ 79,175	\$ 275,501	\$ 354,676	\$ 63,856	\$ 250,144
Accrued payroll and employee benefits	262,002	198,798	460,800	20,617	375,616
Unearned revenue	28,298	48,221	76,519	293	-
Customer deposits	-	63,814	63,814	-	-
Accrued interest	76,676	111,516	188,192	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued leave	409,518	305,150	714,668	57,304	606,983
Bonds payable	611,667	413,333	1,025,000	-	-
Loans payable	-	400,894	400,894	-	-
Capital lease	-	-	-	-	119,977
Due in more than one year:					
Bonds payable	4,970,017	3,194,987	8,165,004	-	-
Bond premium, net	720,168	200,614	920,782	-	-
Loans payable	-	4,302,881	4,302,881	-	-
Capital lease	-	-	-	-	280,269
Net pension liability	4,406,244	3,957,632	8,363,876	5,283,285	10,281,573
Net other postemployment benefits liability	735,100	611,067	1,346,167	598,742	1,645,401
Landfill closure liability	-	65,970	65,970	-	-
<b>Total Liabilities</b>	<b>12,298,865</b>	<b>14,150,378</b>	<b>26,449,243</b>	<b>6,024,097</b>	<b>13,559,963</b>
<b>Deferred Inflows of Resources</b>					
Related to pension	492,220	412,456	904,676	543,426	1,014,783
Related to other postemployment benefits	381,450	317,088	698,538	389,344	839,365
<b>Total Deferred Inflows of Resources</b>	<b>873,670</b>	<b>729,544</b>	<b>1,603,214</b>	<b>932,770</b>	<b>1,854,148</b>
<b>Net Position</b>					
Net investment in capital assets	45,464,620	64,042,162	109,506,782	439,162	3,958,104
Restricted:					
School support and roads	3,921,265	-	3,921,265	-	-
Scholarships	-	-	-	80,188	-
Foundation	-	-	-	-	399,382
Unrestricted	4,570,059	11,711,098	16,281,157	(3,066,734)	(2,125,437)
<b>Total Net Position</b>	<b>53,955,944</b>	<b>75,753,260</b>	<b>129,709,204</b>	<b>(2,547,384)</b>	<b>2,232,049</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 67,128,479</b>	<b>\$ 90,633,182</b>	<b>\$ 157,761,661</b>	<b>\$ 4,409,483</b>	<b>\$ 17,646,160</b>

*See accompanying notes to basic financial statements.*

## Petersburg Borough, Alaska

## Statement of Activities

Year Ended June 30, 2018	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total	Peters- burg School District	Peters- burg Medical Center
					Governmental Activities	Business- type Activities			
<b>Primary Government</b>									
Governmental activities:									
General government	\$ 1,167,960	\$ 107,469	\$ 129,307	\$ -	\$ (931,184)	\$ -	\$ (931,184)	\$ -	\$ -
Public safety	2,557,871	325,947	13,121	106,542	(2,112,261)	-	(2,112,261)	-	-
Public works	1,473,877	24,904	184,323	-	(1,264,650)	-	(1,264,650)	-	-
Community development	311,940	-	-	-	(311,940)	-	(311,940)	-	-
Community services	138,404	2,410	-	-	(135,994)	-	(135,994)	-	-
Culture and recreation	1,943,474	164,781	34,557	60,259	(1,683,877)	-	(1,683,877)	-	-
Education	2,221,728	-	962,289	-	(1,259,439)	-	(1,259,439)	-	-
<b>Total governmental activities</b>	<b>9,815,254</b>	<b>625,511</b>	<b>1,323,597</b>	<b>166,801</b>	<b>(7,699,345)</b>		<b>(7,699,345)</b>		
Business-type activities:									
Electric utility	6,032,668	6,213,192	70,903	-	-	251,427	251,427	-	-
Water utility	1,566,826	1,008,775	6,058	-	-	(551,993)	(551,993)	-	-
Wastewater utility	928,997	854,860	8,946	2,742	-	(62,449)	(62,449)	-	-
Sanitation utility	1,108,016	1,169,972	7,947	-	-	69,903	69,903	-	-
Harbor and port facilities	2,847,546	1,276,129	18,953	-	-	(1,552,464)	(1,552,464)	-	-
Elderly housing	418,702	384,171	4,663	-	-	(29,868)	(29,868)	-	-
Assisted living facilities	1,398,344	1,125,871	25,828	-	-	(246,645)	(246,645)	-	-
<b>Total business-type activities</b>	<b>14,301,099</b>	<b>12,032,970</b>	<b>143,298</b>	<b>2,742</b>	<b>-</b>	<b>(2,122,089)</b>	<b>(2,122,089)</b>		

**Petersburg Borough, Alaska**  
**Statement of Activities, continued**

Year Ended June 30, 2018	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Primary Government		Component Units		
					Govern- mental Activities	Business- type Activities	Total	Peters- burg School District	Peters- burg Medical Center
<b>Total Primary Government</b>	\$ 24,116,353	\$ 12,658,481	\$ 1,466,895	\$ 169,543	\$ (7,699,345)	\$ (2,122,089)	\$ (9,821,434)	-	-
Component Units									
School District - education	\$ 9,301,010	\$ 109,171	\$ 1,532,264	\$ 46,915				\$ (7,612,660)	\$ -
Medical center	\$ 15,330,005	\$ 15,523,354	\$ 707,866	\$ -				\$ -	\$ 901,215
<b>General Revenues</b>									
Property taxes					3,356,815	-	3,356,815	-	-
Sales taxes					2,961,386	-	2,961,386	-	-
Payments in lieu of taxes					585,888	-	585,888	-	-
Other taxes					318,571	-	318,571	-	-
Contributions from primary government					-	-	-	1,800,000	-
Grants and entitlements not restricted to a specific purpose					1,280,039	-	1,280,039	5,919,312	-
Investment income					335,962	57,092	393,054	731	180,137
Other					6,856	-	6,856	134,938	77,873
<b>Transfers</b>					(1,005,069)	1,005,069	-	-	-
<b>Total General Revenues and Transfers</b>					7,840,448	1,062,161	8,902,609	7,854,981	258,010
<b>Change in Net Position</b>					141,103	(1,059,928)	(918,825)	242,321	1,159,225
<b>Net Position, beginning of year, restated (Note 2)</b>					53,814,841	76,813,188	130,628,029	(2,789,705)	1,072,824
<b>Net Position, end of year</b>					\$ 53,955,944	\$ 75,753,260	\$ 129,709,204	\$ (2,547,384)	\$ 2,232,049

*See accompanying notes to basic financial statements.*

## Petersburg Borough, Alaska

## Governmental Funds

## Balance Sheet

<i>June 30, 2018</i>	<u>Major Fund</u> General	Nonmajor Funds	Total Govern- mental Funds
<b>Assets</b>			
Cash and investments	\$ 3,438,853	\$ 8,768,758	\$ 12,207,611
Receivables, net of allowance for doubtful accounts:			
Property taxes	15,961	-	15,961
Sales, tobacco and transient room taxes	388,365	18,511	406,876
Grants and shared revenues	-	43,652	43,652
Accounts	16,778	-	16,778
Interest	58,892	2,196	61,088
Prepaid insurance	62,619	-	62,619
Due from other funds	34,301	-	34,301
<b>Total Assets</b>	<b>\$ 4,015,769</b>	<b>\$ 8,833,117</b>	<b>\$ 12,848,886</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 77,407	\$ 272	\$ 77,679
Accrued payroll and employee benefits	243,492	6,885	250,377
Unearned revenue	13,298	15,000	28,298
Due to other funds	-	8,618	8,618
<b>Total Liabilities</b>	<b>334,197</b>	<b>30,775</b>	<b>364,972</b>
<b>Fund Balances</b>			
Nonspendable	62,619	-	62,619
Restricted	-	3,921,265	3,921,265
Committed	-	4,624,829	4,624,829
Assigned	-	256,248	256,248
Unassigned	3,618,953	-	3,618,953
<b>Total Fund Balances</b>	<b>3,681,572</b>	<b>8,802,342</b>	<b>12,483,914</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,015,769</b>	<b>\$ 8,833,117</b>	<b>\$ 12,848,886</b>

*See accompanying notes to basic financial statements.*



**Petersburg Borough, Alaska**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**  
**June 30, 2018**

Total fund balances for governmental funds		\$ 12,483,914																
Total net position reported for governmental activities in the Statement of Net Position is different because:																		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of:	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Governmental Funds</th> <th style="text-align: center; border-bottom: 1px solid black;">Internal Service Fund</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ 4,076,919</td> <td style="text-align: right;">\$ -</td> </tr> <tr> <td style="text-align: right;">880,545</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">58,038,604</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">243,052</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">17,710,274</td> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">2,259,518</td> <td style="text-align: right;">7,551,210</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">(34,405,338)</td> <td style="text-align: right; border-top: 1px solid black;">(4,786,449)</td> </tr> </tbody> </table>	Governmental Funds	Internal Service Fund	\$ 4,076,919	\$ -	880,545	-	58,038,604	-	243,052	-	17,710,274	-	2,259,518	7,551,210	(34,405,338)	(4,786,449)	
Governmental Funds	Internal Service Fund																	
\$ 4,076,919	\$ -																	
880,545	-																	
58,038,604	-																	
243,052	-																	
17,710,274	-																	
2,259,518	7,551,210																	
(34,405,338)	(4,786,449)																	
Land and land improvements																		
Construction in progress																		
Buildings																		
Improvements other than buildings																		
Infrastructure																		
Machinery and equipment																		
Accumulated depreciation																		
Total capital assets	48,803,574	2,764,761	51,568,335															
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	(5,581,684)	-																
Deferred charges on refunding, net of accumulated amortization	198,137	-																
Bond premium, net of accumulated amortization	(720,168)	-																
Net pension liability	(4,250,046)	(156,198)																
Net other postemployment benefits liability	(704,039)	(31,061)																
Accrued interest	(76,676)	-																
Accrued leave	(388,567)	(20,951)																
Total long-term liabilities	(11,523,043)	(208,210)	(11,731,253)															
Certain changes in net pension and other postemployment benefits liabilities are deferred rather than recognized immediately. These items are amortized over time:																		
Deferred outflows of resources related to pension	461,136	14,056																
Deferred outflows of resources related to other postemployment benefits	118,075	5,209																
Deferred inflows of resources related to pension	(471,756)	(20,464)																
Deferred inflows of resources related to other postemployment benefits	(365,332)	(16,118)																
Total deferred pension and other postemployment benefits items	(257,877)	(17,317)	(275,194)															
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.			1,910,142															
Total Net Position of Governmental Activities			\$ 53,955,944															

*See accompanying notes to basic financial statements.*

## Petersburg Borough, Alaska

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year Ended June 30, 2018</i>	General	Nonmajor Funds	Total Govern- mental Funds
<b>Revenues</b>			
Property taxes	\$ 3,356,815	\$ -	\$ 3,356,815
Sales taxes	2,961,386	-	2,961,386
Other taxes	301,500	97,790	399,290
Intergovernmental	2,158,862	1,211,040	3,369,902
Licenses and permits	10,249	-	10,249
Charges for services	338,452	85,574	424,026
Fines and forfeitures	10,741	-	10,741
Overhead charges	636,972	-	636,972
Investment income	38,426	297,536	335,962
Other	7,863	45,259	53,122
<b>Total Revenues</b>	<b>9,821,266</b>	<b>1,737,199</b>	<b>11,558,465</b>
<b>Expenditures</b>			
Current:			
General government	1,711,183	70,769	1,781,952
Public safety	2,268,482	25,277	2,293,759
Public works	1,220,829	-	1,220,829
Community development	325,662	-	325,662
Community services	64,916	90,000	154,916
Culture and recreation	1,337,763	22,648	1,360,411
Education - contribution to school district	1,800,000	-	1,800,000
Debt service	-	866,621	866,621
Capital outlay	-	541,010	541,010
<b>Total Expenditures</b>	<b>8,728,835</b>	<b>1,616,325</b>	<b>10,345,160</b>
<b>Excess of Revenues Over Expenditures</b>	<b>1,092,431</b>	<b>120,874</b>	<b>1,213,305</b>
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	-	200	200
Transfers in	400,000	981,164	1,381,164
Transfers out	(1,821,233)	(565,000)	(2,386,233)
<b>Net Other Financing Sources (Uses)</b>	<b>(1,421,233)</b>	<b>416,364</b>	<b>(1,004,869)</b>
<b>Net Change in Fund Balances</b>	<b>(328,802)</b>	<b>537,238</b>	<b>208,436</b>
<b>Fund Balances, beginning of year</b>	<b>4,010,374</b>	<b>8,265,104</b>	<b>12,275,478</b>
<b>Fund Balances, end of year</b>	<b>\$ 3,681,572</b>	<b>\$ 8,802,342</b>	<b>\$ 12,483,914</b>

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, 2018**

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Net change in fund balances - total governmental funds \$ 208,436

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 (\$713,442) exceeded depreciation (\$1,818,585). (1,105,143)

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	\$ 590,000	
Decrease in unamortized bond premium	113,734	
Decrease in deferred charges on bonds	<u>(30,779)</u>	
		672,955

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease in accrued leave	\$ 89,050	
Decrease in accrued interest	6,475	
Decrease in net pension liability and related accounts	204,978	
Decrease in net other postemployment benefits liability and related accounts	<u>43,231</u>	
		343,734

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. 21,121

**Change in Net Position of Governmental Activities \$ 141,103**

*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, 2018</i>								
<b>Assets and Deferred Outflows of Resources</b>								
<b>Current Assets</b>								
Cash and investments	\$ 7,417,477	\$ 1,050,437	\$ 1,163,293	\$ 2,867,227	\$ -	\$ 1,157,485	\$ 13,655,919	\$ 4,408,674
Receivables, net of allowance for doubtful accounts	427,580	95,276	97,854	187,885	-	113,324	921,919	11,220
Inventories	303,031	49,692	33,983	-	-	-	386,706	-
Prepaid expenses	21,232	2,581	7,183	13,571	15,632	3,747	63,946	4,655
<b>Total Current Assets</b>	<b>8,169,320</b>	<b>1,197,986</b>	<b>1,302,313</b>	<b>3,068,683</b>	<b>15,632</b>	<b>1,274,556</b>	<b>15,028,490</b>	<b>4,424,549</b>
<b>Restricted Cash</b>								
Security deposits	-	-	-	-	-	17,486	17,486	-
<b>Property, Plant and Equipment</b>								
Land and land improvements	1,848,295	-	-	360,059	-	191,139	2,399,493	-
Buildings	3,758,199	5,178,330	9,091,647	346,690	4,015,877	5,128,165	27,518,908	-
Improvements other than buildings	5,264,408	26,797,940	11,896,447	38,909,480	-	1,058,011	83,926,286	-
Machinery and equipment	16,985,357	3,005,917	414,226	552,033	89,262	539,117	21,585,912	7,551,210
Construction in progress	275,356	275,033	330,833	14,950	-	-	896,172	-
Total property, plant and equipment	28,131,615	35,257,220	21,733,153	40,183,212	4,105,139	6,916,432	136,326,771	7,551,210
Accumulated depreciation	(18,008,125)	(15,513,651)	(11,499,502)	(12,989,548)	(1,503,857)	(4,332,208)	(63,846,891)	(4,786,449)
<b>Net Property, Plant and Equipment</b>	<b>10,123,490</b>	<b>19,743,569</b>	<b>10,233,651</b>	<b>27,193,664</b>	<b>2,601,282</b>	<b>2,584,224</b>	<b>72,479,880</b>	<b>2,764,761</b>
<b>Total Assets</b>	<b>18,292,810</b>	<b>20,941,555</b>	<b>11,535,964</b>	<b>30,262,347</b>	<b>2,616,914</b>	<b>3,876,266</b>	<b>87,525,856</b>	<b>7,189,310</b>
<b>Deferred Outflows of Resources</b>								
Related to pension	162,508	25,982	24,869	78,795	99,669	62,424	454,247	14,056
Related to other postemployment benefits	36,375	5,532	8,169	17,308	24,852	10,249	102,485	5,209
Deferred charges on refunding	-	-	-	11,803	47,391	15,797	74,991	-
<b>Total Deferred Outflows of Resources</b>	<b>198,883</b>	<b>31,514</b>	<b>33,038</b>	<b>107,906</b>	<b>171,912</b>	<b>88,470</b>	<b>631,723</b>	<b>19,265</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 18,491,693</b>	<b>\$ 20,973,069</b>	<b>\$ 11,569,002</b>	<b>\$ 30,370,253</b>	<b>\$ 2,788,826</b>	<b>\$ 3,964,736</b>	<b>\$ 88,157,579</b>	<b>\$ 7,208,575</b>

*See accompanying notes to basic financial statements.*

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

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<i>June 30, 2018</i>								
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>								
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts payable	\$ 175,351	\$ 43,715	\$ 2,179	\$ 3,335	\$ 5,537	\$ 45,384	\$ 275,501	\$ 1,496
Accrued payroll and employee benefits	65,837	12,932	17,704	37,632	47,376	17,317	198,798	11,625
Accrued leave	127,516	17,470	26,023	53,735	70,230	10,176	305,150	20,951
Prepaid moorage	-	-	-	43,580	-	-	43,580	-
Unearned revenue	-	-	-	-	3,204	1,437	4,641	-
Customer deposits	30,264	7,305	6,261	-	3,500	16,484	63,814	-
Due to other funds	-	-	-	-	25,683	-	25,683	-
Accrued interest	29,299	33,240	18,405	10,872	14,775	4,925	111,516	-
Current portion:								
General obligation bonds	120,000	-	-	108,333	138,750	46,250	413,333	-
ADEC loans	-	309,259	91,635	-	-	-	400,894	-
<b>Total Current Liabilities</b>	<b>548,267</b>	<b>423,921</b>	<b>162,207</b>	<b>257,487</b>	<b>309,055</b>	<b>141,973</b>	<b>1,842,910</b>	<b>34,072</b>
<b>Noncurrent Liabilities</b>								
General obligation bonds	1,930,000	-	-	224,987	780,000	260,000	3,194,987	-
Bond premium, net of accumulated amortiz	36,980	-	-	15,858	110,832	36,944	200,614	-
ADEC loans	-	2,211,572	2,091,309	-	-	-	4,302,881	-
Net pension liability	1,411,072	220,909	259,020	678,732	907,517	480,382	3,957,632	156,198
Net other postemployment benefits liability	216,888	32,985	48,708	103,198	148,180	61,108	611,067	31,061
Landfill closure liability	-	-	-	-	-	65,970	65,970	-
<b>Total Noncurrent Liabilities</b>	<b>3,594,940</b>	<b>2,465,466</b>	<b>2,399,037</b>	<b>1,022,775</b>	<b>1,946,529</b>	<b>904,404</b>	<b>12,333,151</b>	<b>187,259</b>

*See accompanying notes to basic financial statements.*

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

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<i>June 30, 2018</i>								
<b>Deferred Inflows of Resources</b>								
Related to pension	\$ 146,465	\$ 22,345	\$ 32,247	\$ 69,772	\$ 99,436	\$ 42,191	\$ 412,456	\$ 20,464
Related to other postemployment benefits	112,545	17,116	25,275	53,550	76,892	31,710	317,088	16,118
<b>Total Deferred Inflows of Resources</b>	<b>259,010</b>	<b>39,461</b>	<b>57,522</b>	<b>123,322</b>	<b>176,328</b>	<b>73,901</b>	<b>729,544</b>	<b>36,582</b>
<b>Net Position</b>								
Net investment in capital assets	8,036,510	17,222,738	8,050,707	26,856,289	1,619,091	2,256,827	64,042,162	2,764,761
Unrestricted (deficit)	6,052,966	821,483	899,529	2,110,380	(1,262,177)	587,631	9,209,812	4,185,901
<b>Total Net Position</b>	<b>14,089,476</b>	<b>18,044,221</b>	<b>8,950,236</b>	<b>28,966,669</b>	<b>356,914</b>	<b>2,844,458</b>	<b>73,251,974</b>	<b>6,950,662</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$18,491,693</b>	<b>\$ 20,973,069</b>	<b>\$ 11,569,002</b>	<b>\$ 30,370,253</b>	<b>\$ 2,788,826</b>	<b>\$ 3,964,736</b>		<b>\$ 7,208,575</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							2,501,286	
<b>Net Position of Business-Type Activities</b>							<b>\$ 75,753,260</b>	

*See accompanying notes to basic financial statements.*

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

<i>Year Ended June 30, 2018</i>	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<b>Operating Revenues</b>	\$ 5,528,034	\$ 1,008,775	\$ 854,860	\$ 1,276,129	\$ 1,125,871	\$ 1,554,143	\$ 11,347,812	\$ 931,568
<b>Operating Expenses</b>								
Salaries and benefits	1,216,125	279,234	339,940	691,744	963,052	475,487	3,965,582	210,341
Services, supplies, and other charges	3,868,575	310,867	157,092	631,971	217,396	513,021	5,698,922	350,068
Allocated overhead and motor pool charges	314,030	98,808	113,240	111,039	83,403	274,716	995,236	18,584
Depreciation	522,641	839,753	300,086	1,393,416	102,137	258,613	3,416,646	337,755
<b>Total Operating Expenses</b>	5,921,371	1,528,662	910,358	2,828,170	1,365,988	1,521,837	14,076,386	916,748
<b>Income (Loss) from Operations</b>	(393,337)	(519,887)	(55,498)	(1,552,041)	(240,117)	32,306	(2,728,574)	14,820
<b>Nonoperating Revenues (Expenses)</b>								
Investment income	32,336	4,345	4,323	11,407	153	4,528	57,092	-
SEAPA distribution	685,158	-	-	-	-	-	685,158	-
Interest expense	(115,263)	(38,907)	(20,191)	(19,973)	(32,537)	(10,846)	(237,717)	-
Gain on disposal of capital assets	-	-	-	-	-	-	-	13,600
Federal interest subsidy	31,069	-	-	-	-	-	31,069	-
State PERS relief	39,834	6,058	8,946	18,953	25,828	12,610	112,229	5,705
<b>Net Nonoperating Revenues (Expenses)</b>	673,134	(28,504)	(6,922)	10,387	(6,556)	6,292	647,831	19,305
Income (loss) before capital contributions and transfers	279,797	(548,391)	(62,420)	(1,541,654)	(246,673)	38,598	(2,080,743)	34,125
Capital contributions	-	-	2,742	-	-	-	2,742	-
Transfers in	-	165,000	-	577,158	262,911	-	1,005,069	-
<b>Change in Net Position</b>	279,797	(383,391)	(59,678)	(964,496)	16,238	38,598	(1,072,932)	34,125
<b>Net Position, beginning of year, as restated (Note 2)</b>	13,809,679	18,427,612	9,009,914	29,931,165	340,676	2,805,860		6,916,537
<b>Net Position, end of year</b>	\$ 14,089,476	\$ 18,044,221	\$ 8,950,236	\$ 28,966,669	\$ 356,914	\$ 2,844,458		\$ 6,950,662
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							13,004	
							<u>\$ (1,059,928)</u>	

*See accompanying notes to basic financial statements.*

## Petersburg Borough, Alaska

Proprietary Funds  
Statement of Cash Flows

Year Ended June 30, 2018	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<b>Cash Flows from (for) Operating Activities</b>								
Receipts from customers and users	\$ 6,211,160	\$ 1,005,161	\$ 850,642	\$ 1,278,324	\$ 1,134,911	\$ 1,568,755	\$ 12,048,953	\$ 929,222
Payments for interfund services used	(314,030)	(98,808)	(113,240)	(111,039)	(83,403)	(274,716)	(995,236)	(18,584)
Payments to suppliers	(3,891,210)	(305,070)	(164,273)	(632,176)	(213,802)	(494,389)	(5,700,920)	(353,528)
Payments to employees	(1,230,902)	(277,306)	(346,746)	(718,426)	(975,306)	(488,987)	(4,037,673)	(215,894)
<b>Net cash flows from (for) operating activities</b>	<b>775,018</b>	<b>323,977</b>	<b>226,383</b>	<b>(183,317)</b>	<b>(137,600)</b>	<b>310,663</b>	<b>1,315,124</b>	<b>341,216</b>
<b>Cash Flows from Noncapital and Related Financing Activities</b>								
Increase in due to other funds	-	-	-	-	25,683	-	25,683	-
<b>Cash Flows from (for) Capital and Related Financing Activities</b>								
Principal paid on long-term debt	(115,000)	(306,088)	(72,805)	(99,996)	(135,000)	(45,000)	(773,889)	-
Interest paid on long-term debt	(119,494)	(42,405)	(21,433)	(14,333)	(47,025)	(15,675)	(260,365)	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	13,600
Purchase of property, plant and equipment	(1,001,380)	(193,220)	(59,286)	(7,000)	(28,937)	(79,199)	(1,369,022)	(309,594)
Transfers in	-	165,000	-	577,158	262,911	-	1,005,069	-
Capital contributions received	-	127	3,850	-	-	-	3,977	-
Federal interest subsidy received	31,069	-	-	-	-	-	31,069	-
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(1,204,805)</b>	<b>(376,586)</b>	<b>(149,674)</b>	<b>455,829</b>	<b>51,949</b>	<b>(139,874)</b>	<b>(1,363,161)</b>	<b>(295,994)</b>
<b>Cash Flows from Investing Activities</b>								
Investment income received	32,336	4,345	4,323	11,407	153	4,528	57,092	-
<b>Net increase (decrease) in cash and investments</b>	<b>(397,451)</b>	<b>(48,264)</b>	<b>81,032</b>	<b>283,919</b>	<b>(59,815)</b>	<b>175,317</b>	<b>34,738</b>	<b>45,222</b>
<b>Cash and Investments, beginning of year</b>	<b>7,814,928</b>	<b>1,098,701</b>	<b>1,082,261</b>	<b>2,583,308</b>	<b>59,815</b>	<b>999,654</b>	<b>13,638,667</b>	<b>4,363,452</b>
<b>Cash and Investments, end of year</b>	<b>\$ 7,417,477</b>	<b>\$ 1,050,437</b>	<b>\$ 1,163,293</b>	<b>\$ 2,867,227</b>	<b>\$ -</b>	<b>\$ 1,174,971</b>	<b>\$ 13,673,405</b>	<b>\$ 4,408,674</b>

See accompanying notes to basic financial statements.



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

<i>Year Ended June 30, 2018</i>	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<b>Reconciliation of Income (Loss) from Operations to Net Cash</b>								
<b>Flows from (for) Operating Activities</b>								
Income (loss) from operations	\$ (393,337)	\$ (519,887)	\$ (55,498)	\$ (1,552,041)	\$ (240,117)	\$ 32,306	\$ (2,728,574)	\$ 14,820
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:								
Depreciation	522,641	839,753	300,086	1,393,416	102,137	258,613	3,416,646	337,755
PERS relief	39,834	6,058	8,946	18,953	25,828	12,610	112,229	5,705
Amortization of deferred outflows of resources for pension	199,039	30,270	44,699	94,705	135,985	56,079	560,777	28,504
Amortization of deferred outflows of resources for other postemployment benefits	12,074	1,836	2,711	5,745	8,249	3,402	34,017	1,729
Amortization of deferred inflows of resources for pension	126,405	19,224	28,387	60,145	86,361	35,616	356,138	18,103
Amortization of deferred inflows of resources for other postemployment benefits	112,545	17,116	25,275	53,550	76,892	31,709	317,087	16,118
Nonoperating revenues received	685,158	-	-	-	-	-	685,158	-
Increase (decrease) in allowance for doubtful accounts	1,804	1,058	56	10,632	-	135	13,685	-
(Increase) decrease in assets:								
Accounts receivable	(2,377)	(4,742)	(4,413)	43,955	9,440	18,524	60,387	(2,346)
Inventories	(4,346)	8,092	(8,388)	-	-	-	(4,642)	-
Prepaid expenses	(1,604)	(676)	122	3,000	1,920	3,034	5,796	78
Increase (decrease) in liabilities:								
Accounts payable	(16,685)	(1,619)	1,085	(3,205)	1,674	15,598	(3,152)	(3,538)
Accrued payroll and employee benefits	(17,655)	2,482	(780)	(4,615)	(978)	(6,053)	(27,599)	1,089
Accrued leave	39,507	5,016	2,200	(4,638)	15,137	1,488	58,710	(1,397)
Unearned revenue	-	-	-	-	-	80	80	-
Customer deposits	(1,459)	70	139	-	(400)	(4,127)	(5,777)	-
Prepaid moorage	-	-	-	(52,392)	-	-	(52,392)	-
Net pension liability	(388,589)	(59,097)	(87,267)	(184,895)	(265,488)	(109,486)	(1,094,822)	(55,650)
Net other postemployment benefits liability	(137,937)	(20,977)	(30,977)	(65,632)	(94,240)	(38,865)	(388,628)	(19,754)
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 775,018</b>	<b>\$ 323,977</b>	<b>\$ 226,383</b>	<b>\$ (183,317)</b>	<b>\$(137,600)</b>	<b>\$ 310,663</b>	<b>\$ 1,315,124</b>	<b>\$341,216</b>
<b>Supplemental Disclosure of Cash Flow Information</b>								
Capital assets purchased on account	\$ 13,050	\$ 40,580	\$ -				\$ 53,630	

*See accompanying notes to basic financial statements.*

**Petersburg Borough, Alaska**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2018**

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**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 healthcare, 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

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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.

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.

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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The Borough reports the following major funds:

Major governmental funds:

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

Major proprietary funds:

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

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

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

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

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

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

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.

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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### *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.

### *Interfund Balances*

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

### *Grants and Other Intergovernmental Revenues*

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

### *Property Taxes*

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

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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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 acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

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

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

### *Long-term Debt*

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

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

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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### *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.

*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.

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

### *Pension and Other Postemployment Benefits (OPEB)*

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 and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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 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 and OPEB related items as deferred outflows of resources. These items are amortized to expense over time.

In addition to liabilities, the financial statements 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 and OPEB related items as deferred inflows of resources. These items are amortized as a reduction of expense over varying periods of time.

## 2. Change in Accounting Principle

As discussed in Note 11 to the financial statements, the Borough participates in the Alaska Public Employees' Retirement System (PERS) plan. In 2018, the Borough adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net OPEB Liability (and related deferred inflows of resources and deferred outflows of resources), as of the beginning of the Borough's fiscal year. As a result of the implementation of this statement, the Borough has recorded an opening balance adjustment to reflect opening balance OPEB liabilities and related accounts and to decrease opening net position as follows:

	Opening Net Position, as Originally Presented	Change in Accounting Principle Adjustment	Opening Net Position (Deficit), as Restated
Governmental Activities	\$ 54,836,524	\$ (1,021,683)	\$ 53,814,841
Business-type Activities	77,693,102	(879,914)	76,813,188
Electric Utility	14,116,055	(306,376)	13,809,679
Water Utility	18,474,206	(46,594)	18,427,612
Wastewater Utility	9,078,719	(68,805)	9,009,914
Sanitation Utility	1,945,402	(61,119)	1,884,283
Harbor and Port	30,076,942	(145,777)	29,931,165
Assisted Living	549,995	(209,319)	340,676
Elderly Housing	946,780	(25,203)	921,577
Motor Pool - Internal Service	6,960,414	(43,877)	6,916,537



# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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### 3. 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.

#### *Excess of Expenditures over Appropriations*

The Assembly approves operating budgets and appropriations of direct costs at the department level. For the year ended June 30, 2018, expenditures exceeded appropriations in the Public Safety, Public Works and Community Services departments by \$69,198, \$24,105, and \$3,516, respectively. Budgeted amounts do not include PERS on-behalf expenditures.

### 4. Interfund Receivables, Payables, and Transfers

A schedule of interfund balances and transfers as of and for the year ended June 30, 2018, follows:

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#### **Due from Other Funds**

To General Fund from:

Assisted Living Enterprise Fund for short-term advances to cover operating costs	\$	25,683
Nonmajor governmental funds for short-term advances to cover operating costs		8,618

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<b>Total Due from Other Funds</b>	<b>\$</b>	<b>34,301</b>
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# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

### Transfers

From General Fund to:

Police, Jail and Administration Building Renovation Capital Project Fund to cover capital costs	\$ 464,710
Harbor and Port Facilities Enterprise Fund to cover capital costs	577,158
Assisted Living Enterprise Fund for operating subsidies	262,911
Debt Service Fund to cover debt service costs	516,454

Total transfers from General Fund	1,821,233
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From nonmajor governmental funds to:

General Fund to cover operating costs	400,000
Water Utility Enterprise Fund to cover capital costs	165,000

Total transfers from nonmajor governmental funds	565,000
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<b>Total Transfers to Other Funds</b>	<b>\$ 2,386,233</b>
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### 5. Cash and Investments

The 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, 2018.

	Pooled Cash And Investments	Economic Development Fund	Totals
Bank deposits	\$ 740,283	\$ -	\$ 740,283
Petty cash	2,480	-	2,480
Investments	25,432,240	4,114,687	29,546,927
<b>Total Cash and Investments</b>	<b>\$ 26,175,003</b>	<b>\$ 4,114,687</b>	<b>\$ 30,289,690</b>

	Pooled Cash And Investments	Economic Development Fund	Totals
Cash and investments	\$ 26,157,517	\$ 4,114,687	\$ 30,272,204
Restricted cash and investments	17,486	-	17,486
<b>Total Cash and Investments</b>	<b>\$ 26,175,003</b>	<b>\$ 4,114,687</b>	<b>\$ 30,289,690</b>

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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### *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 Moody's;
- 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

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

fair value to changes in market interest rates. The Borough has no formal policy relating to interest rate risk.

### *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, 2018 are as follows:

	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1-5	Greater Than 5
Investment type:				
Money market funds	\$ 1,731,046	\$ 1,731,046	\$ -	\$ -
U.S. government agencies	1,522,686	845,693	676,993	-
Municipal bonds	689,502	689,502	-	-
Certificates of deposit	20,040,185	7,476,702	12,563,484	-
Pooled investments	1,448,821	1,448,821	-	-
<b>Total Investments</b>	<b>\$ 25,432,240</b>	<b>\$ 12,191,764</b>	<b>\$ 13,240,477</b>	<b>\$ -</b>

### *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 \$1,522,686 were rated as follows by Standard and Poor's: \$676,993 rated AAA; \$845,693 unrated. The Borough's municipal bonds of \$689,502 were rated as follows by Moody's: \$402,672 rated AA1; and \$286,830 rate A1.

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, 2018 are as follows:

	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
Investment type:			
Money market funds	\$ 278,704	\$ 278,704	\$ -
Certificates of deposit	1,588,384	174,953	1,413,431
<b>Total subject to interest rate risk</b>	<b>1,867,088</b>	<b>\$ 453,657</b>	<b>\$ 1,413,431</b>
International equity securities	288,517		
U.S. equity securities	1,923,072		
Real estate investment trust	36,010		
<b>Total Investments</b>	<b>\$ 4,114,687</b>		

### *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, 2018:

- U.S. government agency securities of \$1,522,686 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 \$689,502 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 \$2,211,589 are valued using quoted market prices (Level 1 inputs).
- Real estate investment trust funds of \$36,010 are valued using quoted market prices (Level 1 inputs).

The Borough has investments in money market funds and certificates of deposits totaling \$23,638,319 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2018. The Borough's investment in AMLIP of \$1,448,821 is measured at net asset value, as of June 30, 2018. Management believes that these values approximate fair value.

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

### 6. 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, 2018, receivables for the Borough's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Governmental Funds	Electric Utility Enterprise Fund	Water Utility Enterprise Fund
Property, sales and transient room taxes	\$ 404,326	\$ 18,511	\$ -	\$ -
Grants, loans and shared revenues	-	43,652	-	-
Accounts	16,778	-	444,600	98,936
Interest	58,892	2,196	-	-
<b>Total receivables</b>	<b>479,996</b>	<b>64,359</b>	<b>444,600</b>	<b>98,936</b>
Less allowance for doubtful accounts	-	-	(17,020)	(3,660)
<b>Net Receivables</b>	<b>\$ 479,996</b>	<b>\$ 64,359</b>	<b>\$ 427,580</b>	<b>\$ 95,276</b>

	Wastewater Utility Enterprise Fund	Harbor and Port Facilities Enterprise Fund	Nonmajor Enterprise and Internal Service Funds	Total
Property, sales and transient room taxes	\$ -	\$ -	\$ -	\$ 422,837
Grants, loans and shared revenues	16,300	-	-	59,952
Accounts	82,913	221,075	126,446	990,748
Interest	-	-	-	61,088
<b>Total receivables</b>	<b>99,213</b>	<b>221,075</b>	<b>126,446</b>	<b>1,534,625</b>
Less allowance for doubtful accounts	(1,359)	(33,190)	(1,902)	(57,131)
<b>Net Receivables</b>	<b>\$ 97,854</b>	<b>\$ 187,885</b>	<b>\$ 124,544</b>	<b>\$ 1,477,494</b>

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

### 7. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental Activities	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 4,066,348	\$ 10,571	\$ -	\$ 4,076,919
Construction in progress	888,592	-	(8,047)	880,545
<b>Total assets not being depreciated</b>	<b>4,954,940</b>	<b>10,571</b>	<b>(8,047)</b>	<b>4,957,464</b>
<i>Capital assets being depreciated:</i>				
Buildings	57,604,838	433,766	-	58,038,604
Improvements other than buildings	236,859	6,193	-	243,052
Machinery and equipment*	9,438,736	538,354	(166,362)	9,810,728
Infrastructure	17,668,075	42,199	-	17,710,274
<b>Total assets being depreciated</b>	<b>84,948,508</b>	<b>1,020,512</b>	<b>(166,362)</b>	<b>85,802,658</b>
Less accumulated depreciation for:				
Buildings	28,963,569	1,526,548	-	30,490,117
Improvements other than buildings	157,737	12,734	-	170,471
Machinery and equipment*	6,271,722	437,497	(166,362)	6,542,857
Infrastructure	1,808,781	179,561	-	1,988,342
<b>Total accumulated depreciation</b>	<b>37,201,809</b>	<b>2,156,340</b>	<b>(166,362)</b>	<b>39,191,787</b>
<b>Total capital assets being depreciated, net</b>	<b>47,746,699</b>	<b>(1,135,828)</b>	<b>-</b>	<b>46,610,871</b>
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 52,701,639</b>	<b>\$ (1,125,257)</b>	<b>\$ (8,047)</b>	<b>\$ 51,568,335</b>

\* The ending balances include \$7,551,210 and \$4,786,449 of equipment cost and accumulated depreciation, respectively, related to the Motor Pool Internal Service Fund.

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

<b>Business-Type Activities</b>	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,399,493	\$ -	\$ -	\$ 2,399,493
Construction in progress	2,798,573	484,542	(2,386,943)	896,172
<b>Total assets not being depreciated</b>	<b>5,198,066</b>	<b>484,542</b>	<b>(2,386,943)</b>	<b>3,295,665</b>
<i>Capital assets being depreciated:</i>				
Buildings	26,790,179	728,730	-	27,518,909
Improvements other than buildings	81,409,703	2,524,783	(8,201)	83,926,285
Machinery and equipment	21,520,157	65,756	-	21,585,913
<b>Total assets being depreciated</b>	<b>129,720,039</b>	<b>3,319,269</b>	<b>(8,201)</b>	<b>133,031,107</b>
<i>Less accumulated depreciation for:</i>				
Buildings	14,699,562	580,808	-	15,280,370
Improvements other than buildings	28,109,040	2,415,414	(8,201)	30,516,253
Machinery and equipment	17,629,845	420,424	-	18,050,269
<b>Total accumulated depreciation</b>	<b>60,438,447</b>	<b>3,416,646</b>	<b>(8,201)</b>	<b>63,846,892</b>
<b>Total capital assets being depreciated, net</b>	<b>69,281,592</b>	<b>(97,377)</b>	<b>-</b>	<b>69,184,215</b>
<b>Business-Type Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 74,479,658</b>	<b>\$ 387,165</b>	<b>\$ (2,386,943)</b>	<b>\$ 72,479,880</b>

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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	\$ 106,337	\$ 151,990	\$ 258,327
Public safety	430,877	91,194	522,071
Public works	323,877	91,193	415,070
Culture and recreation	677,780	3,378	681,158
Education	279,714	-	279,714
<b>Total Governmental Activities</b>	<b>\$ 1,818,585</b>	<b>\$ 337,755</b>	<b>\$ 2,156,340</b>

Business-Type Activities	Depreciation
Electric utility	\$ 522,641
Water utility	839,753
Wastewater utility	300,086
Sanitation utility	152,589
Harbor and port facilities	1,393,416
Elderly housing	106,024
Assisted living	102,137
<b>Total Business-Type Activities</b>	<b>\$ 3,416,646</b>

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# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

### 8. Long-term Debt

Bonds and notes payable at June 30, 2018, are comprised of the following:

Governmental Activities	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
\$756,684 2016 general obligation pool refunding bonds, due in annual installments of \$75,000 to \$88,350 through 2027, plus interest at 2.0% to 5.0%	\$ 751,684	-	\$ 75,000	\$ 676,684	\$ 81,667
\$2,010,000 2012 general obligation refunding school bonds, due in annual installments of \$180,000 to \$240,000 through 2025, plus interest at 4.0% to 5.0%	1,665,000	-	180,000	1,485,000	185,000
\$1,150,000 2012 Series 3 general obligation library bonds, due in annual installments of \$70,000 to \$100,000 through 2028, plus interest at 4.0% to 5.0%	850,000	-	70,000	780,000	70,000
\$3,165,000 2014 Series 3 general obligation refunding school bonds, due in annual installments of \$265,000 to \$390,000 through 2025, plus interest of 4.0% to 5.0%	2,905,000	-	265,000	2,640,000	275,000
Accrued leave (net)	499,965	193,765	284,212	409,518	409,518*
<b>Total Governmental Activities</b>	<b>\$ 6,671,649</b>	<b>\$ 193,765</b>	<b>\$ 874,212</b>	<b>5,991,202</b>	<b>\$ 1,021,185</b>
Unamortized bond premium				<u>720,168</u>	
				<u>\$ 6,711,370</u>	

\* The ending balance includes \$20,951 of accrued leave related to the Motor Pool Internal Service Fund.

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# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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

Business-Type Activities	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
<i>General Obligation Bonds:</i>					
\$1,910,000 2012 general obligation elderly housing and assisted living refunding bonds, due in annual installments of \$180,000 to \$220,000 through 2024, plus interest at 4.0% to 5.0%	\$ 1,405,000	-	\$ 180,000	\$ 1,225,000	\$ 185,000
\$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	2,165,000	-	115,000	2,050,000	120,000
\$433,316 2016 series general obligation harbor/port bonds, due in annual installments of \$100,000 to \$116,650 through 2021, plus interest at 2.0% to 4.0%	433,316	-	99,996	333,320	108,333
<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)	284,298	-	94,766	189,532	94,766
\$1,989,840 Water Utility note, due in annual installments of \$108,585 to \$120,508 through 2025, including interest at 1.5% (loan number 685041)	915,675	-	108,585	807,090	110,214
\$643,823 Wastewater Utility note, due in annual installments of \$34,703 to \$38,515 through 2025, including interest at 1.5% (loan number 685011)	292,647	-	34,703	257,944	35,224
\$1,317,577 Water Utility note, due in annual installments of \$64,187 to \$75,609 through 2029, including interest at 1.5% (loan number 685051)	837,077	-	64,187	772,890	65,150

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
<i>Notes Payable, continued:</i>					
\$600,000 (maximum) Water Utility note, due in annual installments of \$9,927 to \$16,165 through 2034, including interest at 1.5% (loan number 685241)	\$ 203,393	\$ -	\$ 9,927	\$ 193,466	\$ 10,076
\$642,460 Water Utility note, due in annual installments of \$28,623 to \$36,868 through 2035; interest at 1.5% (loan number 685251)	586,476	-	28,622	557,854	29,053
\$629,191 Wastewater Utility note, due in annual installments of \$24,354 to \$31,368 through 2035; interest at 1.5% (loan number 685211)	498,997	-	24,353	474,644	24,719
\$728,000 (maximum) Wastewater Utility note, due in annual installments of \$31,223 to \$39,622 through 2035; interest at 1.5% (loan number 685221)	637,185	-	31,225	605,960	31,692
\$828,702 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685261)	808,516	1,175	-	809,691	-
\$400,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685271)	18,404	2,500	-	20,904	-
\$160,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685291)	-	13,800	-	13,800	-
Accrued leave (net)	246,440	148,613	89,903	305,150	305,150
<b>Total Business-Type Activities</b>	<b>\$ 9,332,424</b>	<b>\$ 166,089</b>	<b>\$ 881,267</b>	<b>8,617,245</b>	<b>\$ 1,119,377</b>
Unamortized bond premium				200,614	
				<b>\$ 8,817,859</b>	

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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

### Governmental Activities

<i>Year Ending June 30,</i>	General Obligation Bonds		
	Principal	Interest	Total
2019	\$ 611,667	\$ 252,083	\$ 863,750
2020	641,667	223,867	865,534
2021	678,350	191,817	870,167
2022	680,000	159,675	839,675
2023-2027	2,970,000	298,625	3,268,625
	<b>\$ 5,581,684</b>	<b>\$ 1,126,067</b>	<b>\$ 6,707,751</b>

### Business-Type Activities

<i>Year Ending June 30,</i>	General Obligation Bonds		
	Principal	Interest	Total
2019	\$ 413,333	\$ 180,436	\$ 593,769
2020	423,337	161,828	585,165
2021	446,650	142,447	589,097
2022	355,000	124,744	479,744
2023-2027	1,220,000	383,583	1,603,583
2028-2031	750,000	97,651	847,651
	<b>\$ 3,608,320</b>	<b>\$ 1,090,689</b>	<b>\$ 4,699,009</b>

<i>Year Ending June 30,</i>	Notes Payable		
	Principal	Interest	Total
2019	\$ 400,894	\$ 57,890	\$ 458,784
2020	405,484	51,876	457,360
2021	315,379	45,795	361,174
2022	320,110	41,064	361,174
2023-2027	1,348,779	134,263	1,483,042
2028-2032	712,927	55,650	768,577
2033-2037	355,807	10,688	366,495
	<b>\$ 3,859,380</b>	<b>\$ 397,226</b>	<b>\$ 4,256,606</b>

Not included in the table above is \$844,395 of outstanding notes payable whose repayment terms have not yet been established.

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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### Component Units

The following is a summary of long-term debt transactions for the Borough's discretely presented component units for the year ended June 30, 2018:

	Balance			Balance	Due Within
Petersburg School District	July 1, 2017	Additions	Retirements	June 30, 2018	One Year
Accrued leave	\$ 40,193	\$ 57,304	\$ (40,193)	\$ 57,304	\$ 57,304
<b>Petersburg Medical Center</b>					
Accrued leave	691,850	606,983	(691,850)	606,983	606,983
Capital leases	524,536	-	(124,290)	400,246	119,977
<b>Total</b>	<b>\$ 1,216,386</b>	<b>\$ 606,983</b>	<b>\$ (816,140)</b>	<b>1,007,229</b>	<b>\$ 726,960</b>

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# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

### 9. Fund Balances

Fund balances reported at June 30, 2018 for the Borough's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	<u>Major Fund General</u>	<u>Total Nonmajor Funds</u>	Totals
Nonspendable - prepaid insurance	\$ 62,619	\$ -	\$ 62,619
Restricted:			
School support	-	3,839,500	3,839,500
Streets and roads	-	81,765	81,765
<b>Total restricted</b>	<b>-</b>	<b>3,921,265</b>	<b>3,921,265</b>
Committed:			
Economic development	-	4,116,883	4,116,883
Public works	-	172,714	172,714
Public safety	-	183,947	183,947
Capital projects	-	133,895	133,895
Tourism	-	17,390	17,390
<b>Total committed</b>	<b>-</b>	<b>4,624,829</b>	<b>4,624,829</b>
Assigned:			
General government	-	66,128	66,128
Debt service	-	181,906	181,906
Subsequent year's expenditures	-	8,214	8,214
<b>Total assigned</b>	<b>-</b>	<b>256,248</b>	<b>256,248</b>
Unassigned	3,618,953	-	3,618,953
<b>Total Fund Balances</b>	<b>\$ 3,681,572</b>	<b>\$ 8,802,342</b>	<b>\$ 12,483,914</b>

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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### 10. 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.

The Borough believes the cost to close the landfill will be \$65,970. This liability is based on what it would cost to perform all closure and post-closure care in 2018. Actual costs may be higher due to inflation, changes in technology or changes in regulations. At June 30, 2018, 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.

### 11. Retirement Plans

#### *(a) 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/drdb/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 postemployment healthcare 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.



# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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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 of resources, and disclosures on this basis.

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 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.

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

**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 FY18, the rate uses an 8% pension discount rate and a 4.30% healthcare discount rate.

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

Contribution rates for the year ended June 30, 2018 were determined in the June 30, 2015 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	29.07%
Other postemployment benefits	4.88%	3.11%	0.00%	66.85%
<b>Total Contribution Rates</b>	<b>22.00%</b>	<b>25.01%</b>	<b>3.01%</b>	<b>95.92%</b>

In 2018, the Borough was credited with the following contributions to the pension plan.

	Measurement Period Borough FY17	Borough FY18
Employer contributions (including DBUL)	\$ 567,503	\$ 666,076
Nonemployer contributions (on-behalf)	223,357	171,009
<b>Total Contributions</b>	<b>\$ 790,860</b>	<b>\$ 837,085</b>

In addition, employee contributions to the Plan totaled \$163,675 during the Borough's fiscal year.

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

At June 30, 2018, 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:

	2018
Borough proportionate share of NPL	\$ 8,363,876
State's proportionate share of NPL associated with the Borough	3,116,497
<b>Total Net Pension Liability</b>	<b>\$ 11,480,373</b>

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 to calculate the net pension liability 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 the June 30, 2017 measurement date, the Borough's proportion was 0.16179 percent, which was a decrease of 0.03990 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Borough recognized pension expense of \$521,505 and on-behalf revenue of \$247,361 for support provided by the State. At June 30, 2018, 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	\$ -	\$ (150,374)
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	224,348	-
Changes in proportion and differences between Borough contributions and proportionate share of contributions	39,015	(754,302)
Borough contributions subsequent to the measurement date	666,076	-
<b>Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions</b>	<b>\$ 929,439</b>	<b>\$ (904,676)</b>

The \$666,076 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, 2019. 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,*

2019		\$ (850,010)
2020		233,615
2021		104,873
2022		(129,791)
2023		-
Thereafter		-

### ***Actuarial Assumptions***

The total pension liability for the measurement period ended June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2017. The actuarial assumptions used in the June 30, 2016 actuarial valuation (latest available)

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for peace officer/ firefighter Graded by age and service, from 8.55% to 4.34% for all others
Allocation methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment return / Discount rate	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.

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. 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>	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	26%	8.83%
Global ex-U.S. equity	22%	7.79%
Intermediate Treasuries	13%	1.29%
Opportunistic	5%	4.76%
Real assets	17%	4.94%
Absolute return	7%	4.76%
Private equity	9%	12.02%
Cash equivalents	1%	0.63%

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Borough's proportionate share of the net pension liability	0.16179%	\$ 10,986,722	\$ 8,363,876	\$ 6,148,983

### *Pension Plan Fiduciary Net Position*

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

### *(b) 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/dr/b/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.

**Petersburg Borough, Alaska**  
**Notes to Basic Financial Statements**

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***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, 2018, the Borough was required to contribute 5% of covered salary into the Plan.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2018 were \$141,373 and \$226,196, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

***(c) Defined Benefit OPEB Plan***

As part of its participation in the PERS DB Plan (Tiers I, II, III), which is a cost-sharing multiple employer plan, the District participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the DB Plan. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration.

***Employer Contribution Rate***

The Borough is required to contribute 4.88% of covered payroll into the OPEB plan. Employees do not contribute.

In 2018, the Borough was credited with the following contributions to the OPEB plan:

	Measurement Period Borough FY17	Borough FY18
Employer contributions	\$ 300,709	\$ 224,463
Nonemployer contributions (on-behalf)	-	-
<b>Total Contributions</b>	<b>\$ 300,709</b>	<b>\$ 224,463</b>

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans***

At June 30, 2018, the Borough reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the Borough. The

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

	2018
Borough's proportionate share of NOL - ARHCT	\$ 1,367,076
Borough's proportionate share of NOL - RMP	12,150
Borough's proportionate share of NOL - ODD	(33,059)
State's proportionate share of the NOL associated with the Borough	509,910
<b>Total Net OPEB Liabilities</b>	<b>\$ 1,856,077</b>

The total OPEB liabilities for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 to calculate the net OPEB liabilities as of that date. The Borough's proportion of the net OPEB liabilities were based on a projection of the Borough's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2016 Measurement Date Employer Proportion	June 30, 2017 Measurement Date Employer Proportion	Change
Borough's proportionate share of the net OPEB liabilities:			
ARHCT	0.19287%	0.16183%	(0.03104)%
RMP	0.24493%	0.23299%	(0.01194)%
ODD	0.24493%	0.23299%	(0.01194)%

As a result of its requirement to contribute to the Plan, the Borough recognized OPEB expense of \$221,922 and on-behalf revenue of \$80,121 for support provided by the State. At June 30, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (74,793)
Changes in assumptions	-	-
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(436,079)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	1,306	(187,666)
Borough contributions subsequent to the measurement date	224,463	-
<b>Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans</b>	<b>\$ 225,769</b>	<b>\$ (698,538)</b>

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

The \$224,463 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

*Year Ending June 30,*

2019	\$ (253,783)
2020	(224,848)
2021	(109,111)
2022	(109,111)
2023	(92)
Thereafter	(287)

### *Actuarial Assumptions*

The total OPEB liability for the measurement period ended June 30, 2017 (Borough fiscal year 2018) was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2017. The actuarial assumptions used in the June 30, 2016 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
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service from 9.66% to 4.92% for peace officer/ firefighter Graded by service from 8.55% to 4.34% for all others
Allocation methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment return / Discount rate	8.00%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Healthcare cost trend rates	Pre-65 medical; 8.8% grading down to 4.4% Post-65 medical; 5.8% grading down to 4.0% Prescription drug; 5.4% grading down to 4.0%
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others. Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.



# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare 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>	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	26%	8.83%
Global ex-U.S. equity	22%	7.79%
Intermediate Treasuries	13%	1.29%
Opportunistic	5%	4.76%
Real assets	17%	4.94%
Absolute return	7%	4.76%
Private equity	9%	12.02%
Cash equivalents	1%	0.63%

### *Discount Rate*

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

### *Discount Rate Sensitivity*

The following presents the Borough's proportionate share of the net OPEB liabilities calculated using the discount rate of 8.00%, as well as what the Borough's proportionate share of the net OPEB liabilities 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:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Borough's proportionate share of the net OPEB liabilities:				
ARHCT	0.16183%	\$ 2,925,686	\$ 1,367,076	\$ 56,071
RMP	0.23299%	\$ 56,921	\$ 12,150	\$ (22,810)
ODD	0.23299%	\$ (29,843)	\$ (33,059)	\$ (35,687)

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

### *Healthcare Cost Trend Rates Sensitivity*

The following presents the Borough's proportionate share of the net OPEB liabilities calculated using the healthcare cost trend rate, as well as what the Borough's proportionate share of the net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Discount Rate	1% Increase
Borough's proportionate share of the net OPEB liabilities:				
ARHCT	0.16183%	\$ (151,647)	\$ 1,367,076	\$ 3,192,945
RMP	0.23299%	\$ (30,076)	\$ 12,150	\$ 68,727
ODD	0.23299%	\$ -	\$ (33,059)	\$ -

### *OPEB Plan Fiduciary Net Position*

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

### *(d) Defined Contribution OPEB Plans*

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 postemployment healthcare benefits.

### *Employer Contribution Rates*

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2018 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.03%	1.03%
Occupational death and disability benefits	0.16%	0.43%
<b>Total Contribution Rates</b>	<b>1.19%</b>	<b>1.46%</b>

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, 2017, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,084 per year for each full-time employee, and \$1.34 per hour for part-time employees.

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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### *Annual Postemployment Healthcare Cost*

In 2018, the Borough contributed \$112,402 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

### **14. 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.

### **15. 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, 2018.

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

### **16. Contingencies**

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

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

# Petersburg Borough, Alaska

## Notes to Basic Financial Statements

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### 17. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined.

*GASB 83 - Certain Asset Retirement Obligations* - Effective for year-end June 30, 2019, with earlier application encouraged - This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

*GASB 84 - Fiduciary Activities* - Effective for year-end June 30, 2020, with earlier application encouraged - This statement addresses criteria for identifying and reporting fiduciary activities.

*GASB 87 - Leases* - Effective for year-end June 30, 2021, with earlier application encouraged - This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

*GASB 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - Effective for year-end June 30, 2019, with earlier application encouraged - This statement addresses note disclosures related to debt, clarifies which liabilities to include when disclosing information related to debt, and defines debt for the purpose of disclosure. It requires additional essential information related to debt be disclosed in the notes, as well as information for direct borrowings and direct placements.

*GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period* - Effective for year-end June 30, 2021, with earlier application encouraged - This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

*GASB 90 - Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61* - Effective for year-end June 30, 2020, with earlier application encouraged - This statement addresses accounting and financial reporting for a majority equity interest in a legally separate organization. It provides a definition of a majority equity interest and provides guidance for further presentation as either an investment or a component unit, based on specific criteria.

## Required Supplementary Information

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

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property taxes	\$ 3,355,000	\$ 3,355,000	\$ 3,356,815	\$ 1,815
Sales taxes	2,944,000	2,944,000	2,961,386	17,386
Other taxes	265,000	265,000	301,500	36,500
Intergovernmental	2,128,092	2,128,092	2,158,862	30,770
Licenses and permits	8,500	8,500	10,249	1,749
Charges for services	247,300	247,300	338,452	91,152
Fines and forfeitures	14,500	14,500	10,741	(3,759)
Overhead charges	636,972	636,972	636,972	-
Investment income	99,476	99,476	38,426	(61,050)
Other revenues	10,000	10,000	7,863	(2,137)
<b>Total Revenues</b>	<b>9,708,840</b>	<b>9,708,840</b>	<b>9,821,266</b>	<b>112,426</b>
<b>Expenditures</b>				
General government	1,773,083	1,773,083	1,711,183	61,900
Public safety	2,199,284	2,199,284	2,268,482	(69,198)
Public works	1,196,724	1,196,724	1,220,829	(24,105)
Community development	328,316	328,316	325,662	2,654
Community services	61,400	61,400	64,916	(3,516)
Culture and recreation	1,437,623	1,437,623	1,337,763	99,860
Education - contribution to school district	1,800,000	1,800,000	1,800,000	-
<b>Total Expenditures</b>	<b>8,796,430</b>	<b>8,796,430</b>	<b>8,728,835</b>	<b>67,595</b>
<b>Excess of Revenues Over Expenditures</b>	<b>912,410</b>	<b>912,410</b>	<b>1,092,431</b>	<b>180,021</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	400,000	400,000	400,000	-
Transfers out	(1,328,964)	(1,328,964)	(1,821,233)	(492,269)
<b>Net Other Financing Sources (Uses)</b>	<b>(928,964)</b>	<b>(928,964)</b>	<b>(1,421,233)</b>	<b>(492,269)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (16,554)</b>	<b>\$ (16,554)</b>	<b>(328,802)</b>	<b>\$ (312,248)</b>
<b>Fund Balance, beginning of year</b>			<b>4,010,374</b>	
<b>Fund Balance, end of year</b>			<b>\$ 3,681,572</b>	

*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>Year Ended 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
2018	0.16179%	\$ 8,363,876	\$ 3,116,497	\$ 11,480,373	\$ 4,930,589	169.63%	63.37%
2017	0.19278%	\$ 10,775,746	\$ 1,355,716	\$ 12,131,462	\$ 4,932,921	218.45%	59.55%
2016	0.17243%	\$ 8,362,857	\$ 2,239,001	\$ 10,601,858	\$ 4,803,880	174.09%	63.96%
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*

\*Information for these years is not available

*See accompanying notes to Required Supplementary Information.*

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

<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
2018	\$ 666,076	\$ 666,076	\$ -	\$ 5,201,704	12.80%
2017	567,503	567,503	-	4,930,589	11.51%
2016	498,118	498,118	-	4,932,921	10.10%
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*

\*Information for these years is not available

*See accompanying notes to Required Supplementary Information.*



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

<i>Year Ended June 30,</i>	Borough's Proportion of the Net OPEB Liability	Borough's Proportionate Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	Borough's Covered Payroll	Borough's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.16183%	\$ 1,367,076	\$ 509,910	\$ 1,876,986	\$ 4,930,589	27.68%	89.68%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*

\*Information for these years is not available

*See accompanying notes to Required Supplementary Information.*

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

<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
2018	\$ 224,463	\$ 224,463	\$ -	\$ 5,201,704	4.32%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*

\*Information for these years is not available

*See accompanying notes to Required Supplementary Information.*

# Petersburg Borough, Alaska

## Notes to Required Supplementary Information Year Ended June 30, 2018

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### 1. Budgetary Comparison Schedule

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

### 2. Public Employees' Retirement System - Schedule of the Borough's Information on the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2018, the Plan measurement date is June 30, 2017.

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

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

There were no changes in allocation methodology.

### 3. Public Employees' Retirement System - Schedule of the Borough's Contributions - Pension Plan

This table is based on the Borough's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

### 4. Public Employees' Retirement System - Schedule of the Borough's Information on the Net OPEB Liability

This table is presented based on the Plan measurement date. For June 30, 2018, the Plan measurement date is June 30, 2017.

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

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

There were no changes in allocation methodology.

### 5. Public Employees' Retirement System - Schedule of the Borough's Contributions - OPEB Plan

This table is based on the Borough's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

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## Supplementary Information

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Petersburg Borough, Alaska  
 Nonmajor Governmental Funds  
 Combining Balance Sheet

	Special Revenue Funds							Capital Project Funds				Total Nonmajor Governmen- tal 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	Economic Develop- ment	
<i>June 30, 2018</i>												
<b>Assets</b>												
Cash and investments	\$ -	\$ 3,839,500	\$ 81,765	\$ 164,614	\$ 183,947	\$ 66,128	\$ 6,979	\$ 177,243	\$ 33,968	\$ 99,927	\$ 4,114,687	\$ 8,768,758
Receivables:												
Grants and shared revenues	38,989	-	-	-	-	-	-	4,663	-	-	-	43,652
Taxes	-	-	-	8,100	-	-	10,411	-	-	-	-	18,511
Interest	-	-	-	-	-	-	-	-	-	-	2,196	2,196
<b>Total Assets</b>	<b>\$ 38,989</b>	<b>\$ 3,839,500</b>	<b>\$ 81,765</b>	<b>\$ 172,714</b>	<b>\$ 183,947</b>	<b>\$ 66,128</b>	<b>\$ 17,390</b>	<b>\$ 181,906</b>	<b>\$ 33,968</b>	<b>\$ 99,927</b>	<b>\$ 4,116,883</b>	<b>\$ 8,833,117</b>
<b>Liabilities and Fund Balances</b>												
<b>Liabilities</b>												
Accounts payable	\$ 272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272
Accrued payroll and employee benefits	6,885	-	-	-	-	-	-	-	-	-	-	6,885
Unearned revenue	15,000	-	-	-	-	-	-	-	-	-	-	15,000
Due to other funds	8,618	-	-	-	-	-	-	-	-	-	-	8,618
<b>Total Liabilities</b>	<b>30,775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,775</b>
<b>Fund Balances</b>												
Restricted:												
Streets and roads	-	-	81,765	-	-	-	-	-	-	-	-	81,765
School support	-	3,839,500	-	-	-	-	-	-	-	-	-	3,839,500
Committed:												
Economic development	-	-	-	-	-	-	-	-	-	-	4,116,883	4,116,883
Public works	-	-	-	172,714	-	-	-	-	-	-	-	172,714
Public safety	-	-	-	-	183,947	-	-	-	-	-	-	183,947
Capital projects	-	-	-	-	-	-	-	-	33,968	99,927	-	133,895
Tourism	-	-	-	-	-	-	17,390	-	-	-	-	17,390
Assigned:												
General government	-	-	-	-	-	66,128	-	-	-	-	-	66,128
Debt service	-	-	-	-	-	-	-	181,906	-	-	-	181,906
Subsequent year's expenditures	8,214	-	-	-	-	-	-	-	-	-	-	8,214
<b>Total Fund Balances</b>	<b>8,214</b>	<b>3,839,500</b>	<b>81,765</b>	<b>172,714</b>	<b>183,947</b>	<b>66,128</b>	<b>17,390</b>	<b>181,906</b>	<b>33,968</b>	<b>99,927</b>	<b>4,116,883</b>	<b>8,802,342</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 38,989</b>	<b>\$ 3,839,500</b>	<b>\$ 81,765</b>	<b>\$ 172,714</b>	<b>\$ 183,947</b>	<b>\$ 66,128</b>	<b>\$ 17,390</b>	<b>\$ 181,906</b>	<b>\$ 33,968</b>	<b>\$ 99,927</b>	<b>\$ 4,116,883</b>	<b>\$ 8,833,117</b>

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

	Special Revenue Funds						
	Miscellaneous Grants	National Forest Receipts - School	National Forest Receipts - Streets and Roads	Property Development	E911 Surcharge	Borough Organizational	Transient Room Tax
<i>Year Ended June 30, 2018</i>							
<b>Revenues</b>							
Taxes	\$ -	\$ -	\$ -	\$ 46,297	\$ -	\$ -	\$ 51,493
Intergovernmental	39,671	496,047	87,538	-	-	-	-
Charges for services	442	-	-	50	85,082	-	-
Investment income	-	14,166	75	586	-	-	-
Donations	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>40,113</b>	<b>510,213</b>	<b>87,613</b>	<b>46,933</b>	<b>85,082</b>	<b>-</b>	<b>51,493</b>
<b>Expenditures</b>							
General government	-	-	-	25	-	5,744	65,000
Public safety	13,121	-	-	-	12,156	-	-
Community services	-	-	-	-	-	-	-
Culture and recreation	22,648	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	-	-	49,904	-	-	-	-
<b>Total Expenditures</b>	<b>35,769</b>	<b>-</b>	<b>49,904</b>	<b>25</b>	<b>12,156</b>	<b>5,744</b>	<b>65,000</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>4,344</b>	<b>510,213</b>	<b>37,709</b>	<b>46,908</b>	<b>72,926</b>	<b>(5,744)</b>	<b>(13,507)</b>
<b>Other Financing Sources (Uses)</b>							
Sale of capital assets	-	-	-	200	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(400,000)	-	-	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>(400,000)</b>	<b>-</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>4,344</b>	<b>110,213</b>	<b>37,709</b>	<b>47,108</b>	<b>72,926</b>	<b>(5,744)</b>	<b>(13,507)</b>
<b>Fund Balances, beginning of year</b>	<b>3,870</b>	<b>3,729,287</b>	<b>44,056</b>	<b>125,606</b>	<b>111,021</b>	<b>71,872</b>	<b>30,897</b>
<b>Fund Balances, end of year</b>	<b>\$ 8,214</b>	<b>\$ 3,839,500</b>	<b>\$ 81,765</b>	<b>\$ 172,714</b>	<b>\$ 183,947</b>	<b>\$ 66,128</b>	<b>\$ 17,390</b>

## Petersburg Borough, Alaska

## Nonmajor Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued

	Capital Project Funds						Total Nonmajor Govern- mental Funds
	Debt Service Fund	Library Construc- tion	Fishing Park	Economic Develop- ment	Homeland Security	Police, Jail and Administration Building Renovation	
<i>Year Ended June 30, 2018</i>							
<b>Revenues</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,790
Intergovernmental	466,242	15,000	-	-	106,542	-	1,211,040
Charges for services	-	-	-	-	-	-	85,574
Investment income	-	-	-	282,709	-	-	297,536
Donations	-	45,259	-	-	-	-	45,259
<b>Total Revenues</b>	<b>466,242</b>	<b>60,259</b>	<b>-</b>	<b>282,709</b>	<b>106,542</b>	<b>-</b>	<b>1,737,199</b>
<b>Expenditures</b>							
General government	-	-	-	-	-	-	70,769
Public safety	-	-	-	-	-	-	25,277
Community services	-	-	-	90,000	-	-	90,000
Culture and recreation	-	-	-	-	-	-	22,648
Debt service:							
Principal	590,004	-	-	-	-	-	590,004
Interest	276,617	-	-	-	-	-	276,617
Capital outlay	-	42,199	-	-	106,542	342,365	541,010
<b>Total Expenditures</b>	<b>866,621</b>	<b>42,199</b>	<b>-</b>	<b>90,000</b>	<b>106,542</b>	<b>342,365</b>	<b>1,616,325</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(400,379)</b>	<b>18,060</b>	<b>-</b>	<b>192,709</b>	<b>-</b>	<b>(342,365)</b>	<b>120,874</b>
<b>Other Financing Sources (Uses)</b>							
Sale of capital assets	-	-	-	-	-	-	200
Transfers in	516,454	-	-	-	-	464,710	981,164
Transfers out	-	-	-	(165,000)	-	-	(565,000)
<b>Net Other Financing Sources (Uses)</b>	<b>516,454</b>	<b>-</b>	<b>-</b>	<b>(165,000)</b>	<b>-</b>	<b>464,710</b>	<b>416,364</b>
<b>Net Change in Fund Balances</b>	<b>116,075</b>	<b>18,060</b>	<b>-</b>	<b>27,709</b>	<b>-</b>	<b>122,345</b>	<b>537,238</b>
<b>Fund Balances, beginning of year</b>	<b>65,831</b>	<b>15,908</b>	<b>99,927</b>	<b>4,089,174</b>	<b>-</b>	<b>(122,345)</b>	<b>8,265,104</b>
<b>Fund Balances, end of year</b>	<b>\$ 181,906</b>	<b>\$ 33,968</b>	<b>\$ 99,927</b>	<b>\$ 4,116,883</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,802,342</b>



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

<i>June 30, 2018</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash and investments	\$ 588,840	\$ 568,645	\$1,157,485
Receivables, net of allowance for doubtful accounts	113,324	-	113,324
Prepaid expenses	2,810	937	3,747
<b>Total Current Assets</b>	<b>704,974</b>	<b>569,582</b>	<b>1,274,556</b>
<b>Restricted Cash - security deposits</b>	<b>-</b>	<b>17,486</b>	<b>17,486</b>
<b>Property, Plant and Equipment</b>			
Land and land improvements	63,720	127,419	191,139
Buildings	2,211,180	2,916,985	5,128,165
Improvements other than buildings	807,695	250,316	1,058,011
Machinery and equipment	346,901	192,216	539,117
Total property, plant and equipment	3,429,496	3,486,936	6,916,432
Accumulated depreciation	(1,697,736)	(2,634,472)	(4,332,208)
<b>Net Property, Plant and Equipment</b>	<b>1,731,760</b>	<b>852,464</b>	<b>2,584,224</b>
<b>Total Assets</b>	<b>2,436,734</b>	<b>1,439,532</b>	<b>3,876,266</b>
<b>Deferred Outflows of Resources</b>			
Related to pension	36,715	25,709	62,424
Related to other postemployment benefits	7,256	2,993	10,249
Deferred charges on refunding	-	15,797	15,797
<b>Total Deferred Outflows of Resources</b>	<b>43,971</b>	<b>44,499</b>	<b>88,470</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,480,705</b>	<b>\$ 1,484,031</b>	<b>\$3,964,736</b>

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

<i>June 30, 2018</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 40,416	\$ 4,968	\$ 45,384
Accrued payroll and employee benefits	11,742	5,575	17,317
Accrued leave	5,592	4,584	10,176
Unearned revenue	-	1,437	1,437
Customer deposits	8,349	8,135	16,484
Accrued interest	-	4,925	4,925
Current portion of general obligation bonds	-	46,250	46,250
<b>Total Current Liabilities</b>	<b>66,099</b>	<b>75,874</b>	<b>141,973</b>
<b>Noncurrent Liabilities</b>			
General obligation bonds	-	260,000	260,000
Bond premium, net of accumulated amortization	-	36,944	36,944
Net pension liability	302,876	177,506	480,382
Net other postemployment benefits liability	43,266	17,842	61,108
Landfill closure liability	65,970	-	65,970
<b>Total Noncurrent Liabilities</b>	<b>412,112</b>	<b>492,292</b>	<b>904,404</b>
<b>Total Liabilities</b>	<b>478,211</b>	<b>568,166</b>	<b>1,046,377</b>
<b>Deferred Inflows of Resources</b>			
Related to pension	29,457	12,734	42,191
Related to other postemployment benefits	22,452	9,258	31,710
<b>Total Deferred Inflows of Resources</b>	<b>51,909</b>	<b>21,992</b>	<b>73,901</b>
<b>Net Position</b>			
Net investment in capital assets	1,731,760	525,067	2,256,827
Unrestricted	218,825	368,806	587,631
<b>Total Net Position</b>	<b>1,950,585</b>	<b>893,873</b>	<b>2,844,458</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 2,480,705</b>	<b>\$ 1,484,031</b>	<b>\$3,964,736</b>

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

<i>Year Ended June 30, 2018</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
<b>Operating Revenues</b>	\$ 1,169,972	\$ 384,171	\$ 1,554,143
<b>Operating Expenses</b>			
Salaries and benefits	343,203	132,284	475,487
Services, supplies, and other charges	375,678	137,343	513,021
Allocated overhead and motor pool charges	242,286	32,430	274,716
Depreciation	152,589	106,024	258,613
<b>Total Operating Expenses</b>	1,113,756	408,081	1,521,837
<b>Income (Loss) from Operations</b>	56,216	(23,910)	32,306
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	2,139	2,389	4,528
Interest expense	-	(10,846)	(10,846)
State PERS relief	7,947	4,663	12,610
<b>Net Nonoperating Revenues (Expenses)</b>	10,086	(3,794)	6,292
<b>Change in Net Position</b>	66,302	(27,704)	38,598
<b>Net Position, beginning of year (as restated in Note 2)</b>	1,884,283	921,577	2,805,860
<b>Net Position, end of year</b>	\$ 1,950,585	\$ 893,873	\$ 2,844,458

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

<i>Year Ended June 30, 2018</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 1,186,406	\$ 382,349	\$ 1,568,755
Payments for interfund services used	(242,286)	(32,430)	(274,716)
Payments to suppliers	(363,090)	(131,299)	(494,389)
Payments to employees	(354,407)	(134,580)	(488,987)
<b>Net cash flows from operating activities</b>	<b>226,623</b>	<b>84,040</b>	<b>310,663</b>
<b>Cash Flows for Capital and Related Financing Activities</b>			
Principal paid on long-term debt	-	(45,000)	(45,000)
Interest paid on long-term debt	-	(15,675)	(15,675)
Purchase of property, plant and equipment	(12,793)	(66,406)	(79,199)
<b>Net cash flows for capital and related financing activities</b>	<b>(12,793)</b>	<b>(127,081)</b>	<b>(139,874)</b>
<b>Cash Flows from Investing Activities</b>			
Investment income received	2,139	2,389	4,528
<b>Net increase (decrease) in cash and investments</b>	<b>215,969</b>	<b>(40,652)</b>	<b>175,317</b>
<b>Cash and Investments, beginning of year</b>	<b>372,871</b>	<b>626,783</b>	<b>999,654</b>
<b>Cash and Investments, end of year</b>	<b>\$ 588,840</b>	<b>\$ 586,131</b>	<b>\$ 1,174,971</b>
<b>Cash and Investments at End of Year</b>			
Cash and investments	\$ 588,840	\$ 568,645	\$ 1,157,485
Restricted cash	-	17,486	17,486
<b>Total Cash and Investments</b>	<b>\$ 588,840</b>	<b>\$ 586,131</b>	<b>\$ 1,174,971</b>
<b>Reconciliation of Income (Loss) from Operations to Net Cash</b>			
<b>Flows from Operating Activities</b>			
Income (Loss) from operations	\$ 56,216	\$ (23,910)	\$ 32,306
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:			
Noncash expenses:			
Depreciation	152,589	106,024	258,613
PERS relief	7,947	4,663	12,610
Amortization of deferred outflows of resources for pension	39,706	16,373	56,079
Amortization of deferred outflows of resources for other postemployment benefits	2,409	993	3,402
Amortization of deferred inflows of resources for pension	25,217	10,399	35,616
Amortization of deferred inflows of resources for other postemployment benefits	22,451	9,258	31,709
Increase in allowance for doubtful accounts	135	-	135
(Increase) decrease in assets:			
Accounts receivable	18,524	-	18,524
Prepaid expenses	1,057	1,977	3,034
Increase (decrease) in liabilities:			
Accounts payable	11,531	4,067	15,598
Accrued payroll and employee benefits	(3,744)	(2,309)	(6,053)
Accrued leave	(152)	1,640	1,488
Unearned revenue	-	80	80
Customer deposits	(2,225)	(1,902)	(4,127)
Net pension liability	(77,520)	(31,966)	(109,486)
Net other postemployment benefits liability	(27,518)	(11,347)	(38,865)
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 226,623</b>	<b>\$ 84,040</b>	<b>\$ 310,663</b>

## General Fund

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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>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 3,438,853	\$ 3,744,468
Receivables:		
Property taxes	15,961	23,627
Sales and tobacco taxes	388,365	349,612
Accounts	16,778	44,044
Interest	58,892	54,201
Total receivables	479,996	471,484
Prepaid insurance	62,619	73,607
Due from other funds	34,301	3,768
<b>Total Assets</b>	<b>\$ 4,015,769</b>	<b>\$ 4,293,327</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 77,407	\$ 43,326
Accrued payroll and employee benefits	243,492	228,220
Unearned revenue	13,298	11,407
<b>Total Liabilities</b>	<b>334,197</b>	<b>282,953</b>
<b>Fund Balance</b>		
Nonspendable - prepaid insurance	62,619	73,607
Unassigned	3,618,953	3,936,767
<b>Total Fund Balance</b>	<b>3,681,572</b>	<b>4,010,374</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,015,769</b>	<b>\$ 4,293,327</b>

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

<i>Years Ended June 30,</i>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 3,355,000	\$ 3,356,815	\$ 1,815	\$ 3,151,083
Sales taxes	2,944,000	2,961,386	17,386	2,950,026
Motor vehicle registration	35,000	34,422	(578)	31,933
Tobacco taxes	230,000	267,078	37,078	242,533
<b>Total taxes</b>	<b>6,564,000</b>	<b>6,619,701</b>	<b>55,701</b>	<b>6,375,575</b>
Intergovernmental:				
Payments in lieu of taxes	550,000	585,888	35,888	578,688
Library grants	6,650	7,000	350	6,900
Fisheries business tax	850,000	877,158	27,158	336,848
Shared fisheries business tax and landing tax	14,000	18,842	4,842	14,709
Liquor licenses	8,000	5,800	(2,200)	7,000
Jail and special services contract	173,626	173,626	-	178,626
State PERS relief	160,000	89,374	(70,626)	114,051
9th officer position	23,000	22,935	(65)	91,739
State revenue sharing	342,816	378,239	35,423	340,441
<b>Total intergovernmental</b>	<b>2,128,092</b>	<b>2,158,862</b>	<b>30,770</b>	<b>1,669,002</b>
<b>Licenses and permits</b>	<b>8,500</b>	<b>10,249</b>	<b>1,749</b>	<b>9,587</b>
Charges for services:				
Police and public safety	2,300	1,985	(315)	1,500
Ambulance fees	35,000	31,578	(3,422)	33,592
Public works	12,000	24,904	12,904	17,642
SEACAD police reimbursement	-	96,785	96,785	5,034
Recreation activity fees	180,000	153,018	(26,982)	170,217
Cemetery charges	3,000	5,275	2,275	3,295

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

<i>Years Ended June 30,</i>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Revenues, continued</b>				
Charges for services, continued:				
Library charges	\$ 6,500	\$ 6,488	\$ (12)	\$ 4,138
Cemetery plot sales	1,000	2,410	1,410	6,150
Passport services	2,500	3,132	632	2,766
Other charges for services	5,000	12,877	7,877	9,506
<b>Total charges for services</b>	<b>247,300</b>	<b>338,452</b>	<b>91,152</b>	<b>253,840</b>
Fines and forfeitures	14,500	10,741	(3,759)	12,250
Overhead charges	636,972	636,972	-	573,072
Investment income	99,476	38,426	(61,050)	23,869
Other revenues:				
Lease income	7,000	6,856	(144)	4,586
Library donations	3,000	1,007	(1,993)	458
<b>Total other revenues</b>	<b>10,000</b>	<b>7,863</b>	<b>(2,137)</b>	<b>5,044</b>
<b>Total Revenues</b>	<b>9,708,840</b>	<b>9,821,266</b>	<b>112,426</b>	<b>8,922,239</b>
<b>Expenditures</b>				
General government:				
Borough assembly	131,007	132,132	(1,125)	134,627
Borough manager	399,731	403,901	(4,170)	380,131
Borough attorney	55,000	114,016	(59,016)	68,940
Information systems	121,986	111,335	10,651	108,414
Finance	651,410	635,249	16,161	629,048
Nondepartmental PERS on-behalf	160,000	89,374	70,626	114,051
Other	253,949	225,176	28,773	203,880
<b>Total general government</b>	<b>1,773,083</b>	<b>1,711,183</b>	<b>61,900</b>	<b>1,639,091</b>



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

<i>Years Ended June 30,</i>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued</b>				
Public safety:				
Police department	\$ 1,293,761	\$ 1,384,755	\$ (90,994)	\$ 1,219,960
Jail	373,907	355,142	18,765	335,977
Fire department	531,616	528,585	3,031	510,487
<b>Total public safety</b>	<b>2,199,284</b>	<b>2,268,482</b>	<b>(69,198)</b>	<b>2,066,424</b>
Public works	1,196,724	1,220,829	(24,105)	1,173,956
Community development	328,316	325,662	2,654	308,461
Community services	61,400	64,916	(3,516)	162,164
Culture and recreation:				
Library	420,786	402,226	18,560	418,625
Parks and recreation	1,016,837	935,537	81,300	850,076
<b>Total culture and recreation</b>	<b>1,437,623</b>	<b>1,337,763</b>	<b>99,860</b>	<b>1,268,701</b>
Education - contribution to school district	1,800,000	1,800,000	-	1,800,000
<b>Total Expenditures</b>	<b>8,796,430</b>	<b>8,728,835</b>	<b>67,595</b>	<b>8,418,797</b>
<b>Excess of Revenues Over Expenditures</b>	<b>912,410</b>	<b>1,092,431</b>	<b>180,021</b>	<b>503,442</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	400,000	400,000	-	500,000
Transfers out	(1,328,964)	(1,821,233)	(492,269)	(848,340)
<b>Net Other Financing Sources (Uses)</b>	<b>(928,964)</b>	<b>(1,421,233)</b>	<b>(492,269)</b>	<b>(348,340)</b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (16,554)</u></b>	<b>(328,802)</b>	<b><u>\$ (312,248)</u></b>	<b>155,102</b>
Fund Balance, beginning of year		<u>4,010,374</u>		<u>3,855,272</u>
Fund Balance, end of year		<u><b>\$ 3,681,572</b></u>		<u><b>\$ 4,010,374</b></u>

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## Special Revenue Funds

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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>	2018	2017
<b>Assets</b>		
Cash and investments	\$ -	\$ 57,845
Receivables - grants	38,989	2,801
<b>Total Assets</b>	<b>\$ 38,989</b>	<b>\$ 60,646</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 272	\$ 2,494
Accrued payroll and employee benefits	6,885	355
Unearned revenue	15,000	53,927
Due to other funds	8,618	-
<b>Total Liabilities</b>	<b>30,775</b>	<b>56,776</b>
<b>Fund Balance</b>		
Assigned for subsequent year's expenditures	8,214	3,870
<b>Total Liabilities and Fund Balance</b>	<b>\$ 38,989</b>	<b>\$ 60,646</b>

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

<i>Years Ended June 30,</i>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Intergovernmental	\$ 65,082	\$ 39,671	\$ (25,411)	\$ 125,274
Charges for services	-	442	442	3,568
<b>Total Revenues</b>	<b>65,082</b>	<b>40,113</b>	<b>(24,969)</b>	<b>128,842</b>
<b>Expenditures</b>				
Public safety:				
Police department	2,040	1,321	719	8,703
Local emergency planning committee	9,800	11,800	(2,000)	9,069
Culture and recreation:				
IMLS library	7,000	7,000	-	6,000
Campgrounds	6,242	4,903	1,339	8,114
Library	3,000	4,221	(1,221)	3,237
City Creek repairs	-	2,524	(2,524)	49,429
PCF art exhibit	-	2,500	(2,500)	-
Owl grant	-	1,500	(1,500)	-
Sandy Beach bathroom	-	-	-	5,849
Sons of Norway	-	-	-	6,269
<b>Total Expenditures</b>	<b>28,082</b>	<b>35,769</b>	<b>(7,687)</b>	<b>138,060</b>
<b>Net Change in Fund Balance</b>	<b><u>\$ 37,000</u></b>	<b>4,344</b>	<b><u>\$ (32,656)</u></b>	<b>(9,218)</b>
<b>Fund Balance, beginning of year</b>		<b><u>3,870</u></b>		<b><u>13,088</u></b>
<b>Fund Balance, end of year</b>		<b><u>\$ 8,214</u></b>		<b><u>\$ 3,870</u></b>

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

<i>June 30,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 3,839,500	\$ 3,729,287
<b>Fund Balance</b>		
Restricted for school support	\$ 3,839,500	\$ 3,729,287

**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>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Intergovernmental	\$ 466,527	\$ 496,047	\$ 29,520	\$ 10,412
Investment income	10,000	14,166	4,166	8,472
<b>Total Revenues</b>	<b>476,527</b>	<b>510,213</b>	<b>33,686</b>	<b>18,884</b>
<b>Other Financing Uses</b>				
Transfers out	(475,000)	(400,000)	75,000	(500,000)
<b>Net Change in Fund Balance</b>	<b><u>\$ 1,527</u></b>	<b>110,213</b>	<b><u>\$ 108,686</u></b>	<b>(481,116)</b>
<b>Fund Balance, beginning of year</b>		<b><u>3,729,287</u></b>		<b><u>4,210,403</u></b>
<b>Fund Balance, end of year</b>		<b><u>\$ 3,839,500</u></b>		<b><u>\$ 3,729,287</u></b>

Petersburg Borough, Alaska

National Forest Receipts - Streets and Roads Special Revenue Fund  
Balance Sheet

<i>June 30,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 81,765	\$ 44,056
<b>Fund Balance</b>		
Restricted for streets and roads	\$ 81,765	\$ 44,056



## 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>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Intergovernmental	\$ 82,328	\$ 87,538	\$ 5,210	\$ -
Investment income	-	75	75	259
<b>Total Revenues</b>	<b>82,328</b>	<b>87,613</b>	<b>5,285</b>	<b>259</b>
<b>Expenditures</b>				
Capital outlay - paving	49,903	49,904	(1)	617,454
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>32,425</b>	<b>37,709</b>	<b>5,284</b>	<b>(617,195)</b>
<b>Other Financing Sources</b>				
Transfer in	-	-	-	34,716
<b>Net Change in Fund Balance</b>	<b><u>\$ 32,425</u></b>	<b>37,709</b>	<b><u>\$ 5,284</u></b>	<b>(582,479)</b>
Fund Balance, beginning of year		<u>44,056</u>		<u>626,535</u>
Fund Balance, end of year		<u>\$ 81,765</u>		<u>\$ 44,056</u>

Petersburg Borough, Alaska  
 Property Development Special Revenue Fund  
 Balance Sheet

<i>June 30,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 164,614	\$ 125,606
Receivables - taxes	8,100	-
<b>Total Assets</b>	<b>\$ 172,714</b>	<b>\$ 125,606</b>
<b>Fund Balance</b>		
Committed for public works	\$ 172,714	\$ 125,606

**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>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Marijuana taxes	\$ 30,000	\$ 46,297	\$ 16,297	\$ -
Charges for services/rock sales	-	50	50	100
Investment income	-	586	586	250
<b>Total Revenues</b>	<b>30,000</b>	<b>46,933</b>	<b>16,933</b>	<b>350</b>
<b>Expenditures</b>				
General government - professional services	5,000	25	4,975	9,278
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>25,000</b>	<b>46,908</b>	<b>21,908</b>	<b>(8,928)</b>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	200	200	532,023
Transfers out	-	-	-	(500,000)
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>200</b>	<b>200</b>	<b>32,023</b>
<b>Net Change in Fund Balance</b>	<b><u>\$ 25,000</u></b>	<b>47,108</b>	<b><u>\$ 22,108</u></b>	<b>23,095</b>
Fund Balance, beginning of year		<u>125,606</u>		<u>102,511</u>
Fund Balance, end of year		<u>\$ 172,714</u>		<u>\$ 125,606</u>

**Petersburg Borough, Alaska**  
**E911 Surcharge Special Revenue Fund**  
**Balance Sheet**

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<i>June 30,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 183,947	\$ 111,021
<b>Fund Balance</b>		
Committed for public safety	\$ 183,947	\$ 111,021

**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>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Charges for services	\$ 80,000	\$ 85,082	\$ 5,082	\$ 86,132
<b>Expenditures</b>				
Public safety	13,603	12,156	1,447	12,735
<b>Net Change in Fund Balance</b>	<u>\$ 66,397</u>	72,926	<u>\$ 6,529</u>	73,397
<b>Fund Balance, beginning of year</b>		<u>111,021</u>		<u>37,624</u>
<b>Fund Balance, end of year</b>		<u>\$ 183,947</u>		<u>\$ 111,021</u>

**Petersburg Borough, Alaska**  
**Borough Organizational Special Revenue Fund**  
**Balance Sheet**

<i>June 30,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 66,128	\$ 71,872
<b>Fund Balance</b>		
Assigned for general government	\$ 66,128	\$ 71,872

**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>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures</b>				
General government:				
Assessment services	\$ -	\$ -	\$ -	\$ 6,000
Comprehensive plan/zoning/mapping	75,000	4,936	70,064	13,775
Land entitlement costs	-	808	(808)	-
<b>Total Expenditures</b>	75,000	5,744	69,256	19,775
<b>Net Change in Fund Balance</b>	<u>\$ (75,000)</u>	(5,744)	<u>\$ 69,256</u>	(19,775)
<b>Fund Balance, beginning of year</b>		<u>71,872</u>		<u>91,647</u>
<b>Fund Balance, end of year</b>		<u>\$ 66,128</u>		<u>\$ 71,872</u>

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

<i>June 30,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 6,979	\$ 22,581
Receivables - transient room taxes	10,411	8,316
<b>Total Assets</b>	<b>\$ 17,390</b>	<b>\$ 30,897</b>
<b>Fund Balance</b>		
Committed for tourism	\$ 17,390	\$ 30,897



## 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>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Transient taxes	\$ 55,000	\$ 51,493	\$ (3,507)	\$ 58,612
<b>Expenditures</b>				
General government - miscellaneous	65,000	65,000	-	55,500
<b>Net Change in Fund Balance</b>	<u>\$ (10,000)</u>	(13,507)	<u>\$ (3,507)</u>	3,112
<b>Fund Balance, beginning of year</b>		<u>30,897</u>		<u>27,785</u>
<b>Fund Balance, end of year</b>		<u>\$ 17,390</u>		<u>\$ 30,897</u>

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## Debt Service Fund

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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>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 177,243	\$ 37,129
Receivables - grants and shared revenues	4,663	28,702
<b>Total Assets</b>	<b>\$ 181,906</b>	<b>\$ 65,831</b>
<b>Fund Balance</b>		
Assigned for debt service	\$ 181,906	\$ 65,831

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

<i>Years Ended June 30,</i>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Intergovernmental	\$ 349,681	\$ 466,242	\$ 116,561	\$ 365,557
Other	-	-	-	11,663
<b>Total Revenues</b>	<b>349,681</b>	<b>466,242</b>	<b>116,561</b>	<b>377,220</b>
<b>Expenditures</b>				
Debt service:				
2007 general obligation aquatic center refunding bonds:				
Principal	55,000	55,000	-	60,000
Interest	28,550	28,550	-	18,196
2007 general obligation pool refunding bonds:				
Principal	20,004	20,004	-	20,004
Interest	2,867	2,867	-	2,272
2012 (Series 2) general obligation refunding school bonds:				
Principal	180,000	180,000	-	170,000
Interest	73,900	73,900	-	80,900
2012 (Series 3) general obligation library bonds:				
Principal	70,000	70,000	-	65,000
Interest	36,750	36,750	-	39,350
2014 general obligation aquatic center/voc.ed refunding bonds:				
Principal	265,000	265,000	-	260,000
Interest	134,550	134,550	-	141,475
Other debt service charges	-	-	-	18,848
<b>Total Expenditures</b>	<b>866,621</b>	<b>866,621</b>	<b>-</b>	<b>876,045</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(516,940)</b>	<b>(400,379)</b>	<b>116,561</b>	<b>(498,825)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	516,940	516,454	(486)	401,758
Refunding bonds issued	-	-	-	756,684
Premium on refunding	-	-	-	100,580
Payment to refunded bond escrow agent	-	-	-	(846,572)
<b>Net Other Financing Sources (Uses)</b>	<b>516,940</b>	<b>516,454</b>	<b>(486)</b>	<b>412,450</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>116,075</b>	<b>\$ 116,075</b>	<b>(86,375)</b>
Fund Balance, beginning of year		65,831		152,206
Fund Balance, end of year		\$ 181,906		\$ 65,831

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## Capital Project Funds

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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.

### 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  
Nonmajor Capital Project Funds  
Combining Balance Sheet

<i>June 30, 2018</i>	Library Construc- tion	Fishing Park	Economic Development	Totals
<b>Assets</b>				
Cash and investments	\$ 33,968	\$ 99,927	\$ 4,114,687	\$ 4,248,582
Interest receivable	-	-	2,196	2,196
<b>Total Assets</b>	<b>\$ 33,968</b>	<b>\$ 99,927</b>	<b>\$ 4,116,883</b>	<b>\$ 4,250,778</b>
<b>Fund Balances</b>				
<b>Fund Balances</b>				
Committed:				
Economic development	\$ -	\$ -	\$ 4,116,883	\$ 4,116,883
Capital projects	33,968	99,927	-	133,895
<b>Total Fund Balances</b>	<b>\$ 33,968</b>	<b>\$ 99,927</b>	<b>\$ 4,116,883</b>	<b>\$ 4,250,778</b>
	-	-	-	-



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

<i>Year Ended June 30, 2018</i>	Library Construc- tion	Fishing Park	Economic Development	Homeland Security	Police, Jail and Administration Building Renovation	Totals
<b>Revenues</b>						
Intergovernmental	\$ 15,000	\$ -	\$ -	\$ 106,542	\$ -	\$ 121,542
Investment income	-	-	282,709	-	-	282,709
Donations	45,259	-	-	-	-	45,259
<b>Total Revenues</b>	<b>60,259</b>	<b>-</b>	<b>282,709</b>	<b>106,542</b>	<b>-</b>	<b>449,510</b>
<b>Expenditures</b>						
Capital projects and improvements:						
Professional services	42,199	-	-	-	12,390	54,589
Materials and supplies	-	-	-	106,542	329,975	436,517
Community services - contributions	-	-	90,000	-	-	90,000
<b>Total Expenditures</b>	<b>42,199</b>	<b>-</b>	<b>90,000</b>	<b>106,542</b>	<b>342,365</b>	<b>581,106</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>18,060</b>	<b>-</b>	<b>192,709</b>	<b>-</b>	<b>(342,365)</b>	<b>(131,596)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	464,710	464,710
Transfers out	-	-	(165,000)	-	-	(165,000)
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(165,000)</b>	<b>-</b>	<b>464,710</b>	<b>299,710</b>
<b>Net Change in Fund Balances</b>	<b>18,060</b>	<b>-</b>	<b>27,709</b>	<b>-</b>	<b>122,345</b>	<b>168,114</b>
<b>Fund Balances, beginning of year</b>	<b>15,908</b>	<b>99,927</b>	<b>4,089,174</b>	<b>-</b>	<b>(122,345)</b>	<b>4,082,664</b>
<b>Fund Balances, end of year</b>	<b>\$ 33,968</b>	<b>\$ 99,927</b>	<b>\$ 4,116,883</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,250,778</b>

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## Enterprise Funds

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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>	2018	2017
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 7,417,477	\$ 7,814,928
Accounts receivable	444,600	442,223
Allowance for doubtful accounts	(17,020)	(15,216)
Inventories	303,031	298,685
Prepaid expenses	21,232	19,628
<b>Total Current Assets</b>	<b>8,169,320</b>	<b>8,560,248</b>
<b>Property, Plant and Equipment</b>		
Land and land improvements	1,848,295	1,848,295
Buildings	3,758,199	3,073,919
Improvements other than buildings	5,264,408	5,129,194
Machinery and equipment	16,985,357	16,985,357
Construction in progress	275,356	80,420
Total property, plant and equipment	28,131,615	27,117,185
Accumulated depreciation	(18,008,125)	(17,485,484)
<b>Net Property, Plant and Equipment</b>	<b>10,123,490</b>	<b>9,631,701</b>
<b>Total Assets</b>	<b>18,292,810</b>	<b>18,191,949</b>
<b>Deferred Outflows of Resources</b>		
Related to pension	162,508	361,547
Related to other postemployment benefits	36,375	-
<b>Total Deferred Outflows of Resources</b>	<b>198,883</b>	<b>361,547</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 18,491,693</b>	<b>\$ 18,553,496</b>

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

<i>June 30,</i>	2018	2017
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable - operations	\$ 162,301	\$ 178,986
Accounts payable - capital	13,050	-
Accrued payroll and employee benefits	65,837	83,492
Accrued leave	127,516	88,009
Accrued interest	29,299	30,449
Customer deposits	30,264	31,723
Current portion of general obligation bonds	120,000	115,000
<b>Total Current Liabilities</b>	<b>548,267</b>	<b>527,659</b>
<b>Noncurrent Liabilities</b>		
General obligation bonds	1,930,000	2,050,000
Bond premium, net of accumulated amortization	36,980	40,061
Net pension liability	1,411,072	1,799,661
Net other postemployment benefits liability	216,888	-
<b>Total Noncurrent Liabilities</b>	<b>3,594,940</b>	<b>3,889,722</b>
<b>Total Liabilities</b>	<b>4,143,207</b>	<b>4,417,381</b>
<b>Deferred Inflows of Resources</b>		
Related to pension	146,465	20,060
Related to other postemployment benefits	112,545	-
<b>Total Deferred Inflows of Resources</b>	<b>259,010</b>	<b>20,060</b>
<b>Net Position</b>		
Net investment in capital assets	8,036,510	7,426,640
Unrestricted	6,052,966	6,689,415
<b>Total Net Position</b>	<b>14,089,476</b>	<b>14,116,055</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 18,491,693</b>	<b>\$ 18,553,496</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Operating Revenues</b>		
Residential electric	\$ 2,208,991	\$ 2,169,771
Large commercial	1,779,544	2,174,377
General	926,149	929,525
Street and highway lighting	76,998	76,536
Harbor electric	210,710	252,735
Municipal sales	231,365	25,421
Pole rental	53,420	52,540
Other	40,857	31,963
<b>Total Operating Revenues</b>	<b>5,528,034</b>	<b>5,712,868</b>
<b>Operating Expenses</b>		
Power production:		
Salaries	73,985	56,638
Employee benefits	28,120	63,257
Materials and supplies	271,603	35,479
Services and charges	15,691	70,341
SEAPA power purchase costs	3,112,292	3,213,401
<b>Total power production</b>	<b>3,501,691</b>	<b>3,439,116</b>
Distribution:		
Salaries	344,315	407,171
Employee benefits	195,095	452,853
Materials and supplies	28,016	18,066
Services and charges	25,597	14,895
<b>Total distribution</b>	<b>593,023</b>	<b>892,985</b>
General and administrative:		
Salaries	413,935	360,065
Employee benefits	160,675	310,827
Materials and supplies	184,810	139,353
Services and charges	230,566	186,974
Allocated overhead	207,625	195,670
Motor pool charges:		
Operation and maintenance	69,302	69,654
Equipment replacement	37,103	47,076
<b>Total general and administrative</b>	<b>1,304,016</b>	<b>1,309,619</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Operating Expenses, continued</b>		
Depreciation	\$ 522,641	\$ 576,883
<b>Total Operating Expenses</b>	<b>5,921,371</b>	<b>6,218,603</b>
<b>Loss from Operations</b>	<b>(393,337)</b>	<b>(505,735)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	32,336	17,388
SEAPA distribution	685,158	200,007
Interest expense	(115,263)	(118,297)
Federal interest subsidy	31,069	30,811
State PERS relief	39,834	30,587
<b>Net Nonoperating Revenues (Expenses)</b>	<b>673,134</b>	<b>160,496</b>
<b>Change in Net Position</b>	<b>279,797</b>	<b>(345,239)</b>
<b>Net Position, beginning of year, as restated (Note 2)</b>	<b>13,809,679</b>	<b>14,461,294</b>
<b>Net Position, end of year</b>	<b>\$ 14,089,476</b>	<b>\$ 14,116,055</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 6,211,160	\$ 5,877,961
Payments for interfund services used	(314,030)	(312,400)
Payments to suppliers	(3,891,210)	(3,669,073)
Payments to employees	(1,230,902)	(1,198,174)
<b>Net cash flows from operating activities</b>	<b>775,018</b>	<b>698,314</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Purchase of property, plant and equipment	(1,001,380)	(58,922)
Principal paid on long-term debt	(115,000)	(115,000)
Interest paid on long-term debt	(119,494)	(124,094)
Federal interest subsidy received	31,069	30,811
<b>Net cash flows for capital and related financing activities</b>	<b>(1,204,805)</b>	<b>(267,205)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	32,336	17,388
<b>Net increase in cash and investments</b>	<b>(397,451)</b>	<b>448,497</b>
<b>Cash and Investments, beginning of year</b>	<b>7,814,928</b>	<b>7,366,431</b>
<b>Cash and Investments, end of year</b>	<b>\$ 7,417,477</b>	<b>\$ 7,814,928</b>



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

<i>Years Ended June 30,</i>	2018	2017
<b>Reconciliation of Loss from Operations to Net Cash</b>		
<b>Flows from Operating Activities</b>		
Loss from operations	\$ (393,337)	\$ (505,735)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	522,641	576,883
PERS relief	39,834	30,587
Amortization of deferred outflows of resources for pension	199,039	(101,430)
Amortization of deferred outflows of resources for other postemployment benefits	12,074	-
Amortization of deferred inflows of resources for pension	126,405	(3,015)
Amortization of deferred inflows of resources for other postemployment benefits	112,545	-
Nonoperating revenues received	685,158	200,007
Increase in allowance for doubtful accounts	1,804	12,159
(Increase) decrease in assets:		
Accounts receivable	(2,377)	(46,932)
Inventories	(4,346)	(13,075)
Prepaid expenses	(1,604)	(7,875)
Increase (decrease) in liabilities:		
Accounts payable	(16,685)	30,386
Accrued payroll and employee benefits	(17,655)	28,779
Accrued leave	39,507	1,438
Customer deposits	(1,459)	(141)
Net pension liability	(388,589)	496,278
Net other postemployment benefits liability	(137,937)	-
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 775,018</b>	<b>\$ 698,314</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Capital assets purchased on account	\$ 13,050	\$ -

Petersburg Borough, Alaska

Electric Utility Enterprise Fund

Schedule of Electric Utility

Capital Projects

Year Ended June 30, 2018	Auto	PMPL	Generator	Hydro	Blind	Totals	
	Control System	24.9 Rebuild	Headquarters Building Remodel	Set Replacement	Penstock Clearing		Slough Hydro
<b>Funding Sources</b>							
Electric utility	\$ 1,938	\$ 135,214	\$ 632,035	\$ 185,741	\$ 16,630	\$44,800	\$1,016,358
<b>Expenditures</b>							
Personnel	\$ -	\$ -	\$ -	\$ 16,116	\$ 780	\$ -	\$ 16,896
Professional services	186	12,815	25,973	35,324	-	44,800	119,098
Construction and contractors	1,752	119,931	606,062	131,746	15,850	-	875,341
Other	-	2,468	-	2,555	-	-	5,023
<b>Total Expenditures</b>	<b>\$ 1,938</b>	<b>\$ 135,214</b>	<b>\$ 632,035</b>	<b>\$ 185,741</b>	<b>\$ 16,630</b>	<b>\$44,800</b>	<b>\$1,016,358</b>

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

<i>June 30,</i>	2018	2017
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,050,437	\$ 1,098,701
Receivables:		
Grants and loans	-	127
Accounts	98,936	94,194
Allowance for doubtful accounts	(3,660)	(2,602)
Inventories	49,692	57,784
Prepaid expenses	2,581	1,905
<b>Total Current Assets</b>	<b>1,197,986</b>	<b>1,250,109</b>
<b>Property, Plant and Equipment</b>		
Buildings	5,178,330	5,178,330
Improvements other than buildings	26,797,940	26,797,940
Machinery and equipment	3,005,917	3,000,849
Construction in progress	275,033	46,301
Total property, plant and equipment	35,257,220	35,023,420
Accumulated depreciation	(15,513,651)	(14,673,898)
<b>Net Property, Plant and Equipment</b>	<b>19,743,569</b>	<b>20,349,522</b>
<b>Total Assets</b>	<b>20,941,555</b>	<b>21,599,631</b>
<b>Deferred Outflows of Resources</b>		
Related to pension	25,982	56,252
Related to other postemployment benefits	5,532	-
<b>Total Deferred Outflows of Resources</b>	<b>31,514</b>	<b>56,252</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 20,973,069</b>	<b>\$ 21,655,883</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable - operations	\$ 3,135	\$ 4,754
Accounts payable - capital	40,580	-
Accrued payroll and employee benefits	12,932	10,450
Accrued leave	17,470	12,454
Customer deposits	7,305	7,235
Accrued interest	33,240	36,738
Current portion - ADEC loans	309,259	306,088
<b>Total Current Liabilities</b>	<b>423,921</b>	<b>377,719</b>
<b>Noncurrent Liabilities</b>		
ADEC loans	2,211,572	2,520,831
Net pension liability	220,909	280,006
Net other postemployment benefits liability	32,985	-
<b>Total Noncurrent Liabilities</b>	<b>2,465,466</b>	<b>2,800,837</b>
<b>Total Liabilities</b>	<b>2,889,387</b>	<b>3,178,556</b>
<b>Deferred Inflows of Resources</b>		
Related to pension	22,345	3,121
Related to other post employment benefits	17,116	-
<b>Deferred Inflows of Resources</b>	<b>39,461</b>	<b>3,121</b>
<b>Net Position</b>		
Net investment in capital assets	17,222,738	17,522,603
Unrestricted	821,483	951,603
<b>Total Net Position</b>	<b>18,044,221</b>	<b>18,474,206</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 20,973,069</b>	<b>\$ 21,655,883</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Operating Revenues</b>		
Residential water	\$ 547,564	\$ 536,942
Commercial water	432,132	401,035
Water delivery	20,247	11,715
Other	8,832	15,164
<b>Total Operating Revenues</b>	<b>1,008,775</b>	<b>964,856</b>
<b>Operating Expenses</b>		
Salaries	196,205	194,493
Employee benefits	83,029	145,493
Materials and supplies	153,701	134,390
Services and charges	157,166	143,503
Allocated overhead	78,699	68,554
Motor pool charges:		
Operation and maintenance	8,548	12,071
Equipment replacement	11,561	12,662
Depreciation	839,753	839,753
<b>Total Operating Expenses</b>	<b>1,528,662</b>	<b>1,550,919</b>
<b>Loss from Operations</b>	<b>(519,887)</b>	<b>(586,063)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	4,345	2,401
Interest expense	(38,907)	(43,493)
Federal loan subsidy	-	56,340
State PERS relief	6,058	4,759
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(28,504)</b>	<b>20,007</b>
Loss before transfers	(548,391)	(566,056)
Transfers in	165,000	165,000
<b>Change in Net Position</b>	<b>(383,391)</b>	<b>(401,056)</b>
<b>Net Position, beginning of year, as restated (Note 2)</b>	<b>18,427,612</b>	<b>18,875,262</b>
<b>Net Position, end of year</b>	<b>\$ 18,044,221</b>	<b>\$ 18,474,206</b>

## Petersburg Borough, Alaska

Water Utility Enterprise Fund  
Statement of Cash Flows

<i>Years Ended June 30,</i>	2018	2017
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 1,005,161	\$ 956,290
Payments for interfund services used	(98,808)	(93,287)
Payments to suppliers	(305,070)	(281,841)
Payments to employees	(277,306)	(282,084)
Net cash flows from operating activities	323,977	299,078
<b>Cash Flows for Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(306,088)	(359,305)
Federal loan subsidy received	-	56,340
Interest paid on long-term debt	(42,405)	(46,948)
Purchase of property, plant and equipment	(193,220)	(22,968)
Transfers in	165,000	165,000
Capital contributions received	127	54
Net cash flows for capital and related financing activities	(376,586)	(207,827)
<b>Cash Flows from Investing Activities</b>		
Investment income received	4,345	2,401
Net increase in cash and investments	(48,264)	93,652
Cash and Investments, beginning of year	1,098,701	1,005,049
Cash and Investments, end of year	\$ 1,050,437	\$ 1,098,701
<b>Reconciliation of Loss from Operations to Net Cash</b>		
<b>Flows from Operating Activities</b>		
Loss from operations	\$ (519,887)	\$ (586,063)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	839,753	839,753
PERS relief	6,058	4,759
Amortization of deferred outflows of resources for pension	30,270	(13,547)
Amortization of deferred outflows of resources for other postemployment benefits	1,836	
Amortization of deferred inflows of resources for pension	19,224	(667)
Amortization of deferred inflows of resources for other postemployment benefits	17,116	
Increase in allowance for doubtful accounts	1,058	2,007
(Increase) decrease in assets:		
Accounts receivable	(4,742)	(10,787)
Inventories	8,092	(6,868)
Prepaid expenses	(676)	(316)
Increase (decrease) in liabilities:		
Accounts payable	(1,619)	3,236
Accrued payroll and employee benefits	2,482	525
Accrued leave	5,016	810
Customer deposits	70	214
Net pension liability	(59,097)	66,022
Net other postemployment benefits liability	(20,977)	-
Net Cash Flows from Operating Activities	\$ 323,977	\$ 299,078
<b>Supplemental Disclosure of Cash Flow Information</b>		
Capital assets purchased on account	\$ 40,580	\$ -

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

<i>Year Ended June 30, 2018</i>	City Creek Dam Rehabilitation
<b>Funding Sources</b>	
Water Utility	\$ 228,732
<b>Expenditures</b>	
Professional services	\$ 43,805
Construction and contractors	184,927
<b>Total Expenditures</b>	<b>\$ 228,732</b>

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

<i>June 30,</i>	2018	2017
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,163,293	\$ 1,082,261
Receivables:		
Grants and loan	16,300	17,408
Accounts	82,913	78,500
Allowance for doubtful accounts	(1,359)	(1,303)
Inventories	33,983	25,595
Prepaid expenses	7,183	7,305
<b>Total Current Assets</b>	<b>1,302,313</b>	<b>1,209,766</b>
<b>Property, Plant and Equipment</b>		
Buildings	9,091,647	9,091,647
Improvements other than buildings	11,896,447	9,525,078
Machinery and equipment	414,226	414,226
Construction in progress	330,833	2,656,902
Total property, plant and equipment	21,733,153	21,687,853
Accumulated depreciation	(11,499,502)	(11,207,617)
<b>Net Property, Plant and Equipment</b>	<b>10,233,651</b>	<b>10,480,236</b>
<b>Total Assets</b>	<b>11,535,964</b>	<b>11,690,002</b>
<b>Deferred Outflows of Resources</b>		
Related to pension	24,869	69,568
Related to other postemployment benefits	8,169	-
<b>Total Deferred Outflows of Resources</b>	<b>33,038</b>	<b>69,568</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 11,569,002</b>	<b>\$ 11,759,570</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable - operations	\$ 2,179	\$ 1,094
Accounts payable - capital	-	5,785
Accrued payroll and employee benefits	17,704	18,484
Accrued leave	26,023	23,823
Customer deposits	6,261	6,122
Accrued interest	18,405	19,647
Current portion of ADEC loans	91,635	90,280
<b>Total Current Liabilities</b>	<b>162,207</b>	<b>165,235</b>
<b>Noncurrent Liabilities</b>		
ADEC loans	2,091,309	2,165,469
Net pension liability	259,020	346,287
Net other postemployment benefits liability	48,708	-
<b>Total Noncurrent Liabilities</b>	<b>2,399,037</b>	<b>2,511,756</b>
<b>Total Liabilities</b>	<b>2,561,244</b>	<b>2,676,991</b>
<b>Deferred Inflows of Resources</b>		
Related to pension	32,247	3,860
Related to other postemployment benefits	25,275	-
<b>Total Deferred Inflows of Resources</b>	<b>57,522</b>	<b>3,860</b>
<b>Net Position</b>		
Net investment in capital assets	8,050,707	8,224,487
Unrestricted	899,529	854,232
<b>Total Net Position</b>	<b>8,950,236</b>	<b>9,078,719</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 11,569,002</b>	<b>\$ 11,759,570</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Operating Revenues</b>		
Residential sewer	\$ 614,437	\$ 586,610
Commercial sewer	235,212	219,524
Other	5,211	17,083
<b>Total Operating Revenues</b>	<b>854,860</b>	<b>823,217</b>
<b>Operating Expenses</b>		
Salaries	217,413	210,248
Employee benefits	122,527	198,381
Materials and supplies	36,846	41,028
Services and charges	120,246	114,516
Allocated overhead	60,743	53,345
Motor pool charges:		
Operation and maintenance	21,590	20,624
Equipment replacement	30,907	63,540
Depreciation	300,086	310,126
<b>Total Operating Expenses</b>	<b>910,358</b>	<b>1,011,808</b>
<b>Loss from Operations</b>	<b>(55,498)</b>	<b>(188,591)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	4,323	1,927
Interest expense	(20,191)	(21,544)
State PERS relief	8,946	5,885
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(6,922)</b>	<b>(13,732)</b>
Loss before capital contributions	(62,420)	(202,323)
Capital contributions	2,742	470,784
<b>Change in Net Position</b>	<b>(59,678)</b>	<b>268,461</b>
<b>Net Position, beginning of year, as restated (Note 2)</b>	<b>9,009,914</b>	<b>8,810,258</b>
<b>Net Position, end of year</b>	<b>\$ 8,950,236</b>	<b>\$ 9,078,719</b>



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

<i>Years Ended June 30,</i>	2018	2017
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 850,642	\$ 817,843
Payments for interfund services used	(113,240)	(137,509)
Payments to suppliers	(164,273)	(273,343)
Payments to employees	(346,746)	(315,515)
<b>Net cash flows from operating activities</b>	<b>226,383</b>	<b>91,476</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(72,805)	(101,930)
Interest paid on long-term debt	(21,433)	(22,767)
Purchase of property, plant and equipment	(59,286)	(1,610,800)
Proceeds from issuance of debt	-	212,924
Capital contributions received	3,850	1,705,122
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(149,674)</b>	<b>182,549</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	4,323	1,927
<b>Net increase in cash and investments</b>	<b>81,032</b>	<b>275,952</b>
<b>Cash and Investments, beginning of year</b>	<b>1,082,261</b>	<b>806,309</b>
<b>Cash and Investments, end of year</b>	<b>\$ 1,163,293</b>	<b>\$ 1,082,261</b>
<b>Reconciliation of Loss from Operations to Net Cash</b>		
<b>Flows from Operating Activities</b>		
Loss from operations	\$ (55,498)	\$ (188,591)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	300,086	310,126
PERS relief	8,946	5,885
Amortization of deferred outflows of resources for pensions	44,699	(20,534)
Amortization of deferred outflows of resources for other postemployment benefits	2,711	-
Amortization of deferred inflows of resources for pensions	28,387	(490)
Amortization of deferred inflows of resources for other postemployment benefits	25,275	-
Increase in allowance for doubtful accounts	56	604
(Increase) decrease in assets:		
Accounts receivable	(4,413)	(5,619)
Inventories	(8,388)	(685)
Prepaid expenses	122	(2,052)
Increase (decrease) in liabilities:		
Accounts payable	1,085	(115,062)
Accrued payroll and employee benefits	(780)	2,873
Accrued leave	2,200	4,790
Customer deposits	139	(359)
Net pension liability	(87,267)	100,590
Net other postemployment benefits liability	(30,977)	-
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 226,383</b>	<b>\$ 91,476</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Capital assets purchased on account	\$ -	\$ 5,785

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

<i>Year Ended June 30, 2018</i>	Pumpstation #1 Upgrade	Scow Bay Pumpstation	Composting and Septage Receiving	Kiseno Street Sewer Main Replacement	Totals
<b>Funding Sources</b>					
Intergovernmental	\$ 2,742	\$ -	\$ -	\$ -	\$ 2,742
Wastewater Utility	1,175	2,500	5,052	13,800	22,527
<b>Total Funding Sources</b>	<b>\$ 3,917</b>	<b>\$ 2,500</b>	<b>\$ 5,052</b>	<b>\$ 13,800</b>	<b>\$25,269</b>
<b>Expenditures</b>					
Contractor	\$ 3,917	\$ -	\$ 5,052	\$ -	\$ 8,969
Professional services	-	2,500	-	13,800	16,300
<b>Total Expenditures</b>	<b>\$ 3,917</b>	<b>\$ 2,500</b>	<b>\$ 5,052</b>	<b>\$ 13,800</b>	<b>\$25,269</b>

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

<i>June 30,</i>	2018	2017
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 588,840	\$ 372,871
Accounts receivable	115,226	133,750
Allowance for doubtful accounts	(1,902)	(1,767)
Prepaid expenses	2,810	3,867
<b>Total Current Assets</b>	<b>704,974</b>	<b>508,721</b>
<b>Property, Plant and Equipment</b>		
Land and land improvements	63,720	63,720
Buildings	2,211,180	2,211,180
Improvements other than buildings	807,695	807,695
Machinery and equipment	346,901	334,108
Total property, plant and equipment	3,429,496	3,416,703
Accumulated depreciation	(1,697,736)	(1,545,148)
<b>Net Property, Plant and Equipment</b>	<b>1,731,760</b>	<b>1,871,555</b>
<b>Total Assets</b>	<b>2,436,734</b>	<b>2,380,276</b>
<b>Deferred Outflows of Resources</b>		
Related to pension	36,715	76,421
Related to other postemployment benefits	7,256	-
<b>Total Deferred Outflows of Resources</b>	<b>43,971</b>	<b>76,421</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,480,705</b>	<b>\$ 2,456,697</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 40,416	\$ 28,885
Accrued payroll and employee benefits	11,742	15,486
Accrued leave	5,592	5,744
Customer deposits	8,349	10,574
<b>Total Current Liabilities</b>	<b>66,099</b>	<b>60,689</b>
<b>Noncurrent Liabilities</b>		
Net pension liability	302,876	380,396
Net other postemployment benefits liability	43,266	-
Landfill closure liability	65,970	65,970
<b>Total Noncurrent Liabilities</b>	<b>412,112</b>	<b>446,366</b>
<b>Total Liabilities</b>	<b>478,211</b>	<b>507,055</b>
<b>Deferred Inflows of Resources</b>		
Related to pension	29,457	4,240
Related to other postemployment benefits	22,452	-
<b>Total Deferred Inflows of Resources</b>	<b>51,909</b>	<b>4,240</b>
<b>Net Position</b>		
Net investment in capital assets	1,731,760	1,871,555
Unrestricted	218,825	73,847
<b>Total Net Position</b>	<b>1,950,585</b>	<b>1,945,402</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 2,480,705</b>	<b>\$ 2,456,697</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Operating Revenues</b>		
Refuse collection	\$ 866,941	\$ 840,681
Landfill charges	303,031	295,676
Other	-	2,660
<b>Total Operating Revenues</b>	<b>1,169,972</b>	<b>1,139,017</b>
<b>Operating Expenses</b>		
Salaries	235,881	241,475
Employee benefits	107,322	211,006
Materials and supplies	34,497	43,603
Services and charges	99,225	127,428
Bale disposal	241,956	235,595
Allocated overhead	88,894	80,419
Motor pool charges:		
Operation and maintenance	72,838	104,974
Equipment replacement	80,554	78,708
Depreciation	152,589	150,213
<b>Total Operating Expenses</b>	<b>1,113,756</b>	<b>1,273,421</b>
<b>Income (Loss) from Operations</b>	<b>56,216</b>	<b>(134,404)</b>
<b>Nonoperating Revenues</b>		
Investment income	2,139	911
State PERS relief	7,947	6,465
<b>Total Nonoperating Revenues</b>	<b>10,086</b>	<b>7,376</b>
<b>Change in Net Position</b>	<b>66,302</b>	<b>(127,028)</b>
<b>Net Position, beginning of year, as restated (Note 2)</b>	<b>1,884,283</b>	<b>2,072,430</b>
<b>Net Position, end of year</b>	<b>\$ 1,950,585</b>	<b>\$ 1,945,402</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 1,186,406	\$ 1,119,229
Payments for interfund services used	(242,286)	(264,101)
Payments to suppliers	(363,090)	(402,230)
Payments to employees	(354,407)	(372,682)
<b>Net cash flows from operating activities</b>	<b>226,623</b>	<b>80,216</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Purchase of property, plant and equipment	(12,793)	(23,756)
<b>Cash Flows from Investing Activities</b>		
Investment income received	2,139	911
<b>Net increase in cash and investments</b>	<b>215,969</b>	<b>57,371</b>
<b>Cash and Investments, beginning of year</b>	<b>372,871</b>	<b>315,500</b>
<b>Cash and Investments, end of year</b>	<b>\$ 588,840</b>	<b>\$ 372,871</b>
<b>Reconciliation of Income (Loss) from Operations to Net Cash</b>		
<b>Flows from Operating Activities</b>		
Income (loss) from operations	\$ 56,216	\$ (134,404)
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	152,589	150,213
PERS relief	7,947	6,465
Amortization of deferred outflows of resources for pension	39,706	(20,742)
Amortization of deferred outflows of resources for other postemployment benefit	2,409	-
Amortization of deferred inflows or resources for pension	25,217	(699)
Amortization of deferred inflows of resources for other postemployment benefits	22,451	-
Increase in allowance for doubtful accounts	135	1,237
(Increase) decrease in assets:		
Accounts receivable	18,524	(22,958)
Prepaid expenses	1,057	829
Increase (decrease) in liabilities:		
Accounts payable	11,531	3,565
Accrued payroll and employee benefits	(3,744)	(1,148)
Accrued leave	(152)	(5,478)
Customer deposits	(2,225)	1,933
Net pension liability	(77,520)	101,401
Net other postemployment benefits liability	(27,518)	-
Landfill closure liability	-	2
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 226,623</b>	<b>\$ 80,216</b>

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

<i>June 30,</i>	2018	2017
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 2,867,227	\$ 2,583,308
Accounts receivable	221,075	265,030
Allowance for doubtful accounts	(33,190)	(22,558)
Prepaid expenses	13,571	16,571
<b>Total Current Assets</b>	<b>3,068,683</b>	<b>2,842,351</b>
<b>Property, Plant and Equipment</b>		
Land and land improvements	360,059	360,059
Buildings	346,690	339,690
Improvements other than buildings	38,909,480	38,909,480
Machinery and equipment	552,033	552,033
Construction in progress	14,950	14,950
Total property, plant and equipment	40,183,212	40,176,212
Accumulated depreciation	(12,989,548)	(11,596,132)
<b>Net Property, Plant and Equipment</b>	<b>27,193,664</b>	<b>28,580,080</b>
<b>Total Assets</b>	<b>30,262,347</b>	<b>31,422,431</b>
<b>Deferred Outflows of Resources</b>		
Related to pension	78,795	173,500
Related to other postemployment benefits	17,308	-
Deferred charges on refunding	11,803	13,135
<b>Total Deferred Outflows of Resources</b>	<b>107,906</b>	<b>186,635</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 30,370,253</b>	<b>\$ 31,609,066</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 3,335	\$ 6,540
Accrued payroll and employee benefits	37,632	42,247
Accrued leave	53,735	58,373
Prepaid moorage	43,580	95,972
Accrued interest	10,872	1,278
Current portion of general obligation bonds	108,333	100,000
<b>Total Current Liabilities</b>	<b>257,487</b>	<b>304,410</b>
<b>Noncurrent Liabilities</b>		
General obligation bonds	224,987	333,316
Bond premium, net of accumulated amortization	15,858	21,144
Net pension liability	678,732	863,627
Net other postemployment benefits liability	103,198	-
<b>Total Noncurrent Liabilities</b>	<b>1,022,775</b>	<b>1,218,087</b>
<b>Total Liabilities</b>	<b>1,280,262</b>	<b>1,522,497</b>
<b>Deferred Inflows of Resources</b>		
Related to pension	69,772	9,627
Related to other postemployment benefits	53,550	-
<b>Total Deferred Inflows of Resources</b>	<b>123,322</b>	<b>9,627</b>
<b>Net Position</b>		
Net investment in capital assets	26,856,289	28,138,755
Unrestricted	2,110,380	1,938,187
<b>Total Net Position</b>	<b>28,966,669</b>	<b>30,076,942</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 30,370,253</b>	<b>\$ 31,609,066</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Operating Revenues</b>		
Harbor charges	\$ 1,095,768	\$ 1,068,374
Port charges and leases	174,908	180,294
Other	5,453	12,269
<b>Total Operating Revenues</b>	<b>1,276,129</b>	<b>1,260,937</b>
<b>Operating Expenses</b>		
Salaries	437,432	436,672
Employee benefits	254,312	455,149
Materials and supplies	339,906	36,827
Services and charges	292,065	244,873
Allocated overhead	95,110	81,269
Motor pool charges:		
Operation and maintenance	12,232	13,342
Equipment replacement	3,697	5,857
Depreciation	1,393,416	1,356,395
<b>Total Operating Expenses</b>	<b>2,828,170</b>	<b>2,630,384</b>
<b>Loss from Operations</b>	<b>(1,552,041)</b>	<b>(1,369,447)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	11,407	5,752
Interest expense	(19,973)	(17,058)
State PERS relief	18,953	14,678
<b>Net Nonoperating Revenues (Expenses)</b>	<b>10,387</b>	<b>3,372</b>
Loss before capital contributions and transfers	(1,541,654)	(1,366,075)
Capital contributions	-	1,217,308
Transfers in	577,158	86,848
<b>Change in Net Position</b>	<b>(964,496)</b>	<b>(61,919)</b>
<b>Net Position, beginning of year, as restated (Note 2)</b>	<b>29,931,165</b>	<b>30,138,861</b>
<b>Net Position, end of year</b>	<b>\$ 28,966,669</b>	<b>\$ 30,076,942</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 1,278,324	\$ 1,179,430
Payments for interfund services used	(111,039)	(100,468)
Payments to suppliers	(632,176)	(285,018)
Payments to employees	(718,426)	(683,669)
<b>Net cash flows from operating activities</b>	<b>(183,317)</b>	<b>110,275</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(99,996)	(541,645)
Interest paid on long-term debt	(14,333)	(29,457)
Proceeds from issuance of long-term debt	-	459,746
Purchase of property, plant and equipment	(7,000)	(1,427,238)
Transfers in	577,158	86,848
Capital contributions received	-	1,217,308
<b>Net cash flows from (for) capital and related financing activities</b>	<b>455,829</b>	<b>(234,438)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	11,407	5,752
<b>Net increase (decrease) in cash and investments</b>	<b>283,919</b>	<b>(118,411)</b>
<b>Cash and Investments, beginning of year</b>	<b>2,583,308</b>	<b>2,701,719</b>
<b>Cash and Investments, end of year</b>	<b>\$ 2,867,227</b>	<b>\$ 2,583,308</b>
<b>Reconciliation of Loss from Operations to Net Cash</b>		
<b>Flows from Operating Activities</b>		
Loss from operations	\$(1,552,041)	\$(1,369,447)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	1,393,416	1,356,395
PERS relief	18,953	14,678
Amortization of deferred outflows of resources for pension	94,705	(47,938)
Amortization of deferred outflows of resources for other postemployment benefits	5,745	-
Amortization of deferred inflows of resources for pension	60,145	(1,512)
Amortization of deferred inflows of resources for other postemployment benefits	53,550	-
Increase (decrease) in allowance for doubtful accounts	10,632	(1,932)
(Increase) decrease in assets:		
Accounts receivable	43,955	(67,581)
Prepaid expenses	3,000	(3,420)
Increase (decrease) in liabilities:		
Accounts payable	(3,205)	102
Accrued payroll and employee benefits	(4,615)	6,596
Accrued leave	(4,638)	1,861
Prepaid moorage	(52,392)	(11,994)
Net pension liability	(184,895)	234,467
Net other postemployment benefits liability	(65,632)	-
<b>Net Cash Flows from Operating Activities</b>	<b>\$ (183,317)</b>	<b>\$ 110,275</b>



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

<i>June 30,</i>	2018	2017
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 568,645	\$ 609,297
Prepaid expenses	937	2,914
<b>Total Current Assets</b>	<b>569,582</b>	<b>612,211</b>
<b>Restricted Cash - security deposits</b>	<b>17,486</b>	<b>17,486</b>
<b>Property, Plant and Equipment</b>		
Land and land improvements	127,419	127,419
Buildings	2,916,985	2,908,473
Improvements other than buildings	250,316	240,316
Machinery and equipment	192,216	144,322
Total property, plant and equipment	3,486,936	3,420,530
Accumulated depreciation	(2,634,472)	(2,528,448)
<b>Net Property, Plant and Equipment</b>	<b>852,464</b>	<b>892,082</b>
<b>Total Assets</b>	<b>1,439,532</b>	<b>1,521,779</b>
<b>Deferred Outflows of Resources</b>		
Related to pension	25,709	42,082
Related to other postemployment benefits	2,993	-
Deferred charges on refunding	15,797	18,956
<b>Total Deferred Outflows of Resources</b>	<b>44,499</b>	<b>61,038</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,484,031</b>	<b>\$ 1,582,817</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 4,968	\$ 901
Accrued payroll and employee benefits	5,575	7,884
Accrued leave	4,584	2,944
Unearned revenue	1,437	1,357
Customer deposits	8,135	10,037
Accrued interest	4,925	5,525
Current portion of general obligation bonds	46,250	45,000
<b>Total Current Liabilities</b>	<b>75,874</b>	<b>73,648</b>
<b>Noncurrent Liabilities</b>		
General obligation bonds	260,000	306,250
Bond premium, net of accumulated amortization	36,944	44,332
Net pension liability	177,506	209,472
Net other postemployment benefits liability	17,842	-
<b>Total Noncurrent Liabilities</b>	<b>492,292</b>	<b>560,054</b>
<b>Total Liabilities</b>	<b>568,166</b>	<b>633,702</b>
<b>Deferred Inflows of Resources</b>		
Related to pension	12,734	2,335
Related to other postemployment benefits	9,258	-
<b>Total Deferred Inflows of Resources</b>	<b>21,992</b>	<b>2,335</b>
<b>Net Position</b>		
Net investment in capital assets	525,067	515,456
Unrestricted	368,806	431,324
<b>Total Net Position</b>	<b>893,873</b>	<b>946,780</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 1,484,031</b>	<b>\$ 1,582,817</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Operating Revenues</b>		
Federal government - rental subsidies	\$ 277,691	\$ 273,808
Rental income	106,480	119,509
<b>Total Operating Revenues</b>	<b>384,171</b>	<b>393,317</b>
<b>Operating Expenses</b>		
Salaries	93,778	99,600
Employee benefits	38,506	94,579
Materials and supplies	11,048	7,971
Services and charges	126,295	106,350
Allocated overhead	28,070	26,192
Motor pool charges:		
Operation and maintenance	1,166	2,031
Equipment replacement	3,194	3,194
Depreciation	106,024	97,476
<b>Total Operating Expenses</b>	<b>408,081</b>	<b>437,393</b>
<b>Loss from Operations</b>	<b>(23,910)</b>	<b>(44,076)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	2,389	1,345
Interest expense	(10,846)	(12,629)
State PERS relief	4,663	3,560
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(3,794)</b>	<b>(7,724)</b>
<b>Change in Net Position</b>	<b>(27,704)</b>	<b>(51,800)</b>
<b>Net Position, beginning of year, as restated (Note 2)</b>	<b>921,577</b>	<b>998,580</b>
<b>Net Position, end of year</b>	<b>\$ 893,873</b>	<b>\$ 946,780</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 382,349	\$ 394,087
Payments for interfund services used	(32,430)	(31,417)
Payments to suppliers	(131,299)	(115,908)
Payments to employees	(134,580)	(148,906)
<b>Net cash flows from operating activities</b>	<b>84,040</b>	<b>97,856</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(45,000)	(42,500)
Interest paid on long-term debt	(15,675)	(17,425)
Purchase of property, plant and equipment	(66,406)	(41,081)
<b>Net cash flows for capital and related financing activities</b>	<b>(127,081)</b>	<b>(101,006)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	2,389	1,345
<b>Net decrease in cash and investments</b>	<b>(40,652)</b>	<b>(1,805)</b>
<b>Cash and Investments, beginning of year</b>	<b>626,783</b>	<b>628,588</b>
<b>Cash and Investments, end of year</b>	<b>\$586,131</b>	<b>\$ 626,783</b>
<b>Cash and Investments at End of Year</b>		
Cash and investments	\$ 568,645	\$ 609,297
Restricted cash	17,486	17,486
<b>Total Cash and Investments</b>	<b>\$ 586,131</b>	<b>\$ 626,783</b>
<b>Reconciliation of Loss from Operations to Net Cash</b>		
<b>Flows from Operating Activities</b>		
Loss from operations	\$ (23,910)	\$ (44,076)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	106,024	97,476
PERS relief	4,663	3,560
Amortization of deferred outflows of resources for pension	16,373	(10,548)
Amortization of deferred outflows of resources for other postemployment benefits	993	-
Amortization of deferred inflows of resources for pension	10,399	(462)
Amortization of deferred inflows of resources for other postemployment benefits	9,258	-
(Increase) decrease in assets - prepaid expenses	1,977	(482)
Increase (decrease) in liabilities:		
Accounts payable	4,067	(1,105)
Accrued payroll and employee benefits	(2,309)	337
Accrued leave	1,640	923
Unearned revenue	80	105
Customer deposits	(1,902)	665
Net pension liability	(31,966)	51,463
Net other postemployment benefits liability	(11,347)	-
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 84,040</b>	<b>\$ 97,856</b>

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

<i>June 30,</i>	2018	2017
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ -	\$ 59,815
Accounts receivable	-	9,440
Prepaid expenses	15,632	17,552
<b>Total Current Assets</b>	<b>15,632</b>	<b>86,807</b>
<b>Property, Plant and Equipment</b>		
Buildings	4,015,877	3,986,940
Machinery and equipment	89,262	89,262
Total property, plant and equipment	4,105,139	4,076,202
Accumulated depreciation	(1,503,857)	(1,401,720)
<b>Net Property, Plant and Equipment</b>	<b>2,601,282</b>	<b>2,674,482</b>
<b>Total Assets</b>	<b>2,616,914</b>	<b>2,761,289</b>
<b>Deferred Outflows of Resources</b>		
Related to pension	99,669	235,654
Related to other postemployment benefits	24,852	-
Deferred charges on refunding	47,391	56,869
<b>Total Deferred Outflows of Resources</b>	<b>171,912</b>	<b>292,523</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,788,826</b>	<b>\$ 3,053,812</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 5,537	\$ 3,863
Accrued payroll and employee benefits	47,376	48,354
Accrued leave	70,230	55,093
Unearned revenue	3,204	3,204
Customer deposits	3,500	3,900
Due to other funds	25,683	-
Accrued interest	14,775	16,575
Current portion of general obligation bonds	138,750	135,000
<b>Total Current Liabilities</b>	<b>309,055</b>	<b>265,989</b>
<b>Noncurrent Liabilities</b>		
General obligation bonds	780,000	918,750
Bond premium, net of accumulated amortization	110,832	132,998
Net pension liability	907,517	1,173,005
Net other postemployment benefits liability	148,180	-
<b>Total Noncurrent Liabilities</b>	<b>1,946,529</b>	<b>2,224,753</b>
<b>Total Liabilities</b>	<b>2,255,584</b>	<b>2,490,742</b>
<b>Deferred Inflows of Resources</b>		
Related to pension	99,436	13,075
Related to other postemployment benefits	76,892	-
<b>Total Deferred Inflows of Resources</b>	<b>176,328</b>	<b>13,075</b>
<b>Net Position</b>		
Net investment in capital assets	1,619,091	1,544,603
Deficit	(1,262,177)	(994,608)
<b>Total Net Position</b>	<b>356,914</b>	<b>549,995</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 2,788,826</b>	<b>\$ 3,053,812</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Operating Revenues</b>		
Rents and royalties	\$ 257,100	\$ 245,213
Fees for services	502,121	429,110
Medicaid services	343,979	377,188
General relief for services	14,440	28,936
Transportation	5,128	8,233
Other revenues	3,103	2,831
<b>Total Operating Revenues</b>	<b>1,125,871</b>	<b>1,091,511</b>
<b>Operating Expenses</b>		
Salaries	678,863	653,264
Employee benefits	284,189	660,156
Materials and supplies	103,034	98,910
Services and charges	114,362	128,616
Allocated overhead	77,831	67,623
Motor pool charges:		
Operation and maintenance	2,378	2,031
Equipment replacement	3,194	3,194
Depreciation	102,137	100,467
<b>Total Operating Expenses</b>	<b>1,365,988</b>	<b>1,714,261</b>
<b>Loss from Operations</b>	<b>(240,117)</b>	<b>(622,750)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest expense	(32,537)	(37,887)
Investment income	153	474
State PERS relief	25,828	19,936
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(6,556)</b>	<b>(17,477)</b>
Loss before transfers	(246,673)	(640,227)
Transfers in	262,911	259,734
<b>Change in Net Position</b>	<b>16,238</b>	<b>(380,493)</b>
<b>Net Position, beginning of year, as restated (Note 2)</b>	<b>340,676</b>	<b>930,488</b>
<b>Net Position, end of year</b>	<b>\$ 356,914</b>	<b>\$ 549,995</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Cash Flows for Operating Activities</b>		
Receipts from customers and users	\$ 1,134,911	\$ 1,081,471
Payments for interfund services used	(83,403)	(72,848)
Payments to suppliers	(213,802)	(235,977)
Payments to employees	(975,306)	(957,086)
<b>Net cash flows for operating activities</b>	<b>(137,600)</b>	<b>(184,440)</b>
<b>Cash Flows from Noncapital and Related Financing Activities</b>		
Increase in due to other funds	25,683	-
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of property, plant and equipment	(28,937)	(66,770)
Principal paid on long term debt	(135,000)	(127,500)
Interest paid on long term debt	(47,025)	(52,276)
Transfers in	262,911	259,734
<b>Net cash flows from capital and related financing activities</b>	<b>51,949</b>	<b>13,188</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	153	474
<b>Net decrease in cash and investments</b>	<b>(59,815)</b>	<b>(170,778)</b>
<b>Cash and Investments, beginning of year</b>	<b>59,815</b>	<b>230,593</b>
<b>Cash and Investments, end of year</b>	<b>\$ -</b>	<b>\$ 59,815</b>
<b>Reconciliation of Loss from Operations to Net Cash</b>		
<b>Flows for Operating Activities</b>		
Loss from operations	\$ (240,117)	\$ (622,750)
Adjustments to reconcile loss from operations to net cash flows for operating activities:		
Noncash expenses:		
Depreciation	102,137	100,467
PERS relief	25,828	19,936
Amortization of deferred outflows of resources for pension	135,985	(81,263)
Amortization of deferred outflows of resources for other postemployment benefits	8,249	-
Amortization of deferred inflows of resources for pension	86,361	(621)
Amortization of deferred inflows of resources for other postemployment benefits	76,892	-
(Increase) decrease in assets:		
Accounts receivable	9,440	(9,440)
Prepaid expenses	1,920	(2,784)
Increase (decrease) in liabilities:		
Accounts payable	1,674	(5,667)
Accrued payroll and employee benefits	(978)	8,115
Accrued leave	15,137	10,778
Customer deposits	(400)	(600)
Net pension liability	(265,488)	399,389
Net other postemployment benefits liability	(94,240)	-
<b>Net Cash Flows for Operating Activities</b>	<b>\$ (137,600)</b>	<b>\$ (184,440)</b>

## Internal Service Fund

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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>	2018	2017
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 4,408,674	\$ 4,363,452
Receivables - other	11,220	8,874
Prepaid expenses	4,655	4,733
<b>Total Current Assets</b>	<b>4,424,549</b>	<b>4,377,059</b>
Equipment	7,551,210	7,324,996
Accumulated depreciation	(4,786,449)	(4,532,074)
<b>Net Equipment</b>	<b>2,764,761</b>	<b>2,792,922</b>
<b>Total Assets</b>	<b>7,189,310</b>	<b>7,169,981</b>
<b>Deferred Outflows of Resources</b>		
Related to pensions	14,056	42,560
Related to other postemployment benefits	5,209	-
<b>Total Deferred Outflows of Resources</b>	<b>19,265</b>	<b>42,560</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 7,208,575</b>	<b>\$ 7,212,541</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,496	\$ 5,034
Accrued payroll and employee benefits	11,625	10,536
Accrued leave	20,951	22,348
<b>Total Current Liabilities</b>	<b>34,072</b>	<b>37,918</b>
<b>Noncurrent Liabilities</b>		
Net pension liability	156,198	211,848
Net other postemployment benefits liability	31,061	-
<b>Total Noncurrent Liabilities</b>	<b>187,259</b>	<b>211,848</b>
<b>Total Liabilities</b>	<b>221,331</b>	<b>249,766</b>
<b>Deferred Inflows of Resources</b>		
Related to pensions	20,464	2,361
Related to other postemployment benefits	16,118	-
<b>Total Deferred Inflows of Resources</b>	<b>36,582</b>	<b>2,361</b>
<b>Net Position</b>		
Net investment in capital assets	2,764,761	2,792,922
Unrestricted	4,185,901	4,167,492
<b>Total Net Position</b>	<b>6,950,662</b>	<b>6,960,414</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 7,208,575</b>	<b>\$ 7,212,541</b>



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

<i>Years Ended June 30,</i>	2018	2017
<b>Operating Revenues</b>		
Operation and maintenance charges	\$ 547,767	\$ 521,891
Replacement reserve charges	383,801	396,697
<b>Total Operating Revenues</b>	<b>931,568</b>	<b>918,588</b>
<b>Operating Expenses</b>		
Salaries	130,712	123,618
Employee benefits	79,629	97,090
Materials and supplies	276,986	252,185
Services and charges	73,082	57,677
Motor pool charges:		
Operation and maintenance	17,248	13,028
Equipment replacement	1,336	137
Depreciation	337,755	340,781
<b>Total Operating Expenses</b>	<b>916,748</b>	<b>884,516</b>
<b>Income from Operations</b>	<b>14,820</b>	<b>34,072</b>
<b>Nonoperating Revenues</b>		
Gain on sale of capital assets	13,600	16,831
State PERS relief	5,705	3,601
<b>Total Nonoperating Revenues</b>	<b>19,305</b>	<b>20,432</b>
<b>Change in Net Position</b>	<b>34,125</b>	<b>54,504</b>
<b>Net Position, beginning of year, as restated (Note 2)</b>	<b>6,916,537</b>	<b>6,905,910</b>
<b>Net Position, end of year</b>	<b>\$ 6,950,662</b>	<b>\$ 6,960,414</b>

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

<i>Years Ended June 30,</i>	2018	2017
<b>Cash Flows from Operating Activities</b>		
Receipts from interfund services provided	\$ 929,222	\$ 912,850
Payments for interfund services used	(18,584)	(13,165)
Payments to suppliers	(353,528)	(307,403)
Payments to employees	(215,894)	(190,220)
<b>Net cash flows from operating activities</b>	<b>341,216</b>	<b>402,062</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Proceeds from sale of equipment	13,600	16,831
Purchase of equipment	(309,594)	(395,938)
<b>Net cash flows for capital and related financing activities</b>	<b>(295,994)</b>	<b>(379,107)</b>
Net increase in cash and investments	45,222	22,955
<b>Cash and Investments, beginning of year</b>	<b>4,363,452</b>	<b>4,340,497</b>
<b>Cash and Investments, end of year</b>	<b>\$ 4,408,674</b>	<b>\$ 4,363,452</b>
<b>Reconciliation of Income from Operations to Net Cash</b>		
<b>Flows from Operating Activities</b>		
Income from operations	\$ 14,820	\$ 34,072
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	337,755	340,781
PERS relief	5,705	3,601
Amortization of deferred outflows of resources for pension	28,504	(6,284)
Amortization of deferred outflows of resources for other postemployment benefits	1,729	-
Amortization of deferred inflows of resources for pension	18,103	(857)
Amortization of deferred inflows of resources for other postemployment benefits	16,118	-
(Increase) decrease in assets:		
Accounts receivable - other	(2,346)	(5,738)
Prepaid expenses	78	(784)
Increase (decrease) in liabilities:		
Accounts payable	(3,538)	3,243
Accrued payroll and employee benefits	1,089	1,031
Accrued leave	(1,397)	2,921
Net pension liability	(55,650)	30,076
Net other postemployment benefits liability	(19,754)	-
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 341,216</b>	<b>\$ 402,062</b>

**Petersburg Borough, Alaska**  
**Schedule of Expenditures of Federal Awards**  
**for the Year Ended June 30, 2018**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Passed-Through Entity Identifying Number	Total Grant Award	Provided to Subrecipients	Total Federal Expend- itures
<b>Department of Agriculture</b>					
Forest Service Schools and Roads Cluster -					
Schools and Roads - Grants to States -					
USDA Project: City Creek Trail	10.665		\$ 60,000	-	\$ 2,524
National Forest Receipts FY17	10.665		544,597	-	544,597
National Forest Receipts FY18	10.665		38,987	-	38,987
Total Forest Service Schools and Roads Cluster				-	586,108
<b>Total Department of Agriculture</b>				-	586,108
<b>Department of Justice</b>					
Public Safety Partnership and Community Policing Grants -					
Edward Byrne Memorial Justice Assistance Grant Program	16.738		96,785	-	96,785
Public Safety Partnership and Community Policing Grants - 2016 Bullet Proof Vest Program	16.710		2,040	-	1,321
<b>Total Department of Justice</b>				-	98,106
<b>Environmental Protection Agency</b>					
Passed through the State of Alaska Department of Environmental Conservation:					
Alaska Clean Water Fund Loan - Clean Water State Revolving Fund Cluster -					
Capitalization Grants for Clean Water State Revolving Funds:					
ACWF Pumpstation 1 Force Main Project	66.458	685261	828,702	-	979
ACWF Scow Bay 1 Pumpstation	66.458	685271	70,000	-	2,083
Total Clean Water State Revolving Fund Cluster				-	3,062
<b>Total Environmental Protection Agency</b>				-	3,062

Petersburg Borough, Alaska  
 Schedule of Expenditures of Federal Awards  
 for the Year Ended June 30, 2018

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Passed-Through Entity Identifying Number	Total Grant Award	Provided to Subrecipients	Total Federal Expend- itures
<b>Department of Homeland Security</b>					
Passed through the State of Alaska Department of Military and Veteran Affairs:					
2016 Homeland Security Grant Program	97.067	20SHSP-GY16	\$ 58,700	\$ -	\$ 50,542
<b>Department of Commerce</b>					
Passed through the State of Alaska Department of Military and Veteran Affairs:					
Meteorologic and Hydrologic Modernization Development - NOAA Tsunami Siren Grant	11.467	20NOAA-GY16	56,000	-	56,000
<b>Department of the Interior</b>					
Passed through the State of Alaska Department of Commerce, Community and Economic Development - Payments in Lieu of Taxes					
	15.226	N/A	585,888	-	574,079
<b>National Endowment for the Humanities</b>					
Passed through the State of Alaska Department of Education and Early Development -					
Grants to States - Continuing Education Grant	45.310	N/A	1,250	-	1,250
Native American and Native Hawaiian Library					
Services - Native American Library Services Basic Grant	45.311	N/A	7,000	-	7,000
<b>Total National Endowment for the Humanities</b>				-	8,250
<b>Total Expenditures of Federal Awards</b>				\$ -	\$ 1,376,147

The accompanying notes are an integral part of this schedule.

# Petersburg Borough, Alaska

## Notes to the Schedules of Expenditures of Federal Awards for the Year Ended June 30, 2018

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") include the federal award activity of Petersburg Borough (the Borough) excluding its component units, Petersburg School District and Petersburg Medical Center, under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Borough, it is not intended to and do not present the financial position, changes in net position, or cash flows of the Borough.

### 2. Summary of Significant Accounting Policies

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

### 3. Indirect Cost Rate

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

**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 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, 2018, and the related notes to the financial statements, which collectively comprise Petersburg Borough's basic financial statements and have issued our report thereon dated February 8, 2019.

### **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  
February 8, 2019





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Anchorage, AK 99503

## **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, 2018. 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, 2018.

### **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  
February 8, 2019

# Petersburg Borough, Alaska

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of report the auditor 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 Awards***

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster	Agency
15.226	Payments in Lieu of Taxes	Department of the Interior

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

Auditee qualified as low-risk auditee?   X   yes     no

**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.