

**CITY OF PETERSBURG, ALASKA**

Basic Financial Statements,  
Supplementary Financial Information, and  
Single Audit Reports

Year Ended June 30, 2010

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# CITY OF PETERSBURG, ALASKA

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## **FINANCIAL SECTION**

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Independent Auditor's Report

Honorable Mayor and City Council  
City of Petersburg, Alaska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Petersburg, Alaska, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Petersburg, Alaska, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and School Timber Receipts Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2010, on our consideration of City of Petersburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and City Council  
City of Petersburg, Alaska

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Petersburg's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
October 11, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## CITY OF PETERSBURG, ALASKA

### Management's Discussion and Analysis

This section offers readers of the City of Petersburg's financial statements a narrative overview and analysis of the financial activities of the City for the fiscal year that ended June 30, 2010. 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 City's financial statements, which follow this section.

#### Financial Highlights

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- The assets of the City exceed its liabilities at the close of the most recent year by \$111.7 million. Of this amount, \$24.3 million (unrestricted net assets) is legally unreserved and may therefore be used to meet the City's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3.82 million. \$3.34 million was unreserved, undesignated and available for spending. The unreserved, undesignated fund balance for the General Fund represented 43% of total General Fund expenditures exclusive of transfers out.
- Electric Utility issued \$2.8 million in General Obligation Bonds approved by the voters in the fall 2009 local election.

#### Overview of the Financial Statements

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

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

The Government-wide financial statements distinguish functions of the City 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 City include general government, public safety, public works, community and development, parks and recreation, library and community services. The business-type activities of the City include the electric, water, sewer and sanitation utilities; the port and harbors; elderly housing and assisted living facilities; and the motor pool operations.

## CITY OF PETERSBURG, ALASKA

### Management's Discussion and Analysis, continued

**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 City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The City of Petersburg, 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 City of Petersburg 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 City'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 City's programs.

The financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance, beginning on page 20. The City has two major governmental funds, the General Fund and the School Timber Receipts Special Revenue Fund. Data from sixteen other governmental funds are combined into a single, aggregated presentation, labeled the Non-major Funds. The sixteen Non-major governmental funds report revenues and expenditures for: Miscellaneous Grants, Streets & Roads Timber Receipts, Property Development, Economic Fund, E911 Surcharge, Debt Service, Ballfield Playground, Pool Replacement, Fire/EMS Facility, Library Construction, Homeland Security, IRA II Playground, Emergency Operations Center, Fishing Park, Birch Street Rebuild, and Street Paving Projects. The combining financial statement presentation for these sixteen Non-major funds can be found on pages 56 and 57 of this report.

The City adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided in the basic financial statements for the General Fund and School Timber Receipts Fund to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 20-25 of this report.

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

## CITY OF PETERSBURG, ALASKA

### Management's Discussion and Analysis, continued

**Notes to the Financial Statements.** The notes to the financial statements begin on page 31. 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 concerning the City of Petersburg's progress in funding its obligation to provide pension benefits to its employees. This required supplementary information can be found on pages 49 through 52.

The combining balance sheet and statement of revenues, expenditures, and changes in fund balance for the Non-major governmental funds are presented on pages 56-57. Other combining and individual fund statements and schedules can be found on pages 58 through 116.

### GOVERNMENT WIDE FINANCIAL STATEMENTS

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

In the case of the City of Petersburg, assets exceeded liabilities by \$111,685,946 at the close of the most recent fiscal year. This was an increase of \$3,668,430 from the previous year.

The largest portion of the City's net assets (78%) 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 City 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**  
**City of Petersburg's Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Activities</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Assets:</b>						
Current and other assets	\$ 14,035,271	13,672,814	14,339,587	11,491,722	28,374,858	25,164,536
Restricted cash and investments	-	-	2,865,620	2,840,527	2,865,620	2,840,527
Capital assets, net of depreciation	<u>37,657,893</u>	<u>36,706,834</u>	<u>67,116,681</u>	<u>66,223,272</u>	<u>104,774,574</u>	<u>102,930,106</u>
Total assets	<u>51,693,164</u>	<u>50,379,648</u>	<u>84,321,888</u>	<u>80,555,521</u>	<u>136,015,052</u>	<u>130,935,169</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	9,519,010	9,944,651	11,330,446	9,009,834	20,849,456	18,954,485
Other liabilities	<u>370,388</u>	<u>650,222</u>	<u>3,109,262</u>	<u>3,312,946</u>	<u>3,479,650</u>	<u>3,963,168</u>
Total liabilities	<u>9,889,398</u>	<u>10,594,873</u>	<u>14,439,708</u>	<u>12,322,780</u>	<u>24,329,106</u>	<u>22,917,653</u>



# CITY OF PETERSBURG, ALASKA

## Management's Discussion and Analysis, continued

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Activities</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Net assets:</b>						
Invested in capital assets, net of debt	\$ 28,528,489	27,165,012	58,896,905	57,610,421	87,425,394	84,775,433
Unrestricted	<u>13,275,277</u>	<u>12,619,763</u>	<u>10,985,275</u>	<u>10,622,320</u>	<u>24,260,552</u>	<u>23,242,083</u>
Total net assets	<u>\$ 41,803,766</u>	<u>39,784,775</u>	<u>69,882,180</u>	<u>68,232,741</u>	<u>111,685,946</u>	<u>108,017,516</u>

Ten percent, or \$2,865,620 of the City of Petersburg's cash and investments is subject to external restrictions on how it can be used. \$2,848,189 of that amount is reserved for rebuilding Harbor Facilities, and \$17,431 is reserved for Elderly Housing/Assisted Living security deposits.

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Activities</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,210,417	703,726	9,490,948	9,609,422	10,701,365	10,313,148
Operating grants and contributions	2,680,364	2,845,592	-	-	2,680,364	2,845,592
Capital grants and contributions	1,464,921	180,593	2,295,297	1,097,304	3,760,218	1,277,897
General revenues:						
Property taxes	2,637,097	2,641,625	-	-	2,637,097	2,641,625
Sales taxes	2,646,277	2,846,832	-	-	2,646,277	2,846,832
Payments in lieu of taxes	548,888	478,050	-	-	548,888	478,050
Other taxes	39,265	819,123	-	-	39,265	819,123
Grants and entitlements not restricted to a specific purpose	1,166,835	560,827	107,795	236,867	1,274,630	797,694
Investment income (loss)	603,385	(314,834)	234,716	344,516	838,101	29,682
Other	31,848	312,747	-	-	31,848	312,747
Special item – write off NPO/OPEB	-	83,515	-	53,641	-	137,156
Total revenues	<u>13,029,297</u>	<u>11,157,796</u>	<u>12,128,756</u>	<u>11,341,750</u>	<u>25,158,053</u>	<u>22,499,546</u>
<b>Expenses:</b>						
General government	1,449,000	1,425,100	-	-	1,449,000	1,425,100
Public safety	1,766,806	1,968,591	-	-	1,766,806	1,968,591
Public works	2,054,974	1,902,106	-	-	2,054,974	1,902,106
Community services	793,343	912,508	-	-	793,343	912,508
Culture and recreation	1,659,216	1,642,921	-	-	1,659,216	1,642,921

# CITY OF PETERSBURG, ALASKA

## Management's Discussion and Analysis, continued

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Activities</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Expenses, continued:</b>						
Education	\$ 2,264,761	2,187,289	-	-	2,264,761	2,187,289
Electric utility	-	-	5,252,104	5,082,871	5,252,104	5,082,871
Water utility	-	-	1,374,296	1,152,896	1,374,296	1,152,896
Sewer utility	-	-	889,668	929,610	889,668	929,610
Sanitation utility	-	-	942,890	995,540	942,890	995,540
Harbor/port facilities	-	-	1,754,774	1,841,219	1,754,774	1,841,219
Elderly housing	-	-	350,381	364,206	350,381	364,206
Assisted living	-	-	937,410	928,262	937,410	928,262
Total expenses	<u>9,988,100</u>	<u>10,038,515</u>	<u>11,501,523</u>	<u>11,294,604</u>	<u>21,489,623</u>	<u>21,333,119</u>
Increase in net assets before transfers	3,041,197	1,119,281	627,233	47,146	3,668,430	1,166,427
Transfers	<u>(1,022,206)</u>	<u>(1,086,307)</u>	<u>1,022,206</u>	<u>1,086,307</u>	-	-
Increase in net assets	2,018,991	32,974	1,649,439	1,133,453	3,668,430	1,166,427
Beginning net assets	<u>39,784,775</u>	<u>39,751,801</u>	<u>68,232,741</u>	<u>67,099,288</u>	<u>108,017,516</u>	<u>106,851,089</u>
Ending net assets	\$ <u>41,803,766</u>	<u>39,784,775</u>	<u>69,882,180</u>	<u>68,232,741</u>	<u>111,685,946</u>	<u>108,017,516</u>

**Governmental Activities.** Table 2 shows the changes in net assets for 2010 with a comparison to 2009. Net assets increased in 2010 by \$2,018,991. Key elements and significant changes are included as follows:

- Sales tax revenue decreased \$200,555, or 7%, compared to 2009.
- Increases in revenues from charges for services, operating and capital grants totaled \$1,625,791.
- Total investment income of \$603,385 compared to a loss in 2009. This increase is mainly due to market conditions stabilizing. The Economic Fund Investments are the driving force of this increase gaining \$380,308 in 2010.
- Operating expenses decreased \$50,415 from the prior year.

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. They include property and sales taxes, payments in lieu of taxes, investment income, and other general revenues. Figure 1 presents a picture of the information that can be found on page 19 of the financial statements.

## CITY OF PETERSBURG, ALASKA

### Management's Discussion and Analysis, continued

Figure 1

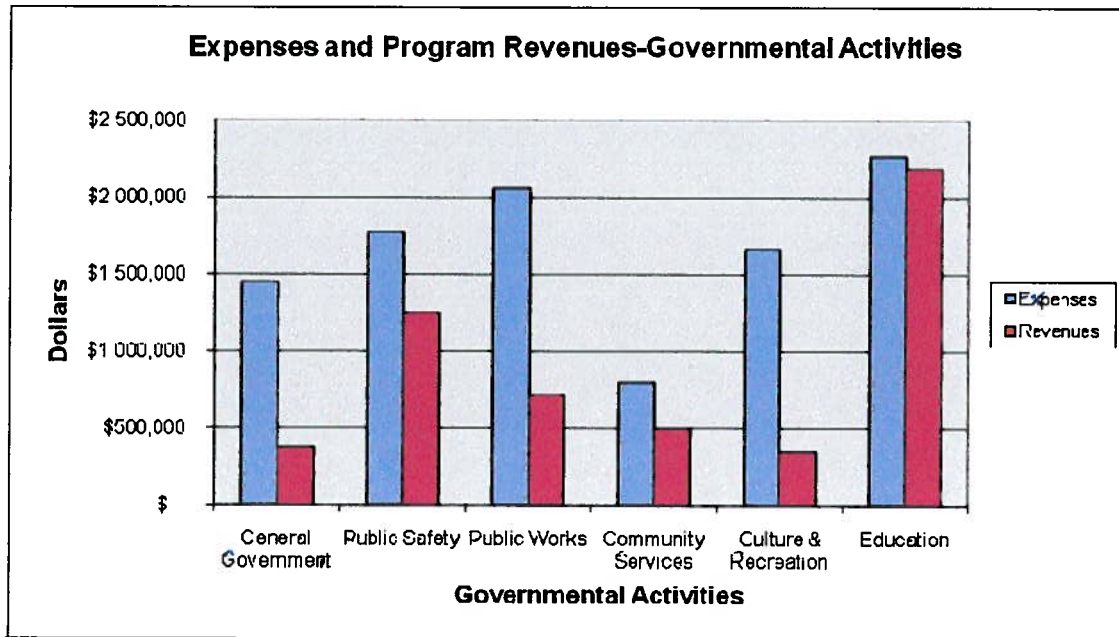
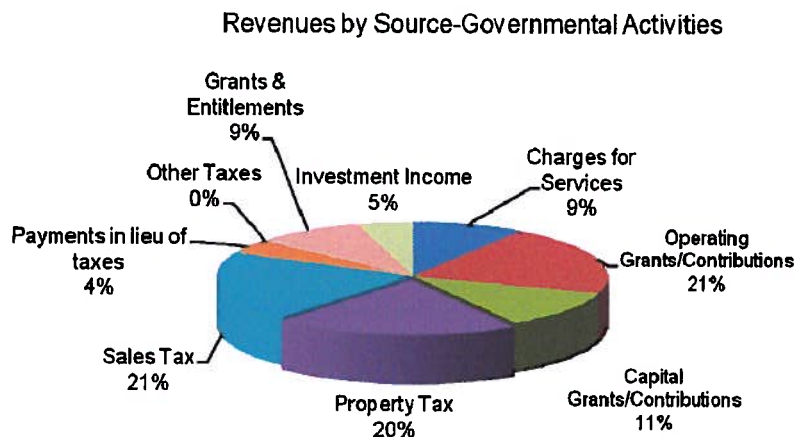


Figure 2 shows the percentages of all revenue sources for governmental activities. In 2010, sales taxes and operating grants/Contributions each totaling 21% of revenues. Sales taxes generated \$2,646,277; a greater than 7% decrease compared to the previous year. Property taxes remained flat.

Figure 2



## CITY OF PETERSBURG, ALASKA

### Management's Discussion and Analysis, continued

**Business Type Activities.** Net assets increased by \$1,649,439 for the City's business-type activities

Figure 3 shows expenses and program revenues for all of the business-type activities. Not included in the program revenues are capital grants and contributions, investment earnings, transfers, and some other miscellaneous revenues. Depreciation is included in the expenses. All funds show expenses in excess of revenues, except the Sanitation Utility Fund.

Figure 3

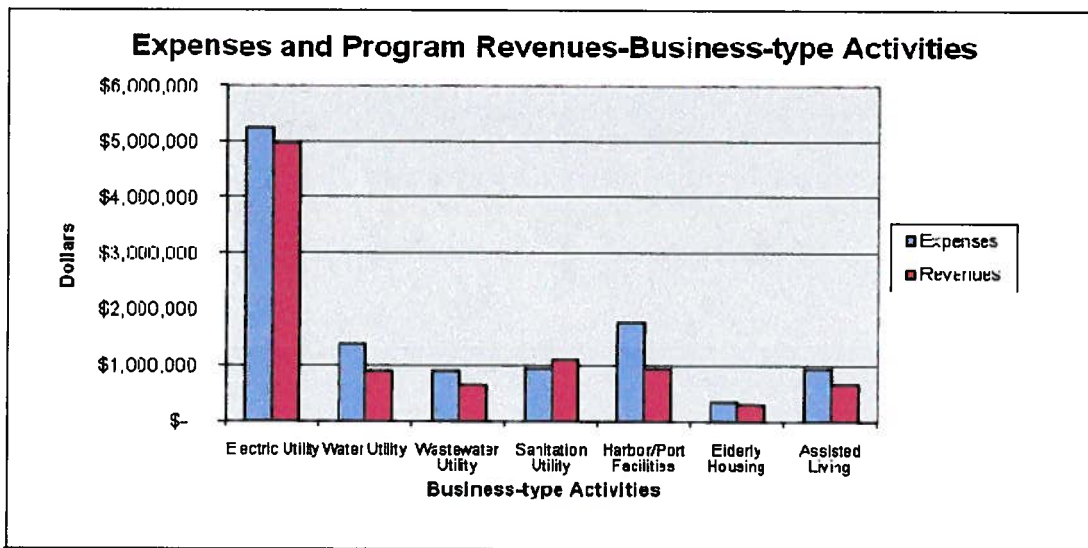
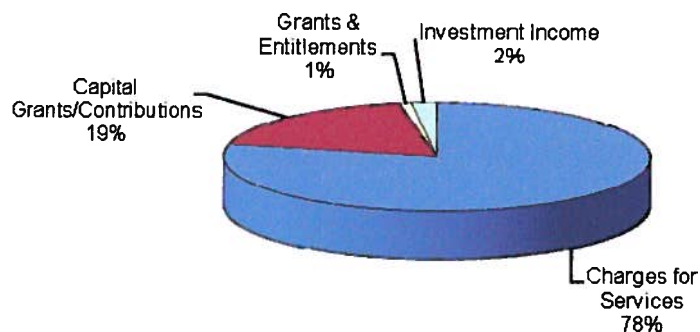


Figure 4

### Revenues by Source-Business-type Activities



## CITY OF PETERSBURG, ALASKA

### Management's Discussion and Analysis, continued

#### **Financial Analysis**

As noted earlier, the City of Petersburg, 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 City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** The focus of the City of Petersburg's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Petersburg's financing requirements. In particular, unreserved 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 City of Petersburg's governmental funds reported combined ending fund balances of \$12,716,133, an increase of \$797,409 in comparison with the prior year. This increase is mainly due to the accumulation of Secure Rural Schools Funding that the City is trying to retain in case funding is not extended after FY 2011/2012 by the Federal Government.

The total fund balance in the governmental funds is made up of two components. The first component is reserved to indicate it is not available for spending at the government's discretion. The reserved portion is 22% (\$2,796,962). 90% of this is reserved for the school. The other component is unreserved fund balance. The unreserved fund balance of \$9,919,171 is 78% of the total fund balance. The largest portion of the unreserved funds is located in the Economic Fund of \$4,417,485.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance was \$3,823,279, while total fund balance was \$3,899,479. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 49% of total General Fund expenditures, while total fund balance represents 50% of that same amount. This is an increase of 3% from the previous year. It should be noted that prior Fiscal Year 2008 and Fiscal Year 2009 had shown significant reductions in the percentage of fund balance compared to fund expenditures annually, 15% and 21% respectively.

**Proprietary funds.** The City'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 assets were \$5,798,142, a decrease of \$133,926 from the prior year. Overall net assets increased \$838,627 for the Electric Utility.
- The Water Utility Fund's unrestricted net assets were only \$184,954, a decrease of \$127,033. This is in part to paying the remaining costs of the Cabin Creek project with cash reserves.

## **CITY OF PETERSBURG, ALASKA**

### **Management's Discussion and Analysis, continued**

- The Wastewater Utility Fund's unrestricted net assets totaled \$1,136,175 at the end of the year, an increase of 5%. A contributing factor of this was increased wastewater rates on 7/1/2009 of 1%.
- The Sanitation Utility Fund is starting to see a positive trend in their unrestricted net assets. At the beginning of the fiscal year rates were raised 5%. This year's unrestricted net assets were \$268,285 which is an improvement from the prior year of \$54,293.
- The Harbor Fund increased its unrestricted net assets by \$416,399, for a total of \$1,169,592. This increase was similar to last year's increase.
- The Elderly Housing Facility's unrestricted net assets decreased 4% to \$559,159 in fiscal year 2010. This is becoming a downward trend as a decrease of 6% and 2% was shown in prior year's 2009 and 2008 respectively.
- Despite a transfer into the Assisted Living Fund of \$197,016 from the General Fund, and raising service rates \$300 on 9/1/2009, the Assisted Living facility ended the year by increasing the deficit in unrestricted net assets by \$76,045. The total deficit in unrestricted net assets at June 30, 2010 was \$163,998.
- The Motor Pool Fund's unrestricted net assets decreased \$111,385 (4%) from prior year 2009.

### **General Fund Budgetary Highlights**

- A \$250,000 loan from the General Fund to the Inter-Island Ferry Authority for working cash was paid off in the fall of 2009.
- Completion of the Cabin Creek Water Line Repair Project. Council authorized the grant of General Fund and Water Fund reserves to provide the necessary funding to complete the project (\$588,722).
- Administration department hired a new City Manager and re-created a Deputy Clerk/Payroll Clerk position.
- Assisted Living Fund continues to operate at a deficit. A committee has been formed to research different options.
- The Federal Energy Regulatory Commission (FERC) made a decision to award the preliminary permit for a hydroelectric project at Ruth Lake in Thomas Bay to Angoon.
- PMEA Union rejected extending their expired contract as "status quo."
- Finished rock pad for the new Fire Hall with State Legislative Grant money.



## CITY OF PETERSBURG, ALASKA

### Management's Discussion and Analysis, continued

#### Capital Asset and Debt Administration

**Capital Assets** As of June 30, 2010, the City had invested \$104,774,574 in capital assets as presented in Table 3. This investment includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. This is an increase over the previous year.

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

- City purchased Mitkof Sale Property adjacent to the Municipal Building. \$172,500 was expensed for the land purchase and \$38,761 for contamination removal and testing of the soil.
- Real estate acquired from the Mental Health Land Trust (\$63,720) to resolve an encroachment at the former site of the sanitary landfill and to enable expansion of solid waste baler operations.
- The Electric Fund issued taxable and non taxable bonds to assist in funding the 24.9KV Electric Rebuild Project and the Standby Diesel Generation Project.
- Ira II Playground \$71,881
- Sandy Beach Renovation \$79,380
- Emergency Operations Center \$95,395
- Cabin Creek Pipeline was repaired and brought to full operation ( \$1,113,722).
- Two Power & Light Vehicle Replacements, Bucket Truck (\$222,402) and a Digger/Derrick (\$178,351).
- Wastewater Dump Truck (\$83,781)

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Activities</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Land and improvements	\$ 3,435,776	2,349,367	1,279,223	1,215,503	4,714,999	3,564,870
Infrastructure	14,387,854	14,417,982	-	-	14,387,854	14,417,982
Buildings	14,580,748	15,431,558	13,283,497	13,757,332	27,864,245	29,188,890
Improvements other than buildings	50,422	57,405	40,279,444	40,830,580	40,329,866	40,887,985
Machinery and equipment	3,271,716	3,082,342	7,099,911	7,677,513	10,371,627	10,759,855
Construction in progress	<u>1,931,377</u>	<u>1,368,180</u>	<u>5,174,606</u>	<u>2,742,344</u>	<u>7,105,983</u>	<u>4,110,524</u>
Total capital assets	\$ <u>37,657,893</u>	<u>36,706,834</u>	<u>67,116,681</u>	<u>66,223,272</u>	<u>104,774,574</u>	<u>102,930,106</u>

Additional information on the City's capital assets can be found in note 6 on pages 42 through 44 of this report.

## CITY OF PETERSBURG, ALASKA

### Management's Discussion and Analysis, continued

**Long-term Debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$20,565,124. Of this amount, \$15,555,001 comprises debt backed by the full faith and credit of the government (i.e., general obligation bonds). \$648,099 is employee accrued leave. It should be noted that the State reimburses the City between 60-70% for a majority of the school GO debt service.

**Table 4**  
**City of Petersburg's Outstanding Debt**  
**General Obligation Bonds, Loans and Other Long-term Debt**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Activities</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
General obligation bonds	\$ 9,074,210	9,483,378	6,480,791	3,891,622	15,555,001	13,375,000
Accrued leave	389,606	402,829	258,493	304,650	648,099	707,479
Loans, long-term	<u>-</u>	<u>-</u>	<u>4,362,024</u>	<u>4,640,971</u>	<u>4,362,024</u>	<u>4,640,971</u>
Total long-term debt	\$ <u>9,463,816</u>	<u>9,886,207</u>	<u>11,101,308</u>	<u>8,837,243</u>	<u>20,565,124</u>	<u>18,723,450</u>

The City's governmental activity debt decreased by \$422,391 during the current year. The City's business-type debt increased by \$2,264,065. Additional information on the City of Petersburg's long-term debt can be found in note 7 on pages 44 through 48.

### Economic Forecast for Next Year

- The 2011 fiscal year budget was approved without an increase in the property tax levy. The budget keeps all levels of service substantially the same as in previous years. Due to a projected loss of 7% in Sales Tax Revenue and the projected loss of Secure Schools Funding, the Council approved using \$485,496 of General Fund Reserves to run the City in Fiscal Year 2011.
- Collective bargaining agreements with the two unions, IBEW & PMEA that represent employees of the City expired on 12/31/2009 and 3/31/2010 respectively. IBEW's contract was renewed for three years, PMEA contract negotiations are still ongoing as of September 2010. Mediation was introduced in July 2010.
- Health insurance premiums will increase 7%.
- Plans are in progress for a new library. A significant portion of the capital cost for this project is expected to be financed by state grants. Construction will begin for the City's new fire hall paid for by a \$6.7 million dollar State Legislative 2010 Grant. Increased operation and maintenance expense for these structures will have a claim on future general governmental revenues.



## **CITY OF PETERSBURG, ALASKA**

### **Management's Discussion and Analysis, continued**

- Plans are also in progress for reconstruction of downtown area streets with funding from local sources and a federal grant appropriated to the Alaska Department of Transportation and Public Facilities. The local share of the funding required for this project will be derived from the Timber Receipts Fund. Construction is not likely to commence until the 2011 construction season.
- The Electric Utility Fund will proceed to appeal the Federal Energy Regulatory Commission's decision to award the preliminary permit to Angoon for a hydroelectric project at Ruth Lake in Thomas Bay.
- The Electric Fund will spend a majority of their bond funds this year to finish up the rebuilding of the old existing 2400 volt delta system with new 24.9KV wye system. They will also be purchasing and installing an additional standby diesel generator at Scow Bay.
- The City will take possession of King's Row Street and begin the realignment and re-grading to rectify a safety issue for drivers on this road.
- Parks and Recreation Department should finish work obtaining and installing a covered roof for the Ball Field Playground.

### **Financial Information Contact**

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

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF PETERSBURG, ALASKA**  
Statement of Net Assets  
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Petersburg City Schools
<u>Assets</u>				
Cash and investments	\$ 15,028,158	10,221,628	25,249,786	1,165,638
Receivables, net	840,400	1,713,375	2,553,775	307,353
Internal balances	(1,909,487)	1,909,487	-	-
Inventory	-	385,130	385,130	11,394
Prepaid items	76,200	49,276	125,476	-
Restricted cash and investments	-	2,865,620	2,865,620	-
Bond issuance costs, net	-	60,691	60,691	-
Land and construction in progress	5,367,153	6,453,829	11,820,982	-
Other capital assets, net of accumulated depreciation	32,290,740	60,662,852	92,953,592	271,591
Total assets	\$ 51,693,164	84,321,888	136,015,052	1,755,976
<u>Liabilities</u>				
Accounts payable	105,565	207,206	312,771	163,481
Accrued payroll and employee benefits	191,848	149,486	341,334	45,104
Unearned revenue	10,947	2,582,643	2,593,590	3,453
Customer deposits	-	59,503	59,503	-
Accrued interest	62,028	110,424	172,452	-
Noncurrent liabilities:				
Due within one year:				
Accrued leave	389,606	258,493	648,099	27,536
Bonds payable	430,003	219,997	650,000	-
Loans payable	-	281,707	281,707	-
Due in more than one year:				
Bonds payable	8,644,207	6,260,794	14,905,001	-
Deferred loss on refunding	-	(29,421)	(29,421)	-
Bond premium, net	55,194	166,226	221,420	-
Loans payable	-	4,080,317	4,080,317	-
Landfill closure costs	-	92,333	92,333	-
Total liabilities	9,889,398	14,439,708	24,329,106	239,574
<u>Net Assets</u>				
Invested in capital assets, net of related debt	28,528,489	58,896,905	87,425,394	271,591
Restricted for scholarships	-	-	-	66,431
Unrestricted	13,275,277	10,985,275	24,260,552	1,178,380
Total net assets	41,803,766	69,882,180	111,685,946	1,516,402
Total liabilities and net assets	\$ 51,693,164	84,321,888	136,015,052	1,755,976

See accompanying notes to basic financial statements.

**CITY OF PETERSBURG, ALASKA**  
**Statement of Activities**  
**Year Ended June 30, 2010**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
Activities	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Primary Government			Component Unit
					Govern- mental Activities	Business- type Activities	Total	Petersburg City Schools
Primary government:								
Governmental:								
General government	\$ 1,449,000	362,104	8,085	-	(1,078,811)	-	(1,078,811)	
Public safety	1,766,806	330,305	88,339	828,557	(519,605)	-	(519,605)	
Public works	2,054,974	518,008	196,193	-	(1,340,773)	-	(1,340,773)	
Community services	793,343	-	361,934	132,518	(298,891)	-	(298,891)	
Culture and recreation	1,659,216	-	335,103	12,096	(1,312,017)	-	(1,312,017)	
Education	2,264,761	-	1,690,710	491,750	(82,301)	-	(82,301)	
Total governmental activities	9,988,100	1,210,417	2,680,364	1,464,921	(4,632,398)	-	(4,632,398)	
Business-type:								
Electric Utility	5,252,104	4,983,438	-	955,391	-	686,725	686,725	
Water Utility	1,374,296	889,623	-	41,996	-	(442,677)	(442,677)	
Wastewater Utility	889,668	633,674	-	-	-	(255,994)	(255,994)	
Sanitation Utility	942,890	1,103,379	-	63,720	-	224,209	224,209	
Harbor and Port Facilities	1,754,774	948,853	-	1,218,823	-	412,902	412,902	
Elderly Housing	350,381	282,843	-	-	-	(67,538)	(67,538)	
Assisted Living Facilities	937,410	649,138	-	15,367	-	(272,905)	(272,905)	
Total business-type activities	11,501,523	9,490,948	-	2,295,297	-	284,722	284,722	
Total primary government	\$ 21,489,623	10,701,365	2,680,364	3,760,218	(4,632,398)	284,722	(4,347,676)	
Component unit - school district - education								
	\$ 9,157,672	95,765	907,839	-				(8,154,068)
General revenues:								
Property taxes				\$ 2,637,097	-	2,637,097	-	
Sales taxes				2,646,277	-	2,646,277	-	
Payments in lieu of taxes				548,888	-	548,888	-	
Other taxes				39,265	-	39,265	-	
Contributions from primary government				-	-	-	1,800,000	
Grants and entitlements not restricted to a specific purpose				1,166,835	107,795	1,274,630	6,132,354	
Investment income				603,385	234,716	838,101	8,755	
Other				31,848	-	31,848	75,516	
Transfers				(1,022,206)	1,022,206	-	-	
Total general revenues and transfers				6,651,389	1,364,717	8,016,106	8,016,625	
Change in net assets					2,018,991	1,649,439	3,668,430	(137,443)
Net assets at beginning of year					39,784,775	68,232,741	108,017,516	1,653,845
Net assets at end of year				\$ 41,803,766	69,882,180	111,685,946	1,516,402	

See accompanying notes to basic financial statements.

## CITY OF PETERSBURG, ALASKA

## Governmental Funds

## Balance Sheet

June 30, 2010

<u>Assets</u>	<u>Major Funds</u>			<u>Total Govern- mental Funds</u>
	<u>General</u>	<u>School Timber Receipts Special Revenue</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ 3,312,526	2,528,782	6,131,542	11,972,850
Receivables, net of allowance for doubtful accounts:				
Property taxes	22,135	-	-	22,135
Sales taxes	297,466	-	-	297,466
Grants and shared revenues	-	-	466,152	466,152
Accounts	22,439	-	-	22,439
Interest	-	-	19,646	19,646
Prepaid insurance	76,200	-	-	76,200
Due from other funds	411,123	-	-	411,123
 Total assets	 \$ 4,141,889	 2,528,782	 6,617,340	 13,288,011
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	58,536	-	30,877	89,413
Accrued payroll and related liabilities	183,874	-	-	183,874
Deferred revenue	-	-	10,947	10,947
Due to other funds	-	-	287,644	287,644
Total liabilities	242,410	-	329,468	571,878
Fund balances:				
Reserved:				
Prepaid insurance	76,200	-	-	76,200
School support	-	2,528,782	-	2,528,782
Streets and roads	-	-	191,980	191,980
Unreserved, reported in:				
General Fund	3,823,279	-	-	3,823,279
Special Revenue Funds	-	-	5,142,795	5,142,795
Debt Service Fund	-	-	122,970	122,970
Capital Project Funds	-	-	830,127	830,127
Total fund balances	3,899,479	2,528,782	6,287,872	12,716,133
 Total liabilities and fund balances	 \$ 4,141,889	 2,528,782	 6,617,340	 13,288,011

See accompanying notes to basic financial statements.

**CITY OF PETERSBURG, ALASKA**  
 Reconciliation of Governmental Funds Balance Sheet  
 to Statement of Net Assets  
 June 30, 2010

Total fund balances for governmental funds \$ 12,716,133

Total net assets reported for governmental activities in the  
 Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. These  
 assets, net of accumulated depreciation, consist of:

Land	\$ 3,435,776	
Construction in progress	1,931,377	
Buildings	35,853,125	
Improvements other than buildings	154,948	
Infrastructure	15,614,475	
Machinery and equipment	1,663,468	
Accumulated depreciation	<u>(23,867,112)</u>	
Total capital assets		34,786,057

An internal service fund is used by the City 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 Assets. 3,855,430

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

General obligation bonds payable	(9,074,210)	
Bond premium, net of accumulated amortization	(55,194)	
Accrued interest	(62,028)	
Accrued leave	<u>(362,422)</u>	
Total long term liabilities		<u>(9,553,854)</u>

Total net assets of governmental activities \$ 41,803,766

See accompanying notes to basic financial statements.

## CITY OF PETERSBURG, ALASKA

## Governmental Funds

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

Year Ended June 30, 2010

	Major Funds			Total
		School Timber		Govern-
		Receipts		mental
		Special	Nonmajor	Funds
	General	Revenues	Funds	Funds
Revenues:				
Property taxes	\$ 2,637,097	-	-	2,637,097
Sales taxes	2,646,277	-	-	2,646,277
Other taxes	77,450	-	-	77,450
Intergovernmental	2,038,059	1,524,564	1,790,521	5,353,144
Licenses and permits	9,090	-	-	9,090
Charges for services	299,151	-	-	299,151
Fines and forfeitures	17,827	-	-	17,827
Overhead charges	297,002	-	-	297,002
Investment income	167,780	36,058	397,542	601,380
Sale of property	-	-	53,000	53,000
Other	31,848	-	512,276	544,124
Total revenues	<u>8,221,581</u>	<u>1,560,622</u>	<u>2,753,339</u>	<u>12,535,542</u>
Expenditures:				
Current:				
General government	1,416,908	-	-	1,416,908
Public safety	1,717,355	-	50,180	1,767,535
Public works	1,797,911	-	11,768	1,809,679
Community services	221,836	-	324,914	546,750
Culture and recreation	895,012	-	157,559	1,052,571
Education - contribution to school district	1,800,000	156,689	-	1,956,689
Debt service	-	-	812,720	812,720
Capital outlay	-	-	1,353,075	1,353,075
Total expenditures	<u>7,849,022</u>	<u>156,689</u>	<u>2,710,216</u>	<u>10,715,927</u>
Excess of revenues over expenditures	372,559	1,403,933	43,123	1,819,615
Other financing sources (uses):				
Transfers in	657,011	-	450,851	1,107,862
Transfers out	<u>(1,208,057)</u>	<u>(657,011)</u>	<u>(265,000)</u>	<u>(2,130,068)</u>
Net other financing sources (uses)	<u>(551,046)</u>	<u>(657,011)</u>	<u>185,851</u>	<u>(1,022,206)</u>
Net change in fund balances	(178,487)	746,922	228,974	797,409
Fund balances at beginning of year	<u>4,077,966</u>	<u>1,781,860</u>	<u>6,058,898</u>	<u>11,918,724</u>
Fund balances at end of year	\$ <u>3,899,479</u>	<u>2,528,782</u>	<u>6,287,872</u>	<u>12,716,133</u>

See accompanying notes to basic financial statements.



**CITY OF PETERSBURG, ALASKA**  
 Reconciliation of Change in Fund Balances of Governmental Funds  
 to Statement of Activities  
 Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 797,409

The change in net assets 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 (\$1,964,901) exceeded depreciation (\$1,250,192). 714,709

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt (\$409,168) consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of bond issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized (\$3,250) in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 412,418

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount of the decrease (increase) in:

Accrued leave	\$	13,223	
Accrued interest		<u>(1,245)</u>	
			11,978

The Internal Service Fund is used by management to charge the costs of vehicle operations and the replacement cost of vehicles to individual funds. A portion of the net revenue of these activities is reported with governmental activities. 82,477

Change in net assets of governmental activities \$ 2,018,991

See accompanying notes to basic financial statements.

**CITY OF PETERSBURG, ALASKA**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 2,644,322	2,623,797	2,637,097	13,300
Sales taxes	2,798,000	2,756,000	2,646,277	(109,723)
Other taxes	-	77,000	77,450	450
Intergovernmental	1,444,537	1,788,215	2,038,059	249,844
Licenses and permits	8,800	8,800	9,090	290
Charges for services	278,100	327,300	299,151	(28,149)
Fines and forfeitures	15,000	15,000	17,827	2,827
Overhead charges	297,002	297,002	297,002	-
Investment income	225,000	225,000	167,780	(57,220)
Other revenues	35,700	25,500	31,848	6,348
Total revenues	<u>7,746,461</u>	<u>8,143,614</u>	<u>8,221,581</u>	<u>77,967</u>
<b>Expenditures:</b>				
General government	1,267,467	1,338,728	1,416,908	(78,180)
Public safety	1,785,710	1,794,684	1,717,355	77,329
Public works	2,484,879	1,934,234	1,797,911	136,323
Community services	219,050	219,050	221,836	(2,786)
Culture and recreation	847,264	886,751	895,012	(8,261)
Education - contribution to school district	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>
Total expenditures	<u>8,404,370</u>	<u>7,973,447</u>	<u>7,849,022</u>	<u>124,425</u>
Excess of revenues over (under) expenditures	(657,909)	170,167	372,559	202,392
<b>Other financing sources (uses):</b>				
Transfers in	657,011	657,011	657,011	-
Transfers out	<u>(547,016)</u>	<u>(1,590,435)</u>	<u>(1,208,057)</u>	<u>382,378</u>
Net other financing sources (uses)	<u>109,995</u>	<u>(933,424)</u>	<u>(551,046)</u>	<u>382,378</u>
Net change in fund balance	\$ <u>(547,914)</u>	<u>(763,257)</u>	(178,487)	<u>584,770</u>
Fund balance at beginning of year			<u>4,077,966</u>	
Fund balance at end of year			\$ <u>3,899,479</u>	

See accompanying notes to basic financial statements.

**CITY OF PETERSBURG, ALASKA**  
**School Timber Receipts Special Revenue Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental - national forest receipts	\$ 1,500,000	1,500,000	1,524,564	24,564
Investment income	<u>-</u>	<u>-</u>	<u>36,058</u>	<u>36,058</u>
Total revenues	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,560,622</u>	<u>60,622</u>
Expenditures - contribution to school district	<u>-</u>	<u>-</u>	<u>156,689</u>	<u>(156,689)</u>
Excess of revenues over expenditures	1,500,000	1,500,000	1,403,933	(96,067)
Other financing uses - transfers out	<u>(848,280)</u>	<u>(848,280)</u>	<u>(657,011)</u>	<u>191,269</u>
Net change in fund balance	\$ <u>651,720</u>	<u>651,720</u>	746,922	<u>95,202</u>
Fund balance at beginning of year			<u>1,781,860</u>	
Fund balance at end of year		\$ <u>2,528,782</u>		

See accompanying notes to basic financial statements.

**CITY OF PETERSBURG, ALASKA**  
Proprietary Funds  
Statement of Net Assets  
June 30, 2010

Assets	Major Enterprise Funds						Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living				
Current assets:									
Cash and investments	\$ 8,140,339	102,334	1,084,664	-	-		894,291	10,221,628	3,055,308
Receivables, net of allowance for doubtful accounts	471,070	79,229	64,397	1,005,377	8,433		84,869	1,713,375	12,562
Inventories	282,835	72,425	29,870	-	-		-	385,130	-
Prepaid expenses	49,276	-	-	-	-		-	49,276	-
Total current assets	8,943,520	253,988	1,178,931	1,005,377	8,433		979,160	12,369,409	3,067,870
Restricted cash:									
Capital projects	-	-	-	2,848,189	-		-	2,848,189	-
Security deposits	-	-	-	-	-		17,431	17,431	-
Bond issuance costs, net of accumulated amortization	16,496	-	-	10,162	25,525		8,508	60,691	-
Property, plant and equipment:									
Land and land improvements	735,045	-	-	353,039	-		191,139	1,279,223	-
Buildings	1,022,503	5,178,330	9,024,635	313,055	3,907,471		4,764,593	24,210,587	-
Improvements other than buildings	2,193,746	24,956,557	7,766,001	22,404,620	-		249,088	57,570,012	-
Machinery and equipment	16,963,600	3,095,626	329,031	423,113	78,000		198,062	21,087,432	5,879,757
Construction in progress	3,649,068	33,513	66,652	1,330,574	-		94,799	5,174,606	-
Total property, plant and equipment	24,563,962	33,264,026	17,186,319	24,824,401	3,985,471		5,497,681	109,321,860	5,879,757
Accumulated depreciation	(13,200,807)	(9,726,483)	(9,055,245)	(6,655,164)	(678,483)		(2,888,997)	(42,205,179)	(3,007,921)
Net property, plant and equipment	11,363,155	23,537,543	8,131,074	18,169,237	3,306,988		2,608,684	67,116,681	2,871,836
Total assets	\$ 20,323,171	23,791,531	9,310,005	22,032,965	3,340,946		3,613,783	82,412,401	5,939,706

See accompanying notes to basic financial statements.

## CITY OF PETERSBURG, ALASKA

## Proprietary Funds

## Statement of Net Assets, 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				
<u>Liabilities and Net Assets</u>									
<u>Liabilities:</u>									
<u>Current liabilities:</u>									
Accounts payable	\$ 145,354	390	281	30,740	1,810		28,631	207,206	16,152
Accrued payroll and employee benefits	60,635	12,388	9,949	25,850	22,981		17,683	149,486	7,974
Accrued leave	138,985	7,342	18,154	60,701	17,204		16,107	258,493	27,184
Deferred revenue	-	-	-	2,573,181	4,066		5,396	2,582,643	-
Customer deposits	24,002	12,001	7,200	-	6,200		10,100	59,503	-
Accrued interest	33,054	36,913	7,172	3,664	22,216		7,405	110,424	-
Due to other funds	-	-	-	-	123,479		-	123,479	-
<u>Current portion:</u>									
General obligation bonds	-	-	-	74,997	108,750		36,250	219,997	-
ADEC loans	-	250,438	31,269	-	-		-	281,707	-
Total current liabilities	402,030	319,472	74,025	2,769,133	306,706		121,572	3,992,938	51,310
Long term debt, net of current portion:									
General obligation bonds	2,800,000	-	-	970,794	1,867,500		622,500	6,260,794	-
Deferred loss on refunding	-	-	-	(29,421)	-		-	(29,421)	-
Bond premium, net of accumulated amortization	61,628	-	-	14,565	67,525		22,508	166,226	-
ADEC loans	-	3,589,959	490,358	-	-		-	4,080,317	-
Landfill closure costs	-	-	-	-	-		92,333	92,333	-
Total long-term debt	2,861,628	3,589,959	490,358	955,938	1,935,025		737,341	10,570,249	-
Total liabilities	3,263,658	3,909,431	564,383	3,725,071	2,241,731		858,913	14,563,187	51,310
<u>Net assets:</u>									
Invested in capital assets, net of related debt	11,261,371	19,697,146	7,609,447	17,138,302	1,263,213		1,927,426	58,896,905	2,871,836
Unrestricted (deficit)	5,798,142	184,954	1,136,175	1,169,592	(163,998)		827,444	8,952,309	3,016,560
Total net assets	17,059,513	19,882,100	8,745,622	18,307,894	1,099,215		2,754,870	67,849,214	5,888,396
Total liabilities and net assets	\$ 20,323,171	23,791,531	9,310,005	22,032,965	3,340,946		3,613,783		5,939,706
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.									
								2,032,966	
Net assets of business-type activities							\$	69,882,180	

See accompanying notes to basic financial statements.

## CITY OF PETERSBURG, ALASKA

## Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2010

	Major Enterprise Funds						Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living				
Operating revenues	\$ 4,983,438	889,623	633,674	948,853	649,138		1,386,222	9,490,948	828,275
Operating expenses:									
Salaries and benefits	1,130,579	231,969	239,081	541,496	524,975		405,530	3,073,630	176,294
Services, supplies, and other charges	3,284,250	250,205	195,728	261,622	185,706		559,372	4,736,883	288,117
Allocated overhead and motor pool charges	216,331	53,258	86,526	65,961	33,621		184,982	640,679	12,415
Depreciation	602,502	759,963	366,227	835,514	105,103		130,745	2,800,054	309,736
Total operating expenses	5,233,662	1,295,395	887,562	1,704,593	849,405		1,280,629	11,251,246	786,562
Income (loss) from operations	(250,224)	(405,772)	(253,888)	(755,740)	(200,267)		105,593	(1,760,298)	41,713
Nonoperating revenues (expenses):									
Federal grant	-	-	-	-	-		-	-	90,426
Investment income	120,468	-	20,312	78,103	-		15,833	234,716	-
Interest expense	(33,054)	(81,890)	(7,863)	(51,396)	(86,405)		(28,802)	(289,410)	-
Loss on disposal of equipment	-	-	-	-	-		-	-	(13,241)
Amortization of bond issuance costs	-	-	-	(924)	(1,823)		(608)	(3,355)	-
State PERS relief	46,046	6,888	5,984	18,608	20,155		10,114	107,795	6,067
Net nonoperating revenues (expenses)	133,460	(75,002)	18,433	44,391	(68,073)		(3,463)	49,746	83,252
Income (loss) before contributions and transfers	(116,764)	(480,774)	(235,455)	(711,349)	(268,340)		102,130	(1,710,552)	124,965
Capital contributions	955,391	41,996	-	1,218,823	15,367		63,720	2,295,297	-
Transfers in	-	459,361	-	365,829	197,016		-	1,022,206	-
Change in net assets	838,627	20,583	(235,455)	873,303	(55,957)		165,850	1,606,951	124,965
Net assets at beginning of year	16,220,886	19,861,517	8,981,077	17,434,591	1,155,172		2,589,020	5,763,431	
Net assets at end of year	\$ 17,059,513	19,882,100	8,745,622	18,307,894	1,099,215		2,754,870	5,888,396	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.									42,488
Change in net assets of business-type activities								\$	1,649,439

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities

See accompanying notes to basic financial statements.

## CITY OF PETERSBURG, ALASKA

## Proprietary Funds

## Statement of Cash Flows

Year Ended June 30, 2010

	Major Enterprise Funds						Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Waste - water Utility	Harbor and Port Facilities	Assisted Living				
Cash flows from operating activities:									
Receipts from customers and users	\$ 5,028,652	894,446	631,737	961,660	627,114		1,410,905	9,554,514	828,840
Payments for interfund services used	(216,331)	(53,258)	(86,526)	(65,961)	(33,621)		(184,982)	(640,679)	(12,415)
Payments to suppliers	(3,255,864)	(253,727)	(210,855)	(232,478)	(188,047)		(560,404)	(4,701,375)	(272,715)
Payments to employees	(1,078,836)	(234,971)	(232,477)	(556,102)	(496,466)		(395,912)	(2,994,764)	(168,837)
Net cash flows from operating activities	477,621	352,490	101,879	107,119	(91,020)		269,607	1,217,696	374,873
Cash flows from noncapital financing activities - federal fuel grant received	-	-	-	-	-		-	-	78,064
Cash flows from capital and related financing activities:									
Principal paid on long-term debt	-	(248,141)	(30,806)	(70,831)	(105,000)		(35,000)	(489,778)	-
Interest paid on long-term debt	-	(75,259)	(8,287)	(50,059)	(92,017)		(30,673)	(256,295)	-
Proceeds from issuance of debt	2,845,132	-	-	-	-		-	2,845,132	-
Purchase of property, plant and equipment	(1,676,839)	(937,638)	(48,642)	(1,222,938)	(15,367)		(70,239)	(3,971,663)	(593,910)
Proceeds from sale of equipment	-	-	-	-	-		-	-	34,583
Increase (decrease) in due to other funds	-	(95,882)	-	-	91,021		-	(4,861)	-
Transfers in	-	459,361	-	365,829	197,016		-	1,022,206	-
Capital contributions received	1,277,542	647,403	-	364,609	15,367		63,720	2,368,641	64,752
Net cash flows from capital and related financing activities	2,445,835	(250,156)	(87,735)	(613,390)	91,020		(72,192)	1,513,382	(494,575)
Cash flows from investing activities - investment income received	120,468	-	20,312	87,963	-		15,833	244,576	-
Net increase (decrease) in cash and investments	3,043,924	102,334	34,456	(418,308)	-		213,248	2,975,654	(41,638)
Cash and investments at beginning of year	5,096,415	-	1,050,208	3,266,497	-		698,474	10,111,594	3,096,946
Cash and investments at end of year	\$ 8,140,339	102,334	1,084,664	2,848,189	-		911,722	13,087,248	3,055,308

See accompanying notes to basic financial statements.

**CITY OF PETERSBURG, ALASKA**  
**Proprietary Funds**  
**Statement of Cash Flows, continued**

	Major Enterprise Funds						Nonmajor	Total	Internal
	Electric	Water	Waste -	Harbor	Assisted		Enterprise	Enterprise	Service
	Utility	Utility	water	and Port	Living		Funds	Funds	Fund
			Utility	Facilities					
Reconciliation of income (loss) from operations									
to net cash provided (used) by operating activities:									
Income (loss) from operations	\$ (250,224)	(405,772)	(253,888)	(755,740)	(200,267)		105,593	(1,760,298)	41,713
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:									
Depreciation	602,502	759,963	366,227	835,514	105,103		130,745	2,800,054	309,736
Noncash expense - PERS relief	46,046	6,888	5,984	18,608	20,155		10,114	107,795	6,067
Increase (decrease) in allowance for doubtful accounts	(4,024)	(1,121)	(70)	3,608	-		(1,742)	(3,349)	-
(Increase) decrease in assets:									
Accounts receivable	48,262	5,688	(2,020)	(8,776)	-		24,669	67,823	565
Inventories	11,682	(3,486)	7,312	-	-		-	15,508	-
Increase (decrease) in liabilities:									
Accounts payable	16,704	(36)	(22,439)	29,144	(2,341)		(1,032)	20,000	15,402
Accrued payroll and employee benefits	12,242	2,753	(2,727)	1,486	849		2,625	17,228	1,390
Accrued leave	(6,545)	(12,643)	3,347	(34,700)	7,505		(3,121)	(46,157)	-
Deferred revenue	-	-	-	-	(18,585)		(364)	(18,949)	-
Customer deposits	976	256	153	-	(3,439)		2,120	66	-
Prepaid moorage	-	-	-	17,975	-		-	17,975	-
Net cash flows from operating activities	\$ 477,621	352,490	101,879	107,119	(91,020)		269,607	1,217,696	374,873

See accompanying notes to basic financial statements.



## **CITY OF PETERSBURG, ALASKA**

### **Notes to Basic Financial Statements**

June 30, 2010

(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. The City operates under a council-manager form of government and performs municipal duties allowed by Alaska statutes and as directed by its residents, including public safety, streets, sanitation, water and wastewater, electric utility, harbor and port, emergency services, elderly housing, library and recreational, and general administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present City of Petersburg (the primary government) and its component unit, Petersburg City Schools. The School District is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

The component unit column in the financial statements includes the financial data of the School District. It is discretely presented in a separate column to emphasize that it is legally separate from the City.

Petersburg City Schools is responsible for elementary and secondary education within the City. The members of the School Board are elected by the voters; however, the School District is fiscally dependent upon the City because the City Council approves the total annual budget of the School District, levies the necessary taxes and approves the issuance of bonds for School construction.

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

Petersburg City Schools  
P.O. Box 289  
Petersburg, AK 99833

**Related Organization**

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

## CITY OF PETERSBURG, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### **Related Organization, continued**

The charge for kilowatts is billed monthly by the Four Dam Pool Power Agency (now SEAPA) to each city based on usage. The accounting for TBPA is handled by the City and Borough of Wrangell. TBPA's financial statements are not included in City of Petersburg's financial statements.

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

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

The accounting policies of the City 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 assets and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *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.

## CITY OF PETERSBURG, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues except reimbursement grants to be available if they are collected within 60 days after year end. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

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

The City reports the following major funds:

#### Major governmental funds:

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

The *School Timber Receipts Special Revenue Fund* accounts for activity relating to National Forest Receipts that have been earmarked by the granting agency for education purposes.

#### Major proprietary funds:

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

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

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

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

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

## CITY OF PETERSBURG, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued**

The City 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Central Treasury**

A central treasury is used to account for cash from most funds of the City 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 maintains separate cash accounts from the City.

## **CITY OF PETERSBURG, ALASKA**

### **Notes to Basic Financial Statements, continued**

#### **Summary of Significant Accounting Policies, continued**

##### **Cash and Cash Equivalents**

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

##### **Inventory**

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

##### **Receivables and Payables**

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

##### **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 City ordinance. Tax bills are mailed on July 1 of each year and are due September 30. Property taxes are recorded as revenue when billed.

##### **Interfund Transactions**

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

## CITY OF PETERSBURG, ALASKA

### Notes to Basic Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### **Compensated Absences**

The City 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 City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Buildings and improvements	20-40 years
Infrastructure	10-50 years
System infrastructure	20-50 years
Machinery and equipment	3-8 years

##### **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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

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.



## **CITY OF PETERSBURG, ALASKA**

### **Notes to Basic Financial Statements, continued**

#### **Summary of Significant Accounting Policies, continued**

##### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

##### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

##### **Deferred 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 deferred revenue.

##### **Pension Plan**

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

#### **(2) Stewardship, Compliance and Accountability**

##### **Budgetary Accounting**

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

- A. During or prior to the sixth week preceding July 1, the City Manager submits to the Council 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 Council, by resolution, makes an appropriation for the monies required.
- D. Unencumbered appropriation balances may be transferred within a department by the City Manager at any time. At the request of the City Manager, or on its own initiative, the Council may transfer unencumbered balances from one department or fund to another.

## CITY OF PETERSBURG, ALASKA

### Notes to Basic Financial Statements, continued

#### **Stewardship, Compliance and Accountability, continued**

##### **Budgetary Accounting, continued**

- 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 Council.

#### (3) **Interfund Receivables, Payables, and Transfers**

A schedule of interfund balances and transfers for the year ended June 30, 2010, follows:

##### ***Due from other funds:***

Due to the General Fund from:

Assisted Living Enterprise Fund to cover operating costs	\$ 123,479
Nonmajor governmental fund for short-term advances to cover debt service costs	24,135
Nonmajor governmental funds for short-term advances to cover capital costs	262,797
Nonmajor governmental funds for short-term advances to cover operating costs	<u>712</u>
Total amount due from other funds	\$ <u>411,123</u>

##### ***Transfers:***

From School Timber Receipts Special Revenue Fund to General Fund to cover operating costs	\$ <u>657,011</u>
--	-------------------

From General Fund to:

Assisted Living Enterprise Fund to cover operating and debt service costs	197,016
Harbor and Port Facilities Enterprise Fund to cover capital costs	365,829
Water Utility Enterprise Fund to cover capital costs	294,361
Nonmajor governmental fund to cover debt service costs	314,475
Nonmajor governmental funds to cover capital costs	<u>36,376</u>
Total transfers from General Fund	<u>1,208,057</u>

From nonmajor governmental funds to:

Water Utility Enterprise Fund to cover capital costs	165,000
Other nonmajor governmental funds to cover capital costs	<u>100,000</u>

Total transfers to other funds \$ 2,130,068



## CITY OF PETERSBURG, ALASKA

### Notes to Basic Financial Statements, continued

#### (4) Cash and Investments

The City of Petersburg 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 is included in "Due to other funds."

#### Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of June 30, 2010.

	<u>Pooled Cash and Investments</u>	<u>Economic Fund</u>	<u>Totals</u>
Bank deposits and money markets	\$ 171,139	356,241	527,380
Investments	<u>23,546,428</u>	<u>4,041,598</u>	<u>27,588,026</u>
	<u>\$ 23,717,567</u>	<u>4,397,839</u>	<u>28,115,406</u>
Cash and investments	\$ 20,851,947	4,397,839	25,249,786
Restricted cash and investments	<u>2,865,620</u>	-	<u>2,865,620</u>
	<u>\$ 23,717,567</u>	<u>4,397,839</u>	<u>28,115,406</u>

#### *Investment Policy*

The City'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.

## CITY OF PETERSBURG, ALASKA

### Notes to Basic Financial Statements, continued

#### **Cash and Investments, continued**

##### *Investment Policy, continued*

The City's Economic Fund investment policy authorizes investments in:

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

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.

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Investment maturities in general investments at June 30, 2010 are as follows:

<u>Investment Type</u>	<u>Investment Maturities</u> <u>(in Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
U.S. government agencies	\$ 608,885	100,760	508,125
Corporate fixed income	9,640,235	5,500,209	4,140,026
Certificates of deposit	<u>10,691,393</u>	<u>5,356,458</u>	<u>5,334,935</u>
Total subject to interest rate risk	20,940,513	<u>10,957,427</u>	<u>9,983,086</u>
Pooled investments	<u>2,605,915</u>		
Total investments	\$ <u>23,546,428</u>		

# CITY OF PETERSBURG, ALASKA

## Notes to Basic Financial Statements, continued

### Cash and Investments, continued

Investment maturities in the Economic Fund investments at June 30, 2010 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>(in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Certificates of deposit	\$ 2,100,855	<u>1,007,334</u>	<u>1,093,521</u>
International equity securities	328,017		
U.S. equity securities	1,609,005		
Corporate fixed income	<u>3,721</u>		
Total investments	\$ <u>4,041,598</u>		

### *Credit Risk*

The 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.

### (5) Accounts Receivable and Valuation Allowances

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful receivables. At June 30, 2010, receivables for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Grants and shared revenues	\$ -	466,152	133,874	-	-
Property and sales taxes	319,601	-	-	-	-
Accounts	22,439	-	355,486	83,497	68,055
Interest	-	<u>19,646</u>	-	-	-
Total receivables	342,040	485,798	489,360	83,497	68,055
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>(18,290)</u>	<u>(4,268)</u>	<u>(3,658)</u>
Net receivables	\$ <u>342,040</u>	<u>485,798</u>	<u>471,070</u>	<u>79,229</u>	<u>64,397</u>

# CITY OF PETERSBURG, ALASKA

## Notes to Basic Financial Statements, continued

### Accounts Receivable and Valuation Allowances, continued

	Harbor and <u>Port</u>	Assisted <u>Living</u>	Nonmajor Enterprise <u>Funds</u>	Internal Service <u>Fund</u>	<u>Total</u>
Grants and shared revenues	\$ 876,337	-	-	12,362	1,488,725
Property and sales taxes	-	-	-	-	319,601
Accounts	153,612	8,433	89,137	200	780,859
Interest	<u>14,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,375</u>
Total receivables	1,044,678	8,433	89,137	12,562	2,623,560
Less allowance for doubtful accounts	<u>(39,301)</u>	<u>-</u>	<u>(4,268)</u>	<u>-</u>	<u>(69,785)</u>
Net receivables	<u>\$ 1,005,377</u>	<u>8,433</u>	<u>84,869</u>	<u>12,562</u>	<u>2,553,775</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2010, *deferred revenue* was composed of \$10,947 in grant draw downs prior to meeting all eligibility requirements.

(6) **Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>
<b><u>Governmental activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,073,224	362,552	-	3,435,776
Construction in progress	<u>644,323</u>	<u>1,533,711</u>	<u>246,657</u>	<u>1,931,377</u>
Total assets not being depreciated	<u>3,717,547</u>	<u>1,896,263</u>	<u>246,657</u>	<u>5,367,153</u>
<i>Capital assets being depreciated:</i>				
Buildings	35,656,434	196,691	-	35,853,125
Improvements other than buildings	154,948	-	-	154,948
Machinery and equipment	7,403,527	654,632	514,934	7,543,225*
Infrastructure	<u>15,582,245</u>	<u>32,230</u>	<u>-</u>	<u>15,614,475</u>
Total assets being depreciated	<u>58,797,154</u>	<u>883,553</u>	<u>514,934</u>	<u>59,165,773</u>

# CITY OF PETERSBURG, ALASKA

## Notes to Basic Financial Statements, continued

### Capital Assets, continued

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b><u>Governmental activities, continued</u></b>				
Less accumulated depreciation for:				
Buildings	\$ 20,224,876	1,047,501	-	21,272,377
Improvements other than buildings	97,543	6,983	-	104,526
Machinery and equipment	4,321,185	443,086	492,762	4,271,509*
Infrastructure	<u>1,164,263</u>	<u>62,358</u>	<u>-</u>	<u>1,226,621</u>
Total accumulated depreciation	<u>25,807,867</u>	<u>1,559,928</u>	<u>492,762</u>	<u>26,875,033</u>
 Total capital assets being depreciated, net	 <u>32,989,287</u>	 <u>(676,375)</u>	 <u>22,172</u>	 <u>32,290,740</u>
 Governmental activity capital assets, net	 <u>\$ 36,706,834</u>	 <u>1,219,888</u>	 <u>(268,829)</u>	 <u>37,657,893</u>

\* The ending balances include \$5,879,757 and 3,007,921 of equipment cost and accumulated depreciation, respectively, related to the Motor Pool Internal Service Fund.

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b><u>Business-type activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 1,215,503	63,720	-	1,279,223
Construction in progress	<u>2,742,344</u>	<u>3,545,983</u>	<u>1,113,721</u>	<u>5,174,606</u>
Total assets not being depreciated	<u>3,957,847</u>	<u>3,609,703</u>	<u>1,113,721</u>	<u>6,453,829</u>
 <i>Capital assets being depreciated:</i>				
Buildings	24,184,765	25,822	-	24,210,587
Improvements other than buildings	56,456,290	1,113,722	-	57,570,012
Machinery and equipment	<u>21,029,495</u>	<u>57,937</u>	<u>-</u>	<u>21,087,432</u>
Total assets being depreciated	<u>101,670,550</u>	<u>1,197,481</u>	<u>-</u>	<u>102,868,031</u>
 Less accumulated depreciation for:				
Buildings	10,427,433	499,657	-	10,927,090
Improvements other than buildings	15,625,710	1,664,858	-	17,290,568
Machinery and equipment	<u>13,351,982</u>	<u>635,539</u>	<u>-</u>	<u>13,987,521</u>
Total accumulated depreciation	<u>39,405,125</u>	<u>2,800,054</u>	<u>-</u>	<u>42,205,179</u>
 Total capital assets being depreciated, net	 <u>62,265,425</u>	 <u>(1,602,573)</u>	 <u>-</u>	 <u>60,662,852</u>
 Business-type activity capital assets, net	 <u>\$ 66,223,272</u>	 <u>2,007,130</u>	 <u>1,113,721</u>	 <u>67,116,681</u>

# CITY OF PETERSBURG, ALASKA

## Notes to Basic Financial Statements, continued

### **Capital Assets, continued**

Depreciation expense was charged to the functions as follows:

	<u>Depreciation Excluding Internal Service Fund</u>	<u>Internal Service Fund Allocation</u>	<u>Total Depreciation</u>
<b><u>Governmental activities</u></b>			
General government	\$ 84,216	114,654	198,870
Public safety	43,477	104,662	148,139
Public works	198,278	88,132	286,410
Culture and recreation	677,872	2,288	680,160
Education	246,349	-	246,349
Total governmental activities	\$ <u>1,250,192</u>	<u>309,736</u>	<u>1,559,928</u>

	<u>Depreciation</u>
<b><u>Business-type activities</u></b>	
Electric utility	\$ 602,502
Water utility	759,963
Wastewater utility	366,227
Sanitation utility	61,907
Harbor and port facilities	835,514
Elderly housing	68,838
Assisted living	105,103
Total business-type activities	\$ <u>2,800,054</u>

(7) **Long-Term Debt**

Bonds and notes payable at June 30, 2010, are comprised of the following:

	Balance at July 1, 2009	<u>Additions</u>	Retire- ments	Balance at June 30, 2010	Due Within One Year
<b><u>Governmental activities</u></b>					
General Obligation Bonds:					
\$1,205,000 2007 general obligation pool bonds, due in annual installments of \$45,000 to \$90,000, through 2027, plus interest at 3.875% to 5.5%	\$ 1,125,000	-	40,000	1,085,000	45,000

# CITY OF PETERSBURG, ALASKA

## Notes to Basic Financial Statements, continued

### Long-Term Debt, continued

	Balance at July 1, <u>2009</u>	<u>Additions</u>	Retire- ments	Balance at June 30, <u>2010</u>	Due Within One <u>Year</u>
<b><u>Governmental activities, continued</u></b>					
General Obligation Bonds, continued:					
\$197,540 2007 general obligation pool refunding bonds, due in annual installments of \$833 to \$24,176, through 2021, plus interest at 3.875% to 5.5%	\$ 195,872	-	832	195,040	833
\$5,850,000 2005 general obligation school bonds, due in annual installments of \$225,000 to \$420,000 through 2026, plus interest at 4% to 5%	5,250,000	-	215,000	5,035,000	225,000
\$3,507,000 2004 general obligation school bonds, due in annual installments of \$140,000 to \$255,000 through 2024, plus interest at 4% to 4.8%	2,885,000	-	140,000	2,745,000	145,000
\$300,000 2000 general obligation pool bonds, due in final installment of \$14,170 in 2011, plus interest at 5.5%	27,506	-	13,336	14,170	14,170
Accrued leave (net)	<u>402,829</u>	<u>-</u>	<u>13,223</u>	<u>389,606*</u>	<u>389,606</u>
Total governmental activities	\$ <u>9,886,207</u>	<u>-</u>	<u>422,391</u>	9,463,816	<u>819,609</u>
Unamortized bond premium				<u>55,194</u>	
				\$ <u>9,519,010</u>	

\* The ending balance includes \$27,184 of accrued leave respectively, related to the Motor Pool Internal Service Fund.

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

# CITY OF PETERSBURG, ALASKA

## Notes to Basic Financial Statements, continued

### **Long-Term Debt, continued**

	Balance at July 1, <u>2009</u>	<u>Additions</u>	Retire- ments	Balance at June 30, <u>2010</u>	Due Within One Year
<b><u>Business-type activities</u></b>					
General Obligation Bonds:					
\$987,460 2007 general obligation harbor refunding bonds, due in annual installments of \$4,167 to \$120,824, through 2021, plus interest at 3.875% to 5.5%	\$ 979,127	-	4,166	974,961	4,167
\$3,420,000 2004 general obligation elderly housing and assisted living bonds, due in annual installments of \$145,000 to \$235,000 through 2024, plus interest at 3.0% to 5.0%	2,775,000	-	140,000	2,635,000	145,000
\$1,500,000 2000 general obligation harbor bonds, due in final installment of \$70,830 in 2011, plus interest at 5.5%	137,495	-	66,665	70,830	70,830
\$2,800,000 2010 general obligation electric bonds, due in annual installments of \$100,000 to \$200,000 through 2031, plus interest at 2.0% to 6.34% with partial rebate subsidy of interest	-	2,800,000	-	2,800,000	-
Notes Payable:					
\$1,900,000 Water Utility note, due in annual installments of \$94,766 through 2020, plus interest at 1.5%	1,042,426	-	94,766	947,660	94,766
\$1,989,840 Water Utility note, due in annual installments of \$122,320 through 2025, including interest at 1.5%	1,728,535	-	96,395	1,632,140	97,838



# CITY OF PETERSBURG, ALASKA

## Notes to Basic Financial Statements, continued

### Long-Term Debt, continued

	Balance at July 1, <u>2009</u>	<u>Additions</u>	<u>Retire- ments</u>	Balance at June 30, <u>2010</u>	Due Within One <u>Year</u>
<b><u>Business-type activities, continued</u></b>					
Notes Payable, continued:					
\$643,823 Wastewater Utility note, due in annual installments of \$39,093 through 2025, including interest at 1.5%	\$ 552,433	-	30,806	521,627	31,269
\$1,317,577 Water Utility note, due in annual installments of \$76,743 through 2028, including interest at 1.5%	1,317,577	-	56,980	1,260,597	57,834
Accrued leave (net)	<u>304,650</u>	<u>-</u>	<u>46,157</u>	<u>258,493</u>	<u>258,493</u>
Total business-type activities	\$ <u>8,837,243</u>	<u>2,800,000</u>	<u>535,935</u>	11,101,308	<u>760,197</u>
Unamortized bond premium				166,226	
Deferred loss on refunding				<u>(29,421)</u>	
				<u>\$ 11,238,113</u>	

Annual debt service requirements to maturity for all of the above obligations except the accrued leave follow:

### Governmental activities

Year Ending <u>June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 430,003	386,503	816,506
2012	450,836	368,617	819,453
2013	465,837	349,996	815,833
2014	487,504	329,248	816,752
2015	508,337	306,450	814,787
2016-2020	2,912,521	811,818	3,724,339
2021-2025	3,224,172	490,136	3,714,308
2026-2027	<u>595,000</u>	<u>52,553</u>	<u>647,553</u>
	<u>\$ 9,074,210</u>	<u>3,095,321</u>	<u>12,169,531</u>

# CITY OF PETERSBURG, ALASKA

## Notes to Basic Financial Statements, continued

### **Long-Term Debt, continued**

#### **Business-type activities**

Year Ending June 30,	Notes Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 281,707	55,846	337,553
2012	284,511	61,204	345,715
2013	287,357	56,937	344,294
2014	290,246	52,626	342,872
2015	293,177	48,273	341,450
2016-2020	1,511,436	174,496	1,685,932
2021-2025	1,117,796	72,986	1,190,782
2026-2029	<u>295,794</u>	<u>11,175</u>	<u>306,969</u>
	<u>\$ 4,362,024</u>	<u>533,543</u>	<u>4,895,567</u>

Year Ending June 30,	General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 219,997	300,513	520,510
2012	329,164	295,437	624,601
2013	334,164	285,396	619,560
2014	352,497	273,406	625,903
2015	361,663	260,048	621,711
2016-2020	2,042,480	1,046,750	3,089,230
2021-2025	1,755,826	868,019	2,623,845
2026-2030	885,000	207,539	1,092,539
2031	<u>200,000</u>	<u>6,341</u>	<u>206,341</u>
	<u>\$ 6,480,791</u>	<u>3,543,449</u>	<u>10,024,240</u>

In January 2007, the City issued 2007 general obligation bonds to advance refund \$1,140,000 of 2000 general obligation bonds. The net proceeds were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the old bonds. The outstanding balance of the defeased bonds, which has been removed from the City's books, will remain \$1,140,000 until 2012 when the principal payments commence again.

(8) **Municipal Landfill Closure and Postclosure Liability**

On March 16, 1998, the City entered into an agreement with Regional Disposal Company to transport and dispose of municipal solid waste. As a result, the City is no longer using the landfill for solid waste. The City has no intentions of closing the landfill in case it is needed again in the future. State and federal laws and regulations require the City 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.

## **CITY OF PETERSBURG, ALASKA**

### **Notes to Basic Financial Statements, continued**

#### **Municipal Landfill Closure and Postclosure Liability, continued**

The \$92,233 reported as landfill closure costs payable at June 30, 2010 represents the total estimated closure cost. This amount is based on what it would cost to perform all closure and postclosure care in 2010. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

At June 30, 2010, the City has not reserved or designated any fund balance to fund the cost of closure and postclosure monitoring, nor have any assets been restricted for this purpose.

#### **(9) Defined Benefit Pension Plan**

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

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

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

#### **Conversion to Cost Sharing**

In April 2008, the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers. The cost-sharing plan requires a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. Legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions are recognized by each employer as an on-behalf payment.

In addition, in fiscal year 2008, the State of Alaska passed legislation (SB 123) which requires that the employer contribution be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

## CITY OF PETERSBURG, ALASKA

### Notes to Basic Financial Statements, continued

#### **Defined Benefit Pension Plan, continued**

##### **Funding Policy**

Regular employees are required to contribute 6.75% of their annual covered salary (2.50% for pension and 4.25% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.78% for pension and 4.72% for healthcare).

The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due.

Under current legislation, the employer contribution rate is statutorily capped at 22%, however, the State of Alaska contributes any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate, generally consistent with the actuarially determined rate.

The City's contribution rates for 2010 were determined as part of the June 30, 2007 actuarial valuation and are as follows:

	Contractual <u>Rate</u>	ARM Board Adopted <u>Rate</u>	GASB 45* <u>Rate</u>
Pension	8.16%	10.25%	10.72%
Postemployment healthcare	<u>13.84%</u>	<u>17.40%</u>	<u>53.96%</u>
Total contribution rate	<u>22.00%</u>	<u>27.65%</u>	<u>64.68%</u>

\* This rate uses a 4.5% OPEB discount rate and disregards all future Medicare Part D payments.

The significant actuarial information and assumptions used in the most recent valuation of the plan follow:

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry age normal Level percentage of pay for pension Level dollar for healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.25% pension, 4.70% healthcare
Salary Scale	<i>Peace Officers/Firefighters</i> Merit: 2.5% per year for first 6 years, 0.5% thereafter Productivity: 0.5% per year

## CITY OF PETERSBURG, ALASKA

### Notes to Basic Financial Statements, continued

#### **Defined Benefit Pension Plan, continued**

##### **Funding Policy, continued**

Salary Scale, continued

##### *Others*

Merit: 5.5% per year grading down to 1.5%  
after 5 years, for more than 6 years of  
service, 1.0% grading down to 0%

Productivity: 0.5% per year

Payroll Growth	4.0%
Inflation	3.5%
Health Cost Trend	Medical: 7.5% in FY10 trending downward by variable amounts to 5.8% in FY25 Prescription Drugs: 9.6% in FY10 trending downward by variable amounts to 5.8% in FY25

The State of Alaska Public Employees' Retirement System retiree healthcare benefits are partially funded. The PERS plan uses the percentage of ARC methodology in the development of the investment rate of return.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

#### **Annual Pension and Postemployment Healthcare Cost**

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 5.65% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State contribution in the amount of \$248,161 as a PERS on-behalf payment. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here. Only two years of information are available at this time.

# CITY OF PETERSBURG, ALASKA

## Notes to Basic Financial Statements, continued

### **Defined Benefit Pension Plan, continued**

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>City Contri- butions</u>	<u>% of TBC Contributed</u>
2010	\$ 323,009	\$ 547,848	\$ 870,857	\$ 870,857	100%
2009	\$ 285,036	\$ 634,435	\$ 919,471	\$ 919,471	100%

### **(10) Defined Contribution Pension Plan**

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III defined benefit plans. The plan is administered by the State of Alaska, Department of Administration, and 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. Employees are required to contribute 8.0% of their annual covered salary, and the City is required to make the following contributions:

	<u>Others Tier IV</u>	<u>Police/Fire Tier IV</u>
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	0.99	0.99
Occupational death and disability benefits	<u>0.58</u>	<u>1.33</u>
	<u>9.57</u> %	<u>10.32</u> %

\*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the average employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2010 were \$95,490 and \$76,455, respectively.

## **CITY OF PETERSBURG, ALASKA**

### **Notes to Basic Financial Statements, continued**

**(11) Deferred Compensation Plan**

The City 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.

**(12) Risk Management**

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs, property and content damage, workers' compensation, employee torts, and professional liabilities. The City has no coverage for potential losses from environmental damages. Coverage limits and deductibles on the commercial policies have stayed relatively constant for the last few years.

**(13) General Fund Note Receivable**

In March 2007, by Council resolution, the City loaned \$250,000 to the Inter-Island Ferry Authority. An interest payment, compounded at 4% annually, was paid in March 2008 and March 2009. The note was originally due in March 2009, but was extended to September 2009 at which time it was paid in full.

**(14) Contingencies**

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

**(15) New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*
- GASB 57 – *OPEB Measurements by Agent Employers and Agent Multiple -Employer Plans*
- GASB 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies*
- GASB 59 – *Financial Instruments Omnibus*

## CITY OF PETERSBURG, ALASKA

### Notes to Basic Financial Statements, continued

#### **New Accounting Pronouncements, continued**

Of these statements, GASB 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* will have a significant impact on the City's future financial reporting presentation. This statement will recategorize all existing fund balance classifications into five new categories:

- ✓ Nonspendable
- ✓ Restricted
- ✓ Committed
- ✓ Assigned
- ✓ Unassigned

The statement will require an analysis of all funds of the City to determine ongoing compliance with fund type categories as defined in the statement. GASB Statement 54 will be in effect for the City's financial statements for the year ended June 30, 2011. Statements 57 through 59 are not expected to have any material impact on the City's financial statements.



## **SUPPLEMENTARY FINANCIAL INFORMATION**

**CITY OF PETERSBURG, ALASKA**  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2010

	Special Revenue Funds					Capital Project Funds								Total Nonmajor Govern- mental Funds
	Miscel- laneous Grants	Streets and Roads Timber Receipts	Property Develop- ment	Economic Fund	E911 Surcharge	Debt Service Fund	Ball- field Play- ground	Fire/ EMS Facility	Library Con- struction	Emergency Operations Center	Fishing Park	Birch Street Rebuild	Paving Project	
<u>Assets</u>														
Cash and investments	\$ -	191,980	705,325	4,397,839	40,530	-	7,937	-	-	-	93,835	209,286	484,810	6,131,542
Receivables:														
Grants and shared revenues	19,522	-	-	-	-	147,105	4,485	247,884	41,449	1,207	4,500	-	-	466,152
Interest	-	-	-	19,646	-	-	-	-	-	-	-	-	-	19,646
Total assets	\$ 19,522	191,980	705,325	4,417,485	40,530	147,105	12,422	247,884	41,449	1,207	98,335	209,286	484,810	6,617,340
<u>Liabilities and Fund Balances</u>														
<u>Liabilities:</u>														
Accounts payable	7,557	-	20,851	-	-	-	-	44	2,425	-	-	-	-	30,877
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	10,947	-	-	-	-	-	-	-	-	-	-	-	-	10,947
Due to other funds	712	-	-	-	-	24,135	-	222,558	39,032	1,207	-	-	-	287,644
Total liabilities	19,216	-	20,851	-	-	24,135	-	222,602	41,457	1,207	-	-	-	329,468
<u>Fund balances:</u>														
Reserved - streets and roads	-	191,980	-	-	-	-	-	-	-	-	-	-	-	191,980
Designated:														
Subsequent year's expenditures	306	-	390,000	-	5,000	-	-	-	-	-	-	-	-	395,306
Economic development	-	-	-	4,417,485	-	-	-	-	-	-	-	-	-	4,417,485
Capital projects	-	-	-	-	-	-	12,422	25,282	-	-	98,335	209,286	484,810	830,135
Undesignated (deficit)	-	-	294,474	-	35,530	122,970	-	-	(8)	-	-	-	-	452,966
Total fund balances (deficit)	306	191,980	684,474	4,417,485	40,530	122,970	12,422	25,282	(8)	-	98,335	209,286	484,810	6,287,872
Total liabilities and fund balances	\$ 19,522	191,980	705,325	4,417,485	40,530	147,105	12,422	247,884	41,449	1,207	98,335	209,286	484,810	6,617,340

**CITY OF PETERSBURG, ALASKA**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2010**

	Special Revenue Funds					Capital Project Funds											Total Nonmajor Governmental Funds
	Miscellaneous Grants	Streets and Roads Timber Receipts	Property Development	Economic Fund	E911 Surcharge	Debt Service Fund	Ball-Field Play-ground	Pool Replacement	Fire/EMS Facility	Library Construction	Home-land Security	IRA II Play-ground	Emergency Operations Center	Fishing Park	Birch Street Rebuild	Paving Project	
Revenues:																	
Intergovernmental	\$ 205,199	118,714	-	-	-	498,437	4,486	-	795,145	127,518	7,610	-	33,412	-	-	-	1,790,521
Investment income	-	3,972	13,266	380,304	-	-	-	-	-	-	-	-	-	-	-	-	397,542
Sale of property	-	-	53,000	-	-	-	-	-	-	-	-	-	-	-	-	-	53,000
Other revenues	10,000	-	465,008	-	32,268	-	-	-	-	5,000	-	-	-	-	-	-	512,276
Total revenues	215,199	122,686	531,274	380,304	32,268	498,437	4,486	-	795,145	132,518	7,610	-	33,412	-	-	-	2,753,339
Expenditures:																	
Public safety	50,180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,180
Public works	-	-	11,768	-	-	-	-	-	-	-	-	-	-	-	-	-	11,768
Community services	-	-	146,037	178,877	-	-	-	-	-	-	-	-	-	-	-	-	324,914
Culture and recreation	157,559	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	157,559
Debt service:																	
Principal	-	-	-	-	-	409,170	-	-	-	-	-	-	-	-	-	-	409,170
Interest	-	-	-	-	-	403,550	-	-	-	-	-	-	-	-	-	-	403,550
Capital outlay	-	93,934	218,514	-	-	-	12,370	2,383	796,341	136,104	7,610	5,988	47,601	-	1,040	31,190	1,353,075
Total expenditures	207,739	93,934	376,319	178,877	-	812,720	12,370	2,383	796,341	136,104	7,610	5,988	47,601	-	1,040	31,190	2,710,216
Excess of revenues over (under) expenditures	7,460	28,752	154,955	201,427	32,268	(314,283)	(7,884)	(2,383)	(1,196)	(3,586)	-	(5,988)	(14,189)	-	(1,040)	(31,190)	43,123
Other financing sources (uses):																	
Transfers in	-	-	-	-	-	314,475	20,306	-	-	-	-	1,881	14,189	-	100,000	-	450,851
Transfers out	-	(100,000)	-	(165,000)	-	-	-	-	-	-	-	-	-	-	-	-	(265,000)
Net other financing sources (uses)	-	(100,000)	-	(165,000)	-	314,475	20,306	-	-	-	-	1,881	14,189	-	100,000	-	185,851
Net change in fund balances	7,460	(71,248)	154,955	36,427	32,268	192	12,422	(2,383)	(1,196)	(3,586)	-	(4,107)	-	-	98,960	(31,190)	228,974
Fund balances (deficit) at beginning of year	(7,154)	263,228	529,519	4,381,058	8,262	122,778	-	2,383	26,478	3,578	-	4,107	-	98,335	110,326	516,000	6,058,898
Fund balances (deficit) at end of year	\$ 306	191,980	684,474	4,417,485	40,530	122,970	12,422	-	25,282	(8)	-	-	-	98,335	209,286	484,810	6,287,872

## CITY OF PETERSBURG, ALASKA

Nonmajor Enterprise Funds  
Combining Statement of Net Assets  
June 30, 2010

<u>Assets</u>	<u>Sanitation Utility</u>	<u>Elderly Housing</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 337,691	556,600	894,291
Receivables, net of allowance for doubtful accounts	84,869	-	84,869
Total current assets	422,560	556,600	979,160
Restricted cash - security deposits	-	17,431	17,431
Bond issuance costs, net of accumulated amortization	-	8,508	8,508
Property, plant and equipment:			
Land and land improvements	63,720	127,419	191,139
Buildings	2,211,180	2,553,413	4,764,593
Improvements other than buildings	103,365	145,723	249,088
Machinery and equipment	97,912	100,150	198,062
Construction in progress	94,799	-	94,799
Total property, plant and equipment	2,570,976	2,926,705	5,497,681
Accumulated depreciation	(935,423)	(1,953,574)	(2,888,997)
Net property, plant and equipment	1,635,553	973,131	2,608,684
Total assets	\$ 2,058,113	1,555,670	3,613,783
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable	27,834	797	28,631
Accrued payroll and employee benefits	13,810	3,873	17,683
Accrued leave	15,498	609	16,107
Deferred revenue	4,800	596	5,396
Customer deposits	-	10,100	10,100
Accrued interest	-	7,405	7,405
Current portion of general obligation bonds	-	36,250	36,250
Total current liabilities	61,942	59,630	121,572
Long-term debt, net of current portion:			
General obligation bonds	-	622,500	622,500
Bond premium, net of accumulated amortization	-	22,508	22,508
Landfill closure costs	92,333	-	92,333
Total long-term debt	92,333	645,008	737,341
Total liabilities	154,275	704,638	858,913
Net assets:			
Invested in capital assets, net of related debt	1,635,553	291,873	1,927,426
Unrestricted	268,285	559,159	827,444
Total net assets	1,903,838	851,032	2,754,870
Total liabilities and net assets	\$ 2,058,113	1,555,670	3,613,783

**CITY OF PETERSBURG, ALASKA**  
 Nonmajor Enterprise Funds  
 Combining Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2010

	<u>Sanitation Utility</u>	<u>Elderly Housing</u>	<u>Total</u>
Operating revenues	\$ <u>1,103,379</u>	<u>282,843</u>	<u>1,386,222</u>
Operating expenses:			
Salaries and benefits	331,507	74,023	405,530
Services, supplies, and other charges	393,092	166,280	559,372
Allocated overhead and motor pool charges	172,963	12,019	184,982
Depreciation	<u>61,907</u>	<u>68,838</u>	<u>130,745</u>
Total operating expenses	<u>959,469</u>	<u>321,160</u>	<u>1,280,629</u>
Income (loss) from operations	143,910	(38,317)	105,593
Nonoperating revenues (expenses):			
Investment income	4,580	11,253	15,833
Interest expense	-	(28,802)	(28,802)
Amortization of bond issuance costs	-	(608)	(608)
State PERS relief	<u>10,114</u>	<u>-</u>	<u>10,114</u>
Net nonoperating revenues (expenses)	<u>14,694</u>	<u>(18,157)</u>	<u>(3,463)</u>
Income (loss) before contributions, transfers, and special item	158,604	(56,474)	102,130
Capital contributions	<u>63,720</u>	<u>-</u>	<u>63,720</u>
Change in net assets	222,324	(56,474)	165,850
Net assets at beginning of year	<u>1,681,514</u>	<u>907,506</u>	<u>2,589,020</u>
Net assets at end of year	\$ <u><u>1,903,838</u></u>	<u><u>851,032</u></u>	<u><u>2,754,870</u></u>

## CITY OF PETERSBURG, ALASKA

Nonmajor Enterprise Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2010

	Sanitation Utility	Elderly Housing	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,126,408	284,497	1,410,905
Payments for interfund services used	(172,963)	(12,019)	(184,982)
Payments to suppliers	(386,474)	(173,930)	(560,404)
Payments to employees	(322,109)	(73,803)	(395,912)
Net cash flows from operating activities	<u>244,862</u>	<u>24,745</u>	<u>269,607</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	-	(35,000)	(35,000)
Interest paid on long-term debt	-	(30,673)	(30,673)
Purchase of property, plant and equipment	(70,239)	-	(70,239)
Capital contributions received	<u>63,720</u>	<u>-</u>	<u>63,720</u>
Net cash flows from capital and related financing activities	<u>(6,519)</u>	<u>(65,673)</u>	<u>(72,192)</u>
Cash flows from investing activities - investment income received	<u>4,580</u>	<u>11,253</u>	<u>15,833</u>
Net increase (decrease) in cash and investments	242,923	(29,675)	213,248
Cash and investments at beginning of year	<u>94,768</u>	<u>603,706</u>	<u>698,474</u>
Cash and investments at end of year	\$ <u>337,691</u>	<u>574,031</u>	<u>911,722</u>
Cash and investments at end of year:			
Cash and investments	337,691	556,600	894,291
Restricted cash	<u>-</u>	<u>17,431</u>	<u>17,431</u>
	\$ <u>337,691</u>	<u>574,031</u>	<u>911,722</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:			
Income (loss) from operations	143,910	(38,317)	105,593
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:			
Depreciation	61,907	68,838	130,745
Noncash expense - PERS relief	10,114	-	10,114
Decrease in allowance for doubtful accounts	(1,742)	-	(1,742)
Decrease in assets - accounts receivable	24,669	-	24,669
Increase (decrease) in liabilities:			
Accounts payable	6,618	(7,650)	(1,032)
Accrued payroll and employee benefits	424	2,201	2,625
Accrued leave	(1,140)	(1,981)	(3,121)
Deferred revenue	-	(364)	(364)
Customer deposits	<u>102</u>	<u>2,018</u>	<u>2,120</u>
Net cash flows from operating activities	\$ <u>244,862</u>	<u>24,745</u>	<u>269,607</u>

## GENERAL FUND

The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City 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.

## CITY OF PETERSBURG, ALASKA

General Fund

Balance Sheet

June 30, 2010

With Comparative Amounts for 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and investments	\$ <u>3,312,526</u>	<u>3,528,299</u>
Receivables:		
Property taxes	22,135	11,387
Sales taxes	297,466	288,992
Accounts	<u>22,439</u>	<u>39,017</u>
Total receivables	<u>342,040</u>	<u>339,396</u>
Prepaid insurance	76,200	59,586
Note receivable - Inter-Island Ferry Authority	-	250,000
Due from other funds	<u>411,123</u>	<u>217,586</u>
Total assets	\$ <u><u>4,141,889</u></u>	<u><u>4,394,867</u></u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	58,536	93,421
Accrued payroll and related liabilities	<u>183,874</u>	<u>223,480</u>
Total liabilities	<u>242,410</u>	<u>316,901</u>
Fund balance:		
Reserved:		
Notes receivable	-	250,000
Prepaid insurance	76,200	59,586
Unreserved:		
Designated for subsequent year's expenditures	485,496	127,739
Undesignated	<u>3,337,783</u>	<u>3,640,641</u>
Total fund balance	<u>3,899,479</u>	<u>4,077,966</u>
Total liabilities and fund balance	\$ <u><u>4,141,889</u></u>	<u><u>4,394,867</u></u>



## CITY OF PETERSBURG, ALASKA

## General Fund

## Schedule of Revenues, Expenditures and Changes

## in Fund Balance - Budget and Actual

Year Ended June 30, 2010

With Comparative Amounts for 2009

	<u>2010</u>		<u>Variance</u>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Revenues:				
Taxes:				
Property taxes	\$ 2,623,797	2,637,097	13,300	2,641,625
Sales taxes	2,756,000	2,646,277	(109,723)	2,846,832
Motor vehicle registration	35,000	38,185	3,185	39,669
Transient room taxes	42,000	39,265	(2,735)	45,721
Total taxes	<u>5,456,797</u>	<u>5,360,824</u>	<u>(95,973)</u>	<u>5,573,847</u>
Intergovernmental:				
Payment in lieu of taxes	300,000	548,888	248,888	478,050
Library grants	20,000	24,299	4,299	20,033
Fisheries business tax	700,000	765,829	65,829	773,402
Shared fisheries business tax and landing tax	14,000	13,504	(496)	19,536
Liquor licenses	7,500	3,700	(3,800)	11,900
Jail and special services contract	206,298	206,298	-	206,298
State PERS relief	105,000	134,300	29,300	300,994
9th officer position	91,739	91,739	-	91,739
State revenue sharing	343,678	249,502	(94,176)	254,316
Local government - school	-	-	-	2,100
Total intergovernmental	<u>1,788,215</u>	<u>2,038,059</u>	<u>249,844</u>	<u>2,158,368</u>
Licenses and permits	<u>8,800</u>	<u>9,090</u>	<u>290</u>	<u>12,165</u>
Charges for services:				
Police and public safety	18,600	16,088	(2,512)	8,144
Ambulance fees	25,000	22,071	(2,929)	20,266
Public works	5,500	11,375	5,875	9,148
SEACAD reimbursement	60,000	66,104	6,104	73,859
Recreation activity fees	45,000	38,086	(6,914)	28,503
Swimming pool fees	75,000	56,886	(18,114)	55,198
Community gym fees	85,000	70,707	(14,293)	74,529
Tent City and park charges	1,000	4,405	3,405	1,275
Cemetery charges	2,500	4,590	2,090	3,340

## CITY OF PETERSBURG, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues, continued:				
Charges for services, continued:				
Other services and charges	\$ 8,000	6,935	(1,065)	7,575
Library charges	500	29	(471)	672
Cemetery plot sales	1,200	725	(475)	2,230
Passport services	-	1,150	1,150	-
Total charges for services	<u>327,300</u>	<u>299,151</u>	<u>(28,149)</u>	<u>284,739</u>
Fines and forfeitures	<u>15,000</u>	<u>17,827</u>	<u>2,827</u>	<u>19,254</u>
Overhead charges	<u>297,002</u>	<u>297,002</u>	<u>-</u>	<u>294,903</u>
Investment income	<u>225,000</u>	<u>167,780</u>	<u>(57,220)</u>	<u>260,401</u>
Other revenues:				
Lease income	25,000	30,596	5,596	30,021
Library donations	500	1,252	752	540
Total other revenues	<u>25,500</u>	<u>31,848</u>	<u>6,348</u>	<u>30,561</u>
Total revenues	<u>8,143,614</u>	<u>8,221,581</u>	<u>77,967</u>	<u>8,634,238</u>
Expenditures:				
General government:				
City council	126,459	135,031	(8,572)	130,923
City manager	283,202	302,250	(19,048)	336,948
City attorney	40,000	37,606	2,394	64,563
Information systems	126,820	119,345	7,475	132,494
Finance	536,318	493,977	42,341	563,048
Other	<u>225,929</u>	<u>328,699</u>	<u>(102,770)</u>	<u>197,865</u>
Total general government	<u>1,338,728</u>	<u>1,416,908</u>	<u>(78,180)</u>	<u>1,425,841</u>
Public safety:				
Police department	1,060,977	1,062,544	(1,567)	1,216,024
Jail	286,176	261,676	24,500	272,837
Fire department	<u>447,531</u>	<u>393,135</u>	<u>54,396</u>	<u>455,233</u>
Total public safety	<u>1,794,684</u>	<u>1,717,355</u>	<u>77,329</u>	<u>1,944,094</u>

## CITY OF PETERSBURG, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	2010		Variance	2009
	Budget	Actual	Positive (Negative)	Actual
Expenditures, continued:				
Public works:				
Streets	\$ 1,250,218	1,127,266	122,952	1,276,590
Community development	185,155	179,604	5,551	200,720
Facilities maintenance	498,861	491,041	7,820	818,910
Total public works	<u>1,934,234</u>	<u>1,797,911</u>	<u>136,323</u>	<u>2,296,220</u>
Community services	<u>219,050</u>	<u>221,836</u>	<u>(2,786)</u>	<u>235,077</u>
Culture and recreation:				
Library	299,677	315,415	(15,738)	297,678
Parks and recreation	<u>587,074</u>	<u>579,597</u>	<u>7,477</u>	<u>622,558</u>
Total culture and recreation	<u>886,751</u>	<u>895,012</u>	<u>(8,261)</u>	<u>920,236</u>
Education - contribution to school district	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>
Total expenditures	<u>7,973,447</u>	<u>7,849,022</u>	<u>124,425</u>	<u>8,621,468</u>
Excess of revenues over (under) expenditures	<u>170,167</u>	<u>372,559</u>	<u>202,392</u>	<u>12,770</u>
Other financing sources (uses):				
Transfers in	657,011	657,011	-	694,712
Transfers out	<u>(1,590,435)</u>	<u>(1,208,057)</u>	<u>382,378</u>	<u>(1,774,519)</u>
Net other financing sources (uses)	<u>(933,424)</u>	<u>(551,046)</u>	<u>382,378</u>	<u>(1,079,807)</u>
Net change in fund balance	\$ <u>(763,257)</u>	<u>(178,487)</u>	<u>584,770</u>	<u>(1,067,037)</u>
Fund balance at beginning of year		<u>4,077,966</u>		<u>5,145,003</u>
Fund balance at end of year	\$	<u>3,899,479</u>		<u>4,077,966</u>

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## SPECIAL REVENUE FUNDS

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

### Miscellaneous Grants

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

### School Timber Receipts

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

### Streets and Roads Timber Receipts

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 City owned real property.

### Economic Fund

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

### E911 Surcharge

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

**CITY OF PETERSBURG, ALASKA**  
 Miscellaneous Grants Special Revenue Fund  
 Balance Sheet  
 June 30, 2010  
 With Comparative Amounts for 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Receivables - grants	\$ <u>19,522</u>	<u>73,155</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	7,557	20,787
Due to other funds	712	11,004
Deferred revenue	<u>10,947</u>	<u>48,518</u>
Total liabilities	<u>19,216</u>	<u>80,309</u>
Fund balance (deficit) - unreserved:		
Designated for subsequent year's expenditures	306	-
Deficit	<u>-</u>	<u>(7,154)</u>
Total fund balance (deficit)	<u>306</u>	<u>(7,154)</u>
Total liabilities and fund balance	\$ <u>19,522</u>	<u>73,155</u>

**CITY OF PETERSBURG, ALASKA**  
**Miscellaneous Grants Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance (Deficit) - Budget and Actual**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
<b>Revenues:</b>				
Intergovernmental	\$ 224,783	205,199	(19,584)	143,560
Other	10,000	10,000	-	1,236
Total revenues	<u>234,783</u>	<u>215,199</u>	<u>(19,584)</u>	<u>144,796</u>
<b>Expenditures:</b>				
Public safety:				
Local emergency planning committee	20,000	20,180	(180)	20,093
Emergency management	30,000	30,000	-	6,000
Hazard mitigation plan	-	-	-	30,000
Culture and recreation:				
Library collection enhancement	11,517	11,517	-	42,695
Green's Camp culvert	30,000	29,500	500	10,592
Shooting range	18,495	450	18,045	-
Campgrounds	-	4,565	(4,565)	-
SEA trail signs	26,750	-	26,750	7,586
Resource advisory committee projects	98,021	111,527	(13,506)	35,290
Total expenditures	<u>234,783</u>	<u>207,739</u>	<u>27,044</u>	<u>152,256</u>
Net change in fund balance	\$ <u>-</u>	7,460	<u>7,460</u>	(7,460)
Fund balance (deficit) at beginning of year		<u>(7,154)</u>		<u>306</u>
Fund balance (deficit) at end of year	\$	<u>306</u>		<u>(7,154)</u>

**CITY OF PETERSBURG, ALASKA**  
**School Timber Receipts Special Revenue Fund**  
**Balance Sheet**  
**June 30, 2010**  
**With Comparative Amounts for 2009**

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and investments	\$ <u>2,528,782</u>	<u>1,781,860</u>
<u>Fund Balance</u>		
Fund balance - reserved for school support	\$ <u>2,528,782</u>	<u>1,781,860</u>



**CITY OF PETERSBURG, ALASKA**  
**School Timber Receipts Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Intergovernmental - national forest receipts	\$ 1,500,000	1,524,564	24,564	1,758,612
Investment income	<u>-</u>	<u>36,058</u>	<u>36,058</u>	<u>23,248</u>
Total revenues	1,500,000	1,560,622	60,622	1,781,860
Expenditures - contribution to school district	<u>-</u>	<u>156,689</u>	<u>(156,689)</u>	<u>-</u>
Excess of revenues over expenditures	<u>1,500,000</u>	<u>1,403,933</u>	<u>(96,067)</u>	<u>1,781,860</u>
Other financing uses - transfers out	<u>(848,280)</u>	<u>(657,011)</u>	<u>191,269</u>	<u>(693,606)</u>
Net change in fund balance	\$ <u>651,720</u>	746,922	<u>95,202</u>	1,088,254
Fund balance at beginning of year		<u>1,781,860</u>		<u>693,606</u>
Fund balance at end of year	\$	<u>2,528,782</u>		<u>1,781,860</u>

**CITY OF PETERSBURG, ALASKA**  
**Streets and Roads Timber Receipts Special Revenue Fund**  
**Balance Sheet**  
**June 30, 2010**  
**With Comparative Amounts for 2009**

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and investments	\$ <u>191,980</u>	<u>263,228</u>
 <u>Fund Balance</u>		
Fund balance - reserved for streets and roads	\$ <u>191,980</u>	<u>263,228</u>

**CITY OF PETERSBURG, ALASKA**  
**Streets and Roads Timber Receipts Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Intergovernmental - national forest receipts	\$ 100,000	118,714	18,714	134,051
Investment income	<u>-</u>	<u>3,972</u>	<u>3,972</u>	<u>5,601</u>
Total revenues	100,000	122,686	22,686	139,652
Expenditures - public works - paving	<u>157,627</u>	<u>93,934</u>	<u>63,693</u>	<u>-</u>
Excess of revenues over (under) expenditures	(57,627)	28,752	86,379	139,652
Other financing uses - transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>(135,000)</u>
Net change in fund balance	\$ <u>(157,627)</u>	(71,248)	<u>86,379</u>	4,652
Fund balance at beginning of year		<u>263,228</u>		<u>258,576</u>
Fund balance at end of year	\$	<u>191,980</u>		<u>263,228</u>

**CITY OF PETERSBURG, ALASKA**  
Property Development Special Revenue Fund  
Balance Sheet  
June 30, 2010  
With Comparative Amounts for 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and investments	\$ <u>705,325</u>	<u>717,612</u>
<u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	<u>20,851</u>	<u>188,093</u>
Fund balance - unreserved:		
Designated for subsequent year's expenditures	390,000	529,519
Undesignated	<u>294,474</u>	<u>-</u>
Total fund balance	<u>684,474</u>	<u>529,519</u>
Total liabilities and fund balance	\$ <u>705,325</u>	<u>717,612</u>

**CITY OF PETERSBURG, ALASKA**  
**Property Development Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
<b>Revenues:</b>				
Investment income	\$ 15,000	13,266	(1,734)	22,534
Sale of property	200,000	53,000	(147,000)	271,600
Charges for services/rock sales	-	465,008	465,008	10,586
Total revenues	<u>215,000</u>	<u>531,274</u>	<u>316,274</u>	<u>304,720</u>
<b>Expenditures:</b>				
General government - boiler replacement/energy audit	533,657	-	533,657	60,077
Public works - other services and charges	-	11,768	(11,768)	8,062
Community services - community pool demolition	150,000	146,037	3,963	205,285
Capital outlay	<u>419,529</u>	<u>218,514</u>	<u>201,015</u>	<u>321,177</u>
Total expenditures	<u>1,103,186</u>	<u>376,319</u>	<u>726,867</u>	<u>594,601</u>
Net change in fund balance	\$ <u>(888,186)</u>	154,955	<u>1,043,141</u>	(289,881)
Fund balance at beginning of year		<u>529,519</u>		<u>819,400</u>
Fund balance at end of year		\$ <u>684,474</u>		<u>529,519</u>

**CITY OF PETERSBURG, ALASKA**  
Economic Fund Special Revenue Fund  
Balance Sheet  
June 30, 2010  
With Comparative Amounts for 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and investments	\$ 4,397,839	4,341,755
Receivables - interest	<u>19,646</u>	<u>39,303</u>
Total assets	\$ <u>4,417,485</u>	<u>4,381,058</u>
<u>Fund Balance</u>		
Fund balance - designated for economic development	\$ <u>4,417,485</u>	<u>4,381,058</u>

**CITY OF PETERSBURG, ALASKA**  
**Economic Fund Special Revenue Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues - investment income (loss)	\$ -	380,304	380,304	(631,972)
Expenditures - community services:				
Professional services	50,000	28,877	21,123	33,709
Contributions	150,000	150,000	-	100,000
Total expenditures	<u>200,000</u>	<u>178,877</u>	<u>21,123</u>	<u>133,709</u>
Excess of revenues over (under) expenditures	(200,000)	201,427	401,427	(765,681)
Other financing uses - transfers out	<u>(165,000)</u>	<u>(165,000)</u>	-	<u>(165,000)</u>
Net change in fund balance	\$ <u>(365,000)</u>	36,427	<u>401,427</u>	(930,681)
Fund balance at beginning of year		<u>4,381,058</u>		<u>5,311,739</u>
Fund balance at end of year		\$ <u>4,417,485</u>		<u>4,381,058</u>

**CITY OF PETERSBURG, ALASKA**  
**E911 Surcharge Special Revenue Fund**  
**Balance Sheet**  
**June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and investments	\$ <u>40,530</u>	<u>8,262</u>
<u>Fund Balance</u>		
Fund balance - unreserved:		
Designated for subsequent year's expenditures	5,000	-
Undesignated	<u>35,530</u>	<u>8,262</u>
Total fund balance	\$ <u>40,530</u>	<u>8,262</u>



**CITY OF PETERSBURG, ALASKA**  
**E911 Surcharge Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>			<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues - charges for services	\$ 30,000	32,268	2,268	8,262
Expenditures - public safety - professional services	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Excess of revenues over expenditures	\$ <u>-</u>	32,268	<u>32,268</u>	8,262
Fund balance at beginning of year		<u>8,262</u>		<u>-</u>
Fund balance at end of year	\$	<u>40,530</u>		<u>8,262</u>

## DEBT SERVICE FUND

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

**CITY OF PETERSBURG, ALASKA**  
Debt Service Fund  
Balance Sheet  
June 30, 2010  
With Comparative Amounts for 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Receivables - grants and shared revenues	\$ <u>147,105</u>	<u>145,649</u>
<u>Liabilities and Fund Balance</u>		
Liabilities - due to other funds	24,135	22,871
Fund balance - unreserved and undesignated	<u>122,970</u>	<u>122,778</u>
Total liabilities and fund balance	\$ <u>147,105</u>	<u>145,649</u>

**CITY OF PETERSBURG, ALASKA**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>		<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
			<u>Actual</u>
Revenues - intergovernmental - State of Alaska	\$ <u>498,437</u>	<u>498,437</u>	<u>-</u>
Expenditures - debt service:			
2000 general obligation pool bonds:			
Principal	13,337	13,337	-
Interest	1,146	954	192
2004 general obligation school bonds:			
Principal	140,000	140,000	-
Interest	126,106	126,106	-
2005 general obligation aquatic center/voc.ed bonds:			
Principal	215,000	215,000	-
Interest	218,804	218,804	-
2007 general obligation pool bonds:			
Principal	40,833	40,833	-
Interest	<u>57,686</u>	<u>57,686</u>	<u>-</u>
Total expenditures	<u>812,912</u>	<u>812,720</u>	<u>192</u>
Excess of revenues over (under) expenditures	(314,475)	(314,283)	192
Other financing sources - transfers in	<u>314,475</u>	<u>314,475</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	192	<u>192</u>
Fund balance at beginning of year		<u>122,778</u>	<u>122,864</u>
Fund balance at end of year	\$ <u>122,970</u>		<u>122,778</u>

## CAPITAL PROJECT FUNDS

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

### Ballfield Playground

This fund accounts for the costs associated with constructing a new playground.

### Pool Replacement

This fund accounts for the pool replacement project.

### Fire/EMS Facility

This fund accounts for the costs associated with replacing the public safety building.

### Library Construction

This fund accounts for the community center project.

### Homeland Security

This fund accounts for various grants from Homeland Security.

### IRA II Playground

This fund accounts for the costs associated with constructing a new playground.

### Emergency Operations Center

This fund accounts for the costs associated with acquiring emergency equipment for Mountain View Manor.

### Fishing Park

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

### Birch Street Rebuild

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

### Paving Project

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

**CITY OF PETERSBURG, ALASKA**  
**Capital Project Funds**  
**Combining Balance Sheet**  
**June 30, 2010**

<u>Assets</u>	<u>Ballfield Play- ground</u>	<u>Fire/ EMS Facility</u>	<u>Library Construc- tion</u>	<u>Emergency Operations Center</u>	<u>Fishing Park</u>	<u>Birch Street Rebuild</u>	<u>Paving Project</u>	<u>Totals</u>
Cash and investments	\$ 7,937	-	-	-	93,835	209,286	484,810	795,868
Receivables - grants	4,485	247,884	41,449	1,207	4,500	-	-	299,525
Total assets	\$ 12,422	247,884	41,449	1,207	98,335	209,286	484,810	1,095,393
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	-	44	2,425	-	-	-	-	2,469
Due to other funds	-	222,558	39,032	1,207	-	-	-	262,797
Total liabilities	-	222,602	41,457	1,207	-	-	-	265,266
Fund balances (deficit) - designated for capital projects	12,422	25,282	(8)	-	98,335	209,286	484,810	830,127
Total liabilities and fund balances	\$ 12,422	247,884	41,449	1,207	98,335	209,286	484,810	1,095,393

## CITY OF PETERSBURG, ALASKA

## Capital Project Funds

## Combining Statement of Revenues, Expenditures and

## Changes in Fund Balances (Deficit)

Year Ended June 30, 2010

	Ballfield Play- ground	Pool Replac- ment	Fire/ EMS Facility	Library Construc- tion	Homeland Security	IRA II Play- ground	Emergency Operations Center	Fishing Park	Birch Street Rebuild	Paving Project	Totals
Revenues:											
Intergovernmental:	\$ 4,486	-	795,145	127,518	7,610	-	33,412	-	-	-	968,171
Other grants	-	-	-	5,000	-	-	-	-	-	-	5,000
Total revenues	<u>4,486</u>	<u>-</u>	<u>795,145</u>	<u>132,518</u>	<u>7,610</u>	<u>-</u>	<u>33,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>973,171</u>
Expenditures - capital projects and improvements:											
Salaries and benefits	-	-	-	-	-	-	1,282	-	-	-	1,282
Professional services	-	-	295,042	136,104	-	-	-	-	1,040	31,190	463,376
Construction	12,370	-	499,193	-	-	1,913	45,112	-	-	-	558,588
Materials and supplies	-	2,383	2,106	-	7,610	4,075	1,207	-	-	-	17,381
Total expenditures	<u>12,370</u>	<u>2,383</u>	<u>796,341</u>	<u>136,104</u>	<u>7,610</u>	<u>5,988</u>	<u>47,601</u>	<u>-</u>	<u>1,040</u>	<u>31,190</u>	<u>1,040,627</u>
Excess of revenues over (under) expenditures	(7,884)	(2,383)	(1,196)	(3,586)	-	(5,988)	(14,189)	-	(1,040)	(31,190)	(67,456)
Other financing sources - Transfers in	<u>20,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,881</u>	<u>14,189</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>136,376</u>
Net change in fund balances	12,422	(2,383)	(1,196)	(3,586)	-	(4,107)	-	-	98,960	(31,190)	68,920
Fund balances at beginning of year	<u>-</u>	<u>2,383</u>	<u>26,478</u>	<u>3,578</u>	<u>-</u>	<u>4,107</u>	<u>-</u>	<u>98,335</u>	<u>110,326</u>	<u>516,000</u>	<u>761,207</u>
Fund balances (deficit) at end of year	<u>\$ 12,422</u>	<u>-</u>	<u>25,282</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,335</u>	<u>209,286</u>	<u>484,810</u>	<u>830,127</u>

## ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's council 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 council 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 City 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 City 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.



**CITY OF PETERSBURG, ALASKA**  
Electric Utility Enterprise Fund  
Statement of Net Assets  
June 30, 2010  
With Comparative Amounts for 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and investments	\$ 8,140,339	5,096,415
Receivables:		
Grants	133,874	456,025
Accounts	355,486	403,748
Allowance for doubtful accounts	(18,290)	(22,314)
Inventories	282,835	294,517
Prepaid expenses	49,276	49,276
Total current assets	<u>8,943,520</u>	<u>6,277,667</u>
Bond issuance costs, net of accumulated amortization	<u>16,496</u>	<u>-</u>
Property, plant and equipment:		
Land and land improvements	735,045	735,045
Buildings	1,022,503	1,012,048
Improvements other than buildings	2,193,746	2,193,746
Machinery and equipment	16,963,600	16,932,219
Construction in progress	3,649,068	2,014,065
Total property, plant and equipment	24,563,962	22,887,123
Accumulated depreciation	(13,200,807)	(12,598,305)
Net property, plant and equipment	<u>11,363,155</u>	<u>10,288,818</u>
Total assets	<u>\$ 20,323,171</u>	<u>16,566,485</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	145,354	128,650
Accrued payroll and employee benefits	60,635	48,393
Accrued leave	138,985	145,530
Accrued interest	33,054	-
Customer deposits	24,002	23,026
Total current liabilities	<u>402,030</u>	<u>345,599</u>
Long term debt, net of current portion:		
General obligation bonds	2,800,000	-
Bond premium, net of accumulated amortization	61,628	-
Total liabilities	<u>3,263,658</u>	<u>345,599</u>
Net assets:		
Invested in capital assets, net of related debt	11,261,371	10,288,818
Unrestricted	5,798,142	5,932,068
Total net assets	<u>17,059,513</u>	<u>16,220,886</u>
Total liabilities and net assets	<u>\$ 20,323,171</u>	<u>16,566,485</u>

**CITY OF PETERSBURG, ALASKA**  
**Electric Utility Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Residential electric	\$ 1,886,237	1,964,870
Industrial electric	1,972,681	1,955,467
Commercial electric	652,197	675,710
Street and highway lighting	110,529	72,504
Interruptible sales	80,558	70,263
Harbor electric	214,299	221,903
Other	66,937	64,352
Total operating revenues	<u>4,983,438</u>	<u>5,025,069</u>
Operating expenses:		
Power production:		
Salaries	69,255	54,532
Employee benefits	18,949	15,912
Materials and supplies	162,819	131,790
Services and charges	18,342	20,942
Interruptible	2,660,181	2,677,259
Total power production	<u>2,929,546</u>	<u>2,900,435</u>
Distribution:		
Salaries	332,502	305,379
Employee benefits	43,044	98,433
Materials and supplies	29,789	20,055
Services and charges	41,192	21,022
Total distribution	<u>446,527</u>	<u>444,889</u>
General and administrative:		
Salaries	350,060	356,125
Employee benefits	316,769	244,989
Materials and supplies	166,744	52,780
Services and charges	205,183	239,947
Allocated overhead	106,061	105,954
Motor pool charges:		
Operation and maintenance	68,342	66,268
Equipment replacement	41,928	92,790
Total general and administrative	<u>1,255,087</u>	<u>1,158,853</u>

**CITY OF PETERSBURG, ALASKA****Electric Utility Enterprise Fund****Statement of Revenues, Expenses and Changes in Net Assets, continued**

	<u>2010</u>	<u>2009</u>
Operating expenses, continued:		
Depreciation	\$ <u>602,502</u>	<u>601,767</u>
Total operating expenses	<u>5,233,662</u>	<u>5,105,944</u>
Loss from operations	(250,224)	(80,875)
Nonoperating revenues (expenses):		
Investment income	120,468	165,103
Interest expense	(33,054)	-
State PERS relief	<u>46,046</u>	<u>96,779</u>
Net nonoperating revenues (expenses)	<u>133,460</u>	<u>261,882</u>
Income (loss) before contributions and special item	(116,764)	181,007
Capital contributions	955,391	484,633
Special item - write off of NPO/OPEB	<u>-</u>	<u>21,318</u>
Change in net assets	838,627	686,958
Net assets at beginning of year	<u>16,220,886</u>	<u>15,533,928</u>
Net assets at end of year	\$ <u>17,059,513</u>	<u>16,220,886</u>

**CITY OF PETERSBURG, ALASKA**  
**Electric Utility Enterprise Fund**  
**Statement of Cash Flows**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,028,652	4,990,496
Payments for interfund services used	(216,331)	(265,012)
Payments to suppliers	(3,255,864)	(3,293,302)
Payments to employees	<u>(1,078,836)</u>	<u>(929,489)</u>
Net cash flows from operating activities	<u>477,621</u>	<u>502,693</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(1,676,839)	(1,354,328)
Capital contributions received	1,277,542	85,296
Proceeds from issuance of debt	<u>2,845,132</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>2,445,835</u>	<u>(1,269,032)</u>
Cash flows from investing activities -		
investment income received	<u>120,468</u>	<u>165,103</u>
Net increase (decrease) in cash and investments	3,043,924	(601,236)
Cash and investments at beginning of year	<u>5,096,415</u>	<u>5,697,651</u>
Cash and investments at end of year	\$ <u><u>8,140,339</u></u>	<u><u>5,096,415</u></u>
Reconciliation of loss from operations to net cash		
provided (used) by operating activities:		
Loss from operations	(250,224)	(80,875)
Adjustments to reconcile loss from operations		
to net cash flows from operating activities:		
Depreciation	602,502	601,767
Noncash expense - PERS relief	46,046	96,779
Increase (decrease) in allowance for doubtful accounts	(4,024)	13,621
(Increase) decrease in assets:		
Accounts receivable	48,262	(47,503)
Inventories	11,682	(18,020)
Increase (decrease) in liabilities:		
Accounts payable	16,704	(111,487)
Accrued payroll and employee benefits	12,242	23,116
Accrued leave	(6,545)	25,986
Customer deposits	<u>976</u>	<u>(691)</u>
Net cash flows from operating activities	\$ <u><u>477,621</u></u>	<u><u>502,693</u></u>

**CITY OF PETERSBURG, ALASKA**

## Electric Utility Enterprise Fund

## Schedule of Electric Utility

## Capital Projects

Year Ended June 30, 2010

	<u>Electric Rebuild</u>	<u>Auto Control System</u>	<u>Plant Relo- cation</u>	<u>Power Distri- bution</u>	<u>Hydro Governor</u>	<u>Ruth Lake</u>	<u>Standby Diesel Generator</u>	<u>Totals</u>
Funding sources:								
Intergovernmental	\$ -	-	-	797,419	-	72,543	-	869,962
Electric Utility	<u>124,718</u>	<u>31,513</u>	<u>181,726</u>	<u>380,511</u>	<u>22,894</u>	<u>-</u>	<u>23,679</u>	<u>765,041</u>
Total funding sources	\$ <u>124,718</u>	<u>31,513</u>	<u>181,726</u>	<u>1,177,930</u>	<u>22,894</u>	<u>72,543</u>	<u>23,679</u>	<u>1,635,003</u>
Expenditures:								
Salaries and employee benefits	7,608	7,706	25,862	3,637	3,890	-	-	48,703
Professional services	61,550	19,183	1,194	184,952	18,908	72,543	21,305	379,635
Construction and contractors	-	-	147,901	982,071	-	-	-	1,129,972
Other	<u>55,560</u>	<u>4,624</u>	<u>6,769</u>	<u>7,270</u>	<u>96</u>	<u>-</u>	<u>2,374</u>	<u>76,693</u>
Total expenditures	\$ <u>124,718</u>	<u>31,513</u>	<u>181,726</u>	<u>1,177,930</u>	<u>22,894</u>	<u>72,543</u>	<u>23,679</u>	<u>1,635,003</u>

## CITY OF PETERSBURG, ALASKA

## Water Utility Enterprise Fund

## Statement of Net Assets

June 30, 2010

With Comparative Amounts for 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and investments	\$ 102,334	-
Receivables:		
Grants and loan	-	605,407
Accounts	83,497	89,185
Allowance for doubtful accounts	(4,268)	(5,389)
Inventories	72,425	68,939
Total current assets	<u>253,988</u>	<u>758,142</u>
Property, plant and equipment:		
Buildings	5,178,330	5,178,330
Improvements other than buildings	24,956,557	23,842,835
Machinery and equipment	3,095,626	3,079,070
Construction in progress	33,513	504,353
Total property, plant and equipment	33,264,026	32,604,588
Accumulated depreciation	(9,726,483)	(8,966,520)
Net property, plant and equipment	<u>23,537,543</u>	<u>23,638,068</u>
Total assets	\$ <u>23,791,531</u>	<u>24,396,210</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	390	278,626
Accrued payroll and employee benefits	12,388	9,635
Accrued leave	7,342	19,985
Customer deposits	12,001	11,745
Accrued interest	36,913	30,282
Due to other funds	-	95,882
Current portion - ADEC loans	250,438	257,037
Total current liabilities	319,472	703,192
Long term debt, net of current portion - ADEC loans	<u>3,589,959</u>	<u>3,831,501</u>
Total liabilities	<u>3,909,431</u>	<u>4,534,693</u>
Net assets:		
Invested in capital assets, net of related debt	19,697,146	19,549,530
Unrestricted	184,954	311,987
Total net assets	<u>19,882,100</u>	<u>19,861,517</u>
Total liabilities and net assets	\$ <u>23,791,531</u>	<u>24,396,210</u>

**CITY OF PETERSBURG, ALASKA**  
**Water Utility Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Residential water	\$ 493,872	495,465
Commercial water	381,696	375,138
Water delivery	9,565	11,623
Other	4,490	5,777
Total operating revenues	<u>889,623</u>	<u>888,003</u>
Operating expenses:		
Salaries	174,933	156,548
Employee benefits	57,036	69,167
Materials and supplies	101,759	126,333
Services and charges	148,446	138,593
Allocated overhead	30,697	33,924
Motor pool charges:		
Operation and maintenance	3,957	5,126
Equipment replacement	18,604	23,099
Depreciation	759,963	561,270
Total operating expenses	<u>1,295,395</u>	<u>1,114,060</u>
Loss from operations	(405,772)	(226,057)
Nonoperating revenues (expenses):		
Interest expense	(81,890)	(42,963)
State PERS relief	6,888	11,213
Net nonoperating revenues (expenses)	<u>(75,002)</u>	<u>(31,750)</u>
Loss before contributions, transfers, and special item	(480,774)	(257,807)
Capital contributions	41,996	483,004
Transfers in	459,361	165,000
Special item - write off of NPO/OPEB	<u>-</u>	<u>5,557</u>
Change in net assets	20,583	395,754
Net assets at beginning of year	<u>19,861,517</u>	<u>19,465,763</u>
Net assets at end of year	\$ <u>19,882,100</u>	<u>19,861,517</u>

**CITY OF PETERSBURG, ALASKA**  
Water Utility Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2010  
With Comparative Amounts for 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 894,446	875,429
Payments for interfund services used	(53,258)	(62,149)
Payments to suppliers	(253,727)	(280,399)
Payments to employees	(234,971)	(201,623)
Net cash flows from operating activities	<u>352,490</u>	<u>331,258</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(248,141)	(187,800)
Interest paid on long-term debt	(75,259)	(49,544)
Proceeds from issuance of debt	-	111,155
Purchase of property, plant and equipment	(937,638)	(347,799)
Decrease in due to other funds	(95,882)	(279,172)
Transfers in	459,361	165,000
Capital contributions received	647,403	256,902
Net cash flows from capital and related financing activities	<u>(250,156)</u>	<u>(331,258)</u>
Net increase in cash and investments	102,334	-
Cash and investments at beginning of year	<u>-</u>	<u>-</u>
Cash and investments at end of year	\$ <u>102,334</u>	<u>-</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(405,772)	(226,057)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	759,963	561,270
Noncash expense - PERS relief	6,888	11,213
Increase (decrease) in allowance for doubtful accounts	(1,121)	3,729
(Increase) decrease in assets:		
Accounts receivable	5,688	(16,458)
Inventories	(3,486)	(387)
Increase (decrease) in liabilities:		
Accounts payable	(36)	(15,086)
Accrued payroll and employee benefits	2,753	7,657
Accrued leave	(12,643)	5,222
Customer deposits	256	155
Net cash flows from operating activities	\$ <u>352,490</u>	<u>331,258</u>



**CITY OF PETERSBURG, ALASKA**  
**Water Utility Enterprise Fund**  
**Schedule of Water Utility**  
**Capital Projects**  
**Year Ended June 30, 2010**

	<u>Cabin Creek Repairs</u>	<u>Water Projects</u>	<u>Totals</u>
Funding sources:			
Intergovernmental	\$ 41,996	-	41,996
Water Utility	<u>588,721</u>	<u>12,164</u>	<u>600,885</u>
 Total funding sources	 \$ <u>630,717</u>	 <u>12,164</u>	 <u>642,881</u>
Expenditures:			
Professional services	82,834	-	82,834
Construction and contractors	547,883	-	547,883
Other	<u>-</u>	<u>12,164</u>	<u>12,164</u>
 Total expenditures	 \$ <u>630,717</u>	 <u>12,164</u>	 <u>642,881</u>

**CITY OF PETERSBURG, ALASKA**  
**Wastewater Utility Enterprise Fund**  
**Statement of Net Assets**  
**June 30, 2010**  
**With Comparative Amounts for 2009**

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and investments	\$ 1,084,664	1,050,208
Accounts receivable	68,055	66,035
Allowance for doubtful accounts	(3,658)	(3,728)
Inventories	29,870	37,182
Total current assets	<u>1,178,931</u>	<u>1,149,697</u>
Property, plant and equipment:		
Buildings	9,024,635	9,024,635
Improvements other than buildings	7,766,001	7,766,000
Machinery and equipment	329,031	319,031
Construction in progress	66,652	28,011
Total property, plant and equipment	17,186,319	17,137,677
Accumulated depreciation	<u>(9,055,245)</u>	<u>(8,689,018)</u>
Net property, plant and equipment	<u>8,131,074</u>	<u>8,448,659</u>
Total assets	\$ <u><u>9,310,005</u></u>	<u><u>9,598,356</u></u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	281	22,720
Accrued payroll and employee benefits	9,949	12,676
Accrued leave	18,154	14,807
Customer deposits	7,200	7,047
Accrued interest	7,172	7,596
Current portion of ADEC loan	31,269	30,806
Total current liabilities	74,025	95,652
Long term debt, net of current portion -		
ADEC loan	490,358	521,627
Total liabilities	<u>564,383</u>	<u>617,279</u>
Net assets:		
Invested in capital assets, net of related debt	7,609,447	7,896,226
Unrestricted	<u>1,136,175</u>	<u>1,084,851</u>
Total net assets	<u>8,745,622</u>	<u>8,981,077</u>
Total liabilities and net assets	\$ <u><u>9,310,005</u></u>	<u><u>9,598,356</u></u>

**CITY OF PETERSBURG, ALASKA**  
**Wastewater Utility Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Residential sewer	\$ 464,163	459,401
Commercial sewer	159,222	156,546
Other	<u>10,289</u>	<u>11,566</u>
Total operating revenues	<u>633,674</u>	<u>627,513</u>
Operating expenses:		
Salaries	175,290	175,149
Employee benefits	63,791	81,102
Materials and supplies	69,764	50,332
Services and charges	125,964	145,431
Allocated overhead	28,074	17,459
Motor pool charges:		
Operation and maintenance	29,117	15,910
Equipment replacement	29,335	34,478
Depreciation	<u>366,227</u>	<u>408,733</u>
Total operating expenses	<u>887,562</u>	<u>928,594</u>
Loss from operations	(253,888)	(301,081)
Nonoperating revenues (expenses):		
Investment income	20,312	29,251
Interest expense	(7,863)	(8,324)
State PERS relief	<u>5,984</u>	<u>14,331</u>
Net nonoperating revenues (expenses)	<u>18,433</u>	<u>35,258</u>
Loss before transfers and special item	(235,455)	(265,823)
Transfers out	-	(12,000)
Special item - write off of NPO/OPEB	<u>-</u>	<u>2,305</u>
Change in net assets	(235,455)	(275,518)
Net assets at beginning of year	<u>8,981,077</u>	<u>9,256,595</u>
Net assets at end of year	\$ <u>8,745,622</u>	<u>8,981,077</u>

**CITY OF PETERSBURG, ALASKA**  
**Wastewater Utility Enterprise Fund**  
**Statement of Cash Flows**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 631,737	625,253
Payments for interfund services used	(86,526)	(67,847)
Payments to suppliers	(210,855)	(178,823)
Payments to employees	(232,477)	(231,792)
Net cash flows from operating activities	<u>101,879</u>	<u>146,791</u>
Cash flows from noncapital financing activities - transfers out	<u>-</u>	<u>(12,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(30,806)	(30,351)
Interest paid on long-term debt	(8,287)	(8,742)
Purchase of property, plant and equipment	(48,642)	(40,565)
Net cash flows from capital and related financing activities	<u>(87,735)</u>	<u>(79,658)</u>
Cash flows from investing activities - investment income received	<u>20,312</u>	<u>29,251</u>
Net increase in cash and investments	34,456	84,384
Cash and investments at beginning of year	<u>1,050,208</u>	<u>965,824</u>
Cash and investments at end of year	\$ <u>1,084,664</u>	<u>1,050,208</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(253,888)	(301,081)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	366,227	408,733
Noncash expense - PERS relief	5,984	14,331
Increase (decrease) in allowance for doubtful accounts	(70)	2,234
(Increase) decrease in assets:		
Accounts receivable	(2,020)	(4,587)
Inventories	7,312	(4,988)
Increase (decrease) in liabilities:		
Accounts payable	(22,439)	21,928
Accrued payroll and employee benefits	(2,727)	8,565
Accrued leave	3,347	1,563
Customer deposits	153	93
Net cash flows from operating activities	\$ <u>101,879</u>	<u>146,791</u>

**CITY OF PETERSBURG, ALASKA**  
Wastewater Utility Enterprise Fund  
Schedule of Wastewater Utility  
Capital Projects  
Year Ended June 30, 2010

	<u>Pump Station Upgrade</u>	<u>Sewer Projects</u>	<u>Totals</u>
Funding sources - Wastewater Utility	\$ <u>26,477</u>	<u>12,164</u>	<u>38,641</u>
Expenditures:			
Professional services	26,477	-	26,477
Other	<u>-</u>	<u>12,164</u>	<u>12,164</u>
Total expenditures	\$ <u>26,477</u>	<u>12,164</u>	<u>38,641</u>

**CITY OF PETERSBURG, ALASKA**  
**Sanitation Utility Enterprise Fund**  
**Statement of Net Assets**  
**June 30, 2010**  
**With Comparative Amounts for 2009**

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and investments	\$ 337,691	94,768
Accounts receivable	89,137	113,806
Allowance for doubtful accounts	<u>(4,268)</u>	<u>(6,010)</u>
Total current assets	<u>422,560</u>	<u>202,564</u>
Property, plant and equipment:		
Land and land improvements	63,720	-
Buildings	2,211,180	2,211,180
Improvements other than buildings	103,365	103,365
Machinery and equipment	97,912	97,912
Construction in progress	<u>94,799</u>	<u>88,280</u>
Total property, plant and equipment	2,570,976	2,500,737
Accumulated depreciation	<u>(935,423)</u>	<u>(873,516)</u>
Net property, plant and equipment	<u>1,635,553</u>	<u>1,627,221</u>
Total assets	\$ <u>2,058,113</u>	<u>1,829,785</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	27,834	21,216
Accrued payroll and employee benefits	13,810	13,386
Accrued leave	15,498	16,638
Customer deposits	<u>4,800</u>	<u>4,698</u>
Total current liabilities	61,942	55,938
Long-term debt, net of current portion - estimated landfill closure costs	<u>92,333</u>	<u>92,333</u>
Total liabilities	<u>154,275</u>	<u>148,271</u>
Net assets:		
Invested in capital assets	1,635,553	1,627,221
Unrestricted	<u>268,285</u>	<u>54,293</u>
Total net assets	<u>1,903,838</u>	<u>1,681,514</u>
Total liabilities and net assets	\$ <u>2,058,113</u>	<u>1,829,785</u>

**CITY OF PETERSBURG, ALASKA**  
**Sanitation Utility Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Refuse collection	\$ 797,622	765,585
Landfill charges	269,971	317,100
Other	<u>35,786</u>	<u>15,653</u>
Total operating revenues	<u>1,103,379</u>	<u>1,098,338</u>
Operating expenses:		
Salaries	231,713	251,654
Employee benefits	99,794	104,887
Materials and supplies	38,288	39,598
Services and charges	97,930	98,687
Bale disposal	256,874	289,970
Allocated overhead	47,838	46,022
Motor pool charges:		
Operation and maintenance	48,900	58,416
Equipment replacement	76,225	62,997
Depreciation	<u>61,907</u>	<u>60,837</u>
Total operating expenses	<u>959,469</u>	<u>1,013,068</u>
Income from operations	143,910	85,270
Nonoperating revenues:		
Investment income	4,580	2,224
State PERS relief	<u>10,114</u>	<u>24,197</u>
Total nonoperating revenues	<u>14,694</u>	<u>26,421</u>
Income before contributions, transfers, and special item	158,604	111,691
Capital contributions	63,720	80,000
Transfers in	-	351,855
Special item - write off of NPO/OPEB	<u>-</u>	<u>5,920</u>
Change in net assets	222,324	549,466
Net assets at beginning of year	<u>1,681,514</u>	<u>1,132,048</u>
Net assets at end of year	\$ <u><u>1,903,838</u></u>	<u><u>1,681,514</u></u>

**CITY OF PETERSBURG, ALASKA**  
Sanitation Utility Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2010  
With Comparative Amounts for 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,126,408	1,070,345
Payments for interfund services used	(172,963)	(167,435)
Payments to suppliers	(386,474)	(408,354)
Payments to employees	(322,109)	(327,010)
Net cash flows from operating activities	<u>244,862</u>	<u>167,546</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	-	(351,855)
Interest paid on long-term debt	-	(1,466)
Purchase of property, plant and equipment	(70,239)	(93,622)
Decrease in due to other funds	-	(60,164)
Transfers in	-	351,855
Capital contributions received	<u>63,720</u>	<u>80,000</u>
Net cash flows from capital and related financing activities	<u>(6,519)</u>	<u>(75,252)</u>
Cash flows from investing activities -		
investment income received	<u>4,580</u>	<u>2,224</u>
Net increase in cash and investments	242,923	94,518
Cash and investments at beginning of year	<u>94,768</u>	<u>250</u>
Cash and investments at end of year	\$ <u>337,691</u>	<u>94,768</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Income from operations	143,910	85,270
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation	61,907	60,837
Noncash expense - PERS relief	10,114	24,197
Increase (decrease) in allowance for doubtful accounts	(1,742)	3,708
(Increase) decrease in assets - accounts receivable	24,669	(31,763)
Increase (decrease) in liabilities:		
Accounts payable	6,618	19,901
Accrued payroll and employee benefits	424	7,793
Accrued leave	(1,140)	(2,459)
Customer deposits	102	62
Net cash flows from operating activities	\$ <u>244,862</u>	<u>167,546</u>



**CITY OF PETERSBURG, ALASKA**  
**Harbor and Port Facilities Enterprise Fund**  
**Statement of Net Assets**  
**June 30, 2010**  
**With Comparative Amounts for 2009**

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and investments	\$ -	443,125
Receivables:		
Grants	876,337	22,123
Accounts	153,612	144,836
Interest	14,729	24,589
Allowance for doubtful accounts	(39,301)	(35,693)
Total current assets	<u>1,005,377</u>	<u>598,980</u>
Restricted cash - capital projects	<u>2,848,189</u>	<u>2,823,372</u>
Bond issuance costs, net of accumulated amortization	<u>10,162</u>	<u>11,086</u>
Property, plant and equipment:		
Land and land improvements	353,039	353,039
Buildings	313,055	313,055
Improvements other than buildings	22,404,620	22,404,621
Machinery and equipment	423,113	423,113
Construction in progress	<u>1,330,574</u>	<u>107,635</u>
Total property, plant and equipment	24,824,401	23,601,463
Accumulated depreciation	<u>(6,655,164)</u>	<u>(5,819,650)</u>
Net property, plant and equipment	<u>18,169,237</u>	<u>17,781,813</u>
Total assets	\$ <u>22,032,965</u>	<u>21,215,251</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	30,740	1,596
Accrued payroll and employee benefits	25,850	24,364
Accrued leave	60,701	95,401
Prepaid moorage	98,181	80,206
Deferred revenue	2,475,000	2,475,000
Accrued interest	3,664	3,678
Current portion of general obligation bonds	<u>74,997</u>	<u>70,831</u>
Total current liabilities	<u>2,769,133</u>	<u>2,751,076</u>
Long-term debt, net of current portion:		
General obligation bonds	970,794	1,045,791
Deferred loss on refunding	(29,421)	(32,096)
Bond premium, net of accumulated amortization	<u>14,565</u>	<u>15,889</u>
Total liabilities	<u>3,725,071</u>	<u>3,780,660</u>
Net assets:		
Invested in capital assets, net of related debt	17,138,302	16,681,398
Unrestricted	<u>1,169,592</u>	<u>753,193</u>
Total net assets	<u>18,307,894</u>	<u>17,434,591</u>
Total liabilities and net assets	\$ <u>22,032,965</u>	<u>21,215,251</u>

**CITY OF PETERSBURG, ALASKA**  
**Harbor and Port Facilities Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Harbor charges	\$ 777,493	801,967
Port charges and leases	159,685	211,759
Other	11,675	11,922
Total operating revenues	<u>948,853</u>	<u>1,025,648</u>
Operating expenses:		
Harbor:		
Salaries	404,890	408,995
Employee benefits	136,606	197,189
Materials and supplies	30,704	27,064
Services and charges	230,918	240,551
Allocated overhead	41,808	46,067
Motor pool charges:		
Operation and maintenance	19,609	16,985
Equipment replacement	4,544	4,442
Total harbor	<u>869,079</u>	<u>941,293</u>
Depreciation	<u>835,514</u>	<u>843,809</u>
Total operating expenses	<u>1,704,593</u>	<u>1,785,102</u>
Loss from operations	<u>(755,740)</u>	<u>(759,454)</u>
Nonoperating revenues (expenses):		
Investment income	78,103	130,740
Interest expense	(51,396)	(54,916)
Amortization of bond issuance costs	(924)	(924)
State PERS relief	18,608	46,067
Net nonoperating revenues (expenses)	<u>44,391</u>	<u>120,967</u>
Loss before contributions, transfers, and special item	(711,349)	(638,487)
Capital contributions	1,218,823	49,667
Transfers in	365,829	373,402
Special item - write off of NPO/OPEB	<u>-</u>	<u>12,305</u>
Change in net assets	873,303	(203,113)
Net assets at beginning of year	<u>17,434,591</u>	<u>17,637,704</u>
Net assets at end of year	\$ <u>18,307,894</u>	<u>17,434,591</u>

**CITY OF PETERSBURG, ALASKA**  
**Harbor and Port Facilities Enterprise Fund**  
**Statement of Cash Flows**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 961,660	1,010,295
Payments for interfund services used	(65,961)	(67,494)
Payments to suppliers	(232,478)	(268,660)
Payments to employees	(556,102)	(536,070)
Net cash flows from operating activities	<u>107,119</u>	<u>138,071</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(70,831)	(66,664)
Interest paid on long-term debt	(50,059)	(53,587)
Purchase of property, plant and equipment	(1,222,938)	(53,341)
Decrease in deferred revenue	-	(59,266)
Transfers in	365,829	373,402
Capital contributions received	364,609	27,544
Net cash flows from capital and related financing activities	<u>(613,390)</u>	<u>168,088</u>
Cash flows from investing activities -		
investment income received	<u>87,963</u>	<u>136,221</u>
Net increase (decrease) in cash and investments	(418,308)	442,380
Cash and investments at beginning of year	<u>3,266,497</u>	<u>2,824,117</u>
Cash and investments at end of year	\$ <u>2,848,189</u>	<u>3,266,497</u>
Cash and investments at end of year:		
Cash and investments	-	443,125
Restricted cash - capital projects	<u>2,848,189</u>	<u>2,823,372</u>
	\$ <u>2,848,189</u>	<u>3,266,497</u>
Reconciliation of loss from operations to net cash		
provided (used) by operating activities:		
Loss from operations	(755,740)	(759,454)
Adjustments to reconcile loss from operations		
to net cash flows from operating activities:		
Depreciation	835,514	843,809
Noncash expense - PERS relief	18,608	46,067
Increase in allowance for doubtful accounts	3,608	4,196
(Increase) decrease in assets - accounts receivable	(8,776)	(7,427)
Increase (decrease) in liabilities:		
Accounts payable	29,144	(1,045)
Accrued payroll and employee benefits	1,486	11,728
Accrued leave	(34,700)	12,319
Prepaid moorage	17,975	(12,122)
Net cash flows from operating activities	\$ <u>107,119</u>	<u>138,071</u>

**CITY OF PETERSBURG, ALASKA**  
**Harbor and Port Facilities Enterprise Fund**  
**Schedule of Harbor and Port Facilities**  
**Capital Projects**  
**Year Ended June 30, 2010**

	Commercial Dock <u>Drive</u>	Passenger Vessel <u>Port</u>	<u>Totals</u>
Funding sources:			
Intergovernmental	\$ 13,215	1,205,608	1,218,823
Harbor and Port Facilities	<u>-</u>	<u>4,115</u>	<u>4,115</u>
 Total funding sources	 \$ <u>13,215</u>	 <u>1,209,723</u>	 <u>1,222,938</u>
 Expenditures:			
Professional services	13,215	194,127	207,342
Construction and contractors	-	1,010,489	1,010,489
Other	<u>-</u>	<u>5,107</u>	<u>5,107</u>
 Total expenditures	 \$ <u>13,215</u>	 <u>1,209,723</u>	 <u>1,222,938</u>

**CITY OF PETERSBURG, ALASKA**  
**Elderly Housing Enterprise Fund**  
**Statement of Net Assets**  
**June 30, 2010**  
**With Comparative Amounts for 2009**

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets - cash and investments	\$ 556,600	586,551
Restricted cash - security deposits	17,431	17,155
Bond issuance costs, net of accumulated amortization	8,508	9,116
Property, plant and equipment:		
Land and land improvements	127,419	127,419
Buildings	2,553,413	2,553,413
Improvements other than buildings	145,723	145,723
Machinery and equipment	100,150	100,150
Total property, plant and equipment	2,926,705	2,926,705
Accumulated depreciation	(1,953,574)	(1,884,736)
Net property, plant and equipment	973,131	1,041,969
Total assets	\$ 1,555,670	1,654,791
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	797	8,447
Accrued payroll and employee benefits	3,873	1,672
Accrued leave	609	2,590
Deferred revenue	596	960
Customer deposits	10,100	8,082
Accrued interest	7,405	7,668
Current portion of general obligation bonds	36,250	35,000
Total current liabilities	59,630	64,419
Long-term debt, net of current portion:		
General obligation bonds	622,500	658,750
Bond premium, net of accumulated amortization	22,508	24,116
Total liabilities	704,638	747,285
Net assets:		
Invested in capital assets, net of related debt	291,873	324,103
Unrestricted	559,159	583,403
Total net assets	851,032	907,506
Total liabilities and net assets	\$ 1,555,670	1,654,791

**CITY OF PETERSBURG, ALASKA**  
**Elderly Housing Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Federal government - rental subsidies	\$ 179,657	165,568
Rental income	<u>103,186</u>	<u>110,636</u>
Total operating revenues	<u>282,843</u>	<u>276,204</u>
Operating expenses:		
Salaries	60,608	60,194
Employee benefits	13,415	24,306
Materials and supplies	35,302	55,101
Services and charges	130,978	113,496
Allocated overhead	10,591	11,149
Motor pool charges:		
Operation and maintenance	804	1,480
Equipment replacement	624	677
Depreciation	<u>68,838</u>	<u>68,303</u>
Total operating expenses	<u>321,160</u>	<u>334,706</u>
Loss from operations	(38,317)	(58,502)
Nonoperating revenues (expenses):		
Investment income	11,253	17,198
Interest expense	(28,802)	(29,152)
State PERS relief	-	5,292
Amortization of bond issuance costs	(608)	(608)
Other	<u>-</u>	<u>(3,448)</u>
Net nonoperating revenues (expenses)	<u>(18,157)</u>	<u>(10,718)</u>
Loss before special item	(56,474)	(69,220)
Special item - write off of NPO/OPEB	<u>-</u>	<u>325</u>
Change in net assets	(56,474)	(68,895)
Net assets at beginning of year	<u>907,506</u>	<u>976,401</u>
Net assets at end of year	\$ <u>851,032</u>	<u>907,506</u>

**CITY OF PETERSBURG, ALASKA**  
**Elderly Housing Enterprise Fund**  
**Statement of Cash Flows**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 284,497	278,693
Other miscellaneous receipts (expenses)	-	(3,448)
Payments for interfund services used	(12,019)	(13,306)
Payments to suppliers	(173,930)	(161,351)
Payments to employees	(73,803)	(76,060)
Net cash flows from operating activities	<u>24,745</u>	<u>24,528</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(35,000)	(33,750)
Interest paid on long-term debt	(30,673)	(30,992)
Purchase of property, plant and equipment	-	(11,267)
Net cash flows from capital and related financing activities	<u>(65,673)</u>	<u>(76,009)</u>
Cash flows from investing activities -		
investment income received	<u>11,253</u>	<u>17,198</u>
Net decrease in cash and investments	(29,675)	(34,283)
Cash and investments at beginning of year	<u>603,706</u>	<u>637,989</u>
Cash and investments at end of year	\$ <u>574,031</u>	<u>603,706</u>
Cash and investments at end of year:		
Cash and investments	556,600	586,551
Restricted cash	<u>17,431</u>	<u>17,155</u>
	\$ <u>574,031</u>	<u>603,706</u>
Reconciliation of loss from operations to net cash		
provided (used) by operating activities:		
Loss from operations	(38,317)	(58,502)
Adjustments to reconcile loss from operations		
to net cash flows from operating activities:		
Depreciation	68,838	68,303
Noncash expense - PERS relief	-	5,292
Other nonoperating revenues (expenses)	-	(3,448)
Increase (decrease) in liabilities:		
Accounts payable	(7,650)	7,246
Accrued payroll and employee benefits	2,201	1,672
Accrued leave	(1,981)	1,476
Deferred revenue	(364)	(254)
Customer deposits	<u>2,018</u>	<u>2,743</u>
Net cash flows from operating activities	\$ <u>24,745</u>	<u>24,528</u>

**CITY OF PETERSBURG, ALASKA**

## Assisted Living Enterprise Fund

## Statement of Net Assets

June 30, 2010

With Comparative Amounts for 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets - accounts receivable	\$ <u>8,433</u>	<u>8,433</u>
Bond issuance costs, net of accumulated amortization	<u>25,525</u>	<u>27,348</u>
Property, plant and equipment:		
Buildings	3,907,471	3,892,104
Machinery and equipment	<u>78,000</u>	<u>78,000</u>
Total property, plant and equipment	3,985,471	3,970,104
Accumulated depreciation	<u>(678,483)</u>	<u>(573,380)</u>
Net property, plant and equipment	<u>3,306,988</u>	<u>3,396,724</u>
Total assets	\$ <u><u>3,340,946</u></u>	<u><u>3,432,505</u></u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	1,810	4,151
Accrued payroll and employee benefits	22,981	22,132
Accrued leave	17,204	9,699
Deferred revenue	4,066	22,651
Customer deposits	6,200	9,639
Accrued interest	22,216	23,004
Due to other funds	123,479	32,458
Current portion of general obligation bonds	<u>108,750</u>	<u>105,000</u>
Total current liabilities	306,706	228,734
Long-term debt, net of current portion:		
General obligation bonds	1,867,500	1,976,250
Bond premium, net of accumulated amortization	<u>67,525</u>	<u>72,349</u>
Total liabilities	<u>2,241,731</u>	<u>2,277,333</u>
Net assets:		
Invested in capital assets, net of related debt	1,263,213	1,243,125
Unrestricted (deficit)	<u>(163,998)</u>	<u>(87,953)</u>
Total net assets	<u>1,099,215</u>	<u>1,155,172</u>
Total liabilities and net assets	\$ <u><u>3,340,946</u></u>	<u><u>3,432,505</u></u>



**CITY OF PETERSBURG, ALASKA**  
**Assisted Living Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Rents and royalties	\$ 199,068	255,465
Fees for services	433,758	410,248
Other revenues	<u>16,312</u>	<u>2,934</u>
Total operating revenues	<u>649,138</u>	<u>668,647</u>
Operating expenses:		
Salaries	340,999	365,361
Employee benefits	183,976	158,307
Materials and supplies	60,843	62,538
Services and charges	124,863	111,455
Allocated overhead	31,934	34,328
Motor pool charges:		
Operation and maintenance	1,063	1,471
Equipment replacement	624	677
Depreciation	<u>105,103</u>	<u>105,102</u>
Total operating expenses	<u>849,405</u>	<u>839,239</u>
Loss from operations	(200,267)	(170,592)
Nonoperating revenues (expenses):		
Interest expense	(86,405)	(87,457)
Amortization of bond issuance costs	(1,823)	(1,824)
State PERS relief	<u>20,155</u>	<u>38,988</u>
Net nonoperating revenues (expenses)	<u>(68,073)</u>	<u>(50,293)</u>
Loss before contributions, transfers, and special item	(268,340)	(220,885)
Capital contributions	15,367	-
Transfers in	197,016	196,050
Special item - write off of NPO/OPEB	<u>-</u>	<u>5,911</u>
Change in net assets	(55,957)	(18,924)
Net assets at beginning of year	<u>1,155,172</u>	<u>1,174,096</u>
Net assets at end of year	\$ <u>1,099,215</u>	<u>1,155,172</u>

## CITY OF PETERSBURG, ALASKA

Assisted Living Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2010

With Comparative Amounts for 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 627,114	665,911
Payments for interfund services used	(33,621)	(36,476)
Payments to suppliers	(188,047)	(171,894)
Payments to employees	(496,466)	(477,177)
Net cash flows from operating activities	<u>(91,020)</u>	<u>(19,636)</u>
Cash flows from capital and related financing activities:		
Principal paid on long term debt	(105,000)	(101,250)
Interest paid on long term debt	(92,017)	(92,976)
Purchase of property, plant and equipment	(15,367)	-
Increase in due to other funds	91,021	17,812
Transfers in	197,016	196,050
Capital contributions received	15,367	-
Net cash flows from capital and related financing activities	<u>91,020</u>	<u>19,636</u>
Net increase in cash and investments	-	-
Cash and investments at beginning of year	<u>-</u>	<u>-</u>
Cash and investments at end of year	\$ <u>-</u>	\$ <u>-</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(200,267)	(170,592)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	105,103	105,102
Noncash expense - PERS relief	20,155	38,988
Increase (decrease) in liabilities:		
Accounts payable	(2,341)	2,099
Accrued payroll and employee benefits	849	9,175
Accrued leave	7,505	(1,672)
Deferred revenue	(18,585)	(3,461)
Customer deposits	(3,439)	725
Net cash flows from operating activities	\$ <u>(91,020)</u>	\$ <u>(19,636)</u>

## INTERNAL SERVICE FUND

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

### Motor Pool

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

**CITY OF PETERSBURG, ALASKA**  
**Motor Pool Internal Service Fund**  
**Statement of Net Assets**  
**June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 3,055,308	3,096,946
Receivables:		
Grants	12,362	64,752
Other	200	765
Total current assets	<u>3,067,870</u>	<u>3,162,463</u>
Equipment	5,879,757	5,800,781
Accumulated depreciation	<u>(3,007,921)</u>	<u>(3,165,295)</u>
Net equipment	<u>2,871,836</u>	<u>2,635,486</u>
Total assets	\$ <u><u>5,939,706</u></u>	<u><u>5,797,949</u></u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	16,152	750
Accrued payroll and employee benefits	7,974	6,584
Accrued leave	<u>27,184</u>	<u>27,184</u>
Total current liabilities	<u>51,310</u>	<u>34,518</u>
Net assets:		
Invested in capital assets	2,871,836	2,635,486
Unrestricted	<u>3,016,560</u>	<u>3,127,945</u>
Total net assets	<u>5,888,396</u>	<u>5,763,431</u>
Total liabilities and net assets	\$ <u><u>5,939,706</u></u>	<u><u>5,797,949</u></u>

**CITY OF PETERSBURG, ALASKA**  
**Motor Pool Internal Service Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Operation and maintenance charges	\$ 323,684	419,135
Replacement reserve charges	502,991	586,441
Equipment rental	1,600	800
Total operating revenues	<u>828,275</u>	<u>1,006,376</u>
Operating expenses:		
Salaries	119,718	131,465
Employee benefits	56,576	58,192
Materials and supplies	213,894	224,429
Services and charges	74,223	74,022
Motor pool charges:		
Operation and maintenance	10,001	14,923
Equipment replacement	2,414	2,414
Depreciation	<u>309,736</u>	<u>334,350</u>
Total operating expenses	<u>786,562</u>	<u>839,795</u>
Income from operations	41,713	166,581
Nonoperating revenues (expenses):		
Federal fuel grant	90,426	-
Loss on disposal of equipment	(13,241)	(55,595)
State PERS relief	<u>6,067</u>	<u>14,623</u>
Net nonoperating revenues (expenses)	<u>83,252</u>	<u>(40,972)</u>
Income before contributions, transfers, and special item	124,965	125,609
Capital contributions	-	65,000
Transfers in	-	12,000
Special item - write off of NPO/OPEB	<u>-</u>	<u>(3,417)</u>
Change in net assets	124,965	199,192
Net assets at beginning of year	<u>5,763,431</u>	<u>5,564,239</u>
Net assets at end of year	\$ <u><u>5,888,396</u></u>	<u><u>5,763,431</u></u>

**CITY OF PETERSBURG, ALASKA**  
**Motor Pool Internal Service Fund**  
**Statement of Cash Flows**  
**Year Ended June 30, 2010**  
**With Comparative Amounts for 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 828,840	1,005,576
Other miscellaneous receipts	-	35
Payments for interfund services used	(12,415)	(17,337)
Payments to suppliers	(272,715)	(309,319)
Payments to employees	(168,837)	(171,309)
Net cash flows from operating activities	<u>374,873</u>	<u>507,646</u>
Cash flows from noncapital financing activities - federal fuel grant received	<u>78,064</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of equipment	34,583	11,927
Purchase of equipment	(593,910)	(344,161)
Transfer in	-	12,000
Capital contributions received	<u>64,752</u>	<u>248</u>
Net cash flows from capital and related financing activities	<u>(494,575)</u>	<u>(319,986)</u>
Net increase (decrease) in cash and investments	(41,638)	187,660
Cash and investments at beginning of year	<u>3,096,946</u>	<u>2,909,286</u>
Cash and investments at end of year	\$ <u><u>3,055,308</u></u>	<u><u>3,096,946</u></u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Income from operations	41,713	165,781
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation	309,736	334,350
Noncash expense - PERS relief	6,067	14,623
Other nonoperating revenues	-	800
(Increase) decrease in accounts receivable - other	565	(765)
Increase (decrease) in liabilities:		
Accounts payable	15,402	(10,868)
Accrued payroll and employee benefits	<u>1,390</u>	<u>3,725</u>
Net cash flows from operating activities	\$ <u><u>374,873</u></u>	<u><u>507,646</u></u>

**CITY OF PETERSBURG, ALASKA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2010**

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>July 1, 2009 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Receipts</u>	<u>June 30, 2010 Receivable (Deferred)</u>
<b>Department of Homeland Security</b>							
Passed through the State of Alaska Department of Military and Veterans Affairs:							
Emergency Management Program	09-EMPG-GR35565	97.042	\$ 37,500	15,000	22,500	37,500	-
Emergency Management Program	10-EMPG-GR35581	97.042	37,500	-	7,500	-	7,500
Total CFDA 97.042				15,000	30,000	37,500	7,500
2007 Homeland Security Grant	07SHSP-GR34054	97.073	6,000	-	5,000	5,000	-
Total Department of Homeland Security				15,000	35,000	42,500	7,500
<b>Department of Agriculture</b>							
Resource Advisory Committee	07DG11100500224	10.665	187,296	35,290	111,527	146,817	-
Passed through the State of Alaska Department of Commerce, Community and Economic Development - National Forest Receipts	N/A	10.665	1,643,278	-	1,643,278	1,643,278	-
Total Department of Agriculture				35,290	1,754,805	1,790,095	-
<b>Department of Transportation</b>							
Passed through Petersburg Indian Association - Green's Camp	N/A	20.205	68,000	(32,926)	29,500	-	(3,426)
<b>Department of Defense</b>							
Passed through the State of Alaska Department of Transportation and Public Facilities - Banana Point Breakwater Reconstruction	2007	12.101	5,000	(5,000)	-	-	(5,000)
<b>Department of Environmental Protection Agency</b>							
Passed through the State of Alaska Department of Environmental Conservation - Water Treatment Plant Upgrade (75% Federal)	68532	66.202	2,230,139	111,507	-	111,507	-
<b>Department of Education</b>							
Passed through the State of Alaska Department of Commerce, Community and Economic Development - FY09 ARRA-Purchase of Bulk Fuel	800231	84.397	90,426	-	90,426	78,064	12,362
<b>Institute of Museum and Library Services</b>							
Passed through Petersburg Indian Association:							
Native American Library Services	NG-05-09-0031-09	45.311	6,000	-	6,000	-	6,000
Native American Library Services	NG-05-08-0037-08	45.311	6,000	6,000	-	5,200	800
Total CFDA 45.311				6,000	6,000	5,200	6,800
Passed through Alaska State Council on the Arts - Community Arts Development	FY10CAD0037	45.025	1,517	-	1,517	1,517	-
Passed through the State of Alaska Department of Education and Early Development - PLA Conference Grant	CED-10-761-194	45.310	1,500	-	1,500	1,500	-
Total Institute of Museum and Library Services				6,000	9,017	8,217	6,800
<b>Department of Commerce</b>							
<b>Public Works and Economic Development Cluster -</b>							
Power Distribution	07-01-05926	11.300	1,338,740	456,024	797,419	1,119,569	133,874
Multi-purpose Dock Renovation - ARRA	07-79-73007	11.307	1,000,000	-	771,118	158,370	612,748
Total Public Works and Economic Development Cluster				456,024	1,568,537	1,277,939	746,622
FY07 PSIC Grant	07PSIC-GR34037	11.555	2,610	-	2,610	2,610	-
Total Department of Commerce				456,024	1,571,147	1,280,549	746,622
<b>Department of Interior</b>							
Passed through the State of Alaska Department of Commerce, Community and Economic Development - Payment in Lieu of Taxes	N/A	15.226	537,920	-	537,920	537,920	-
Total Federal Financial Assistance			\$	585,895	4,027,815	3,848,852	764,858

**CITY OF PETERSBURG, ALASKA**  
**Schedule of State Financial Assistance**  
**Year Ended June 30, 2010**

<u>State Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>July 1, 2009 Receivable (Deferred)</u>	<u>State Share of Expenditures</u>	<u>State Receipts</u>	<u>June 30, 2010 Receivable (Deferred)</u>
<b>Department of Commerce, Community and Economic Development</b>						
Clausen Museum	07-DC-251	\$ 60,000	9,461	-	9,461	-
Pearl F Street (Ball Field) Playground	07-DC-252	60,000	1,748	4,486	1,748	4,486
*Public Safety Building Design/Construction	07-DC-253	350,000	37,280	222,222	259,502	-
MVM Emergency Center Equipment	08-DC-371	4,000	-	1,207	1,207	-
MVM Emergency Equipment Garage	08-DC-372	80,000	42,899	32,205	75,104	-
Loader Mount Snow Blower	09-DC-099	65,000	64,752	-	64,752	-
Medical Center Pharmacy Module	09-DC-100	34,000	15,803	-	15,803	-
Shooting Range Improvements	09-DC-101	25,000	-	450	450	-
Solid Waste Baler Rebuild	09-DC-258	80,000	4,019	-	4,019	-
Cabin Creek Pipeline Repair	09-DC-519	525,000	456,731	41,996	498,727	-
*Fire and EMS Facility	09-DC-520	1,324,500	-	572,923	325,039	247,884
*Public Library Construction	09-DC-521	150,000	1,845	127,518	87,914	41,449
*Commercial Passenger Vessel Berthing/Power Upgrades	09-DC-558	1,250,000	22,123	434,490	194,007	262,606
Community Dock/Vehicle Drive Down Design/Construction	10-DC-022	3,390,000	-	13,215	12,233	982
Shared Fisheries Business Tax	2008	13,504	-	13,504	13,504	-
*Revenue Sharing	2010	249,502	-	249,502	249,502	-
Passed through Alaska Industrial Development and Export Authority -						
*Ruth Lake Hydro Reconnaissance	2195415	157,972	-	157,972	157,972	-
Total Department of Commerce, Community and Economic Development			656,661	1,871,690	1,970,944	557,407
<b>Department of Education and Early Development</b>						
Debt Retirement Program	2009	503,361	145,649	-	145,649	-
*Debt Retirement Program	2010	498,437	-	498,437	356,300	142,137
Petersburg StoryCorps	ILC-10-791-126	10,000	-	8,593	10,000	(1,407)
Public Library Assistance	PLA-10-761-58	6,350	-	6,350	6,350	-
Total Department of Education and Early Development			145,649	513,380	518,299	140,730
<b>Department of Natural Resources</b>						
Green's Camp	2009	4,040	(3,046)	3,046	-	-
E. Haugen Public Use Area Maintenance	2010	4,040	-	1,519	4,040	(2,521)
Total Department of Natural Resources			(3,046)	4,565	4,040	(2,521)
<b>Department of Environmental Conservation</b>						
Water Treatment Plant Upgrade (25% State)	68532	743,379	37,169	-	37,169	-
<b>Department of Military and Veteran's Affairs</b>						
LEPC Petersburg/Wrangell	09 LEPC-AR35253	20,180	6,975	-	6,975	-
LEPC Petersburg/Wrangell	10 LEPC-AR35253	20,180	-	20,180	8,158	12,022
Total Department of Military and Veteran's Affairs			6,975	20,180	15,133	12,022
<b>Department of Transportation and Public Facilities -</b>						
North Harbor Deferred Maintenance	PSG 02-003	2,475,000	(2,475,000)	-	-	(2,475,000)
<b>Department of Revenue</b>						
*Fisheries Business Tax	2010	765,829	-	765,829	765,829	-
Liquor Licenses	2010	3,700	-	3,700	3,700	-
Total Department of Revenue			-	769,529	769,529	-
<b>Department of Administration</b>						
*PERS Relief	N/A	248,161	-	248,161	248,161	-
Total State Financial Assistance		\$	(1,631,592)	3,427,505	3,563,275	(1,767,362)
* Major Program						



## **CITY OF PETERSBURG, ALASKA**

### **Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance**

**Year Ended June 30, 2010**

**(1) Basis of Presentation**

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

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## **SINGLE AUDIT SECTION**

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 City Council  
City of Petersburg, Alaska

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Petersburg as of and for the year ended June 30, 2010, which collectively comprise City of Petersburg's basic financial statements and have issued our report thereon dated October 11, 2010. 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.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Mayor and City Council  
City of Petersburg, Alaska

Compliance and Other Matters

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

This report is intended solely for the information and use of City of Petersburg's management, Honorable Mayor and City Council, others within the entity, federal and state awarding agencies and, if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
October 11, 2010

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council  
City of Petersburg, Alaska

Compliance

We have audited the compliance of City of Petersburg with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. City of Petersburg's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Petersburg's management. Our responsibility is to express an opinion on City of Petersburg's compliance based on our audit.

City of Petersburg's basic financial statements include the operations of its component unit, Petersburg City School District, which received federal awards which are not included in the Schedule during the year ended June 30, 2010. Our audit, described below, did not include the operations of Petersburg City School District because it was subjected to a separate audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Petersburg'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. Our audit does not provide a legal determination of City of Petersburg's compliance with those requirements.

In our opinion, City of Petersburg complied, in all material respects, with the 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, 2010.

Honorable Mayor and City Council  
City of Petersburg, Alaska

### Internal Control Over Compliance

The management of City of Petersburg is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Petersburg's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Petersburg'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of City of Petersburg's management, Honorable Mayor and City Council, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
October 11, 2010

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the State of Alaska Audit Guide and Compliance Supplement for State Single Audits

Honorable Mayor and City Council  
City of Petersburg, Alaska

Compliance

We have audited the compliance of City of Petersburg with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010. City of Petersburg's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of City of Petersburg's management. Our responsibility is to express an opinion on City of Petersburg's compliance based on our audit.

City of Petersburg's basic financial statements include the operations of its component unit, Petersburg City School District, which received State awards which are not included in the schedule during the year ended June 30, 2010. Our audit, described below, did not include the operations of Petersburg City School District because it was subjected to a separate audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Petersburg'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. Our audit does not provide a legal determination of City of Petersburg's compliance with those requirements.

In our opinion, City of Petersburg complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010.



Honorable Mayor and City Council  
City of Petersburg, Alaska

### Internal Control Over Compliance

The management of City of Petersburg is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered City of Petersburg's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Petersburg's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of City of Petersburg's management, Honorable Mayor and City Council, others within the entity, and the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
October 11, 2010

**CITY OF PETERSBURG, ALASKA**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2010**

**I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

**Federal Financial Assistance**

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

<u>Agency</u>	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Department of Commerce	11.300	Investments for Public Works and Economic Development Facilities
	11.307	Economic Adjustment Assistance Facilities
Department of Agriculture	10.665	National Forest Receipts

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

\$300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

## CITY OF PETERSBURG, ALASKA

### Schedule of Findings and Questioned Costs, continued

#### **Summary of Auditor's Results, continued**

##### **State Financial Assistance**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified that are  
not considered to be material weakness(es)? \_\_\_\_\_ yes   X   none reported

Type of auditor's report issued on compliance  
for major programs? Unqualified

Dollar threshold used to distinguish a state  
major program? \$75,000

#### **II. Financial Statement Findings**

None noted.

#### **III. Federal Award Findings and Questioned Costs**

None noted.

#### **IV. State Award Findings and Questioned Costs**

None noted.

**CITY OF PETERSBURG, ALASKA**

**Summary Schedule of Prior Audit Findings**

**Year Ended June 30, 2010**

**Federal**

There were no prior year audit findings.

**State of Alaska**

There were no prior year audit findings.

**CITY OF PETERSBURG, ALASKA**

Corrective Action Plan

Year Ended June 30, 2010

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