

CITY OF PETERSBURG, ALASKA

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

Year Ended June 30, 2011

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CITY OF PETERSBURG, ALASKA

Table of Contents

FINANCIAL SECTION

Exhibit Page

Independent Auditor's Report

1-2

Management's Discussion and Analysis

4-15

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Assets

A-1

18

Statement of Activities

A-2

19

Fund Financial Statements:

Governmental Funds:

Balance Sheet

B-1

20

Reconciliation of Governmental Funds

Balance Sheet to Statement of Net Assets

B-2

21

Statement of Revenues, Expenditures and Changes in
Fund Balances

B-3

22

Reconciliation of Change in Fund Balances of

Governmental Funds to Statement of Activities

B-4

23

Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual:

General Fund

C-1

24

School Timber Receipts Special Revenue Fund

C-2

25

Proprietary Funds:

Statement of Net Assets

D-1

26-27

Statement of Revenues, Expenses and Changes
in Net Assets

D-2

28

Statement of Cash Flows

D-3

29-30

Notes to Basic Financial Statements

31-54

Supplementary Financial Information

Combining and Individual Fund Financial Statements and Schedules:

Nonmajor Governmental Funds:

Combining Balance Sheet

E-1

56

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

E-2

57

CITY OF PETERSBURG, ALASKA

Table of Contents, continued

FINANCIAL SECTION, continued

	<u>Exhibit</u>	<u>Page</u>
<u>Supplementary Financial Information, continued</u>		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Nonmajor Enterprise Funds:		
Combining Statement of Net Assets	F-1	58
Combining Statement of Revenues, Expenses and Changes in Net Assets	F-2	59
Combining Statement of Cash Flows	F-3	60
General Fund:		
Balance Sheet	G-1	62
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-2	63-65
Special Revenue Funds:		
Miscellaneous Grants:		
Balance Sheet	H-1	68
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual	H-2	69
National Forest Receipts - School:		
Balance Sheet	H-3	70
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	H-4	71
National Forest Receipts - Streets and Roads:		
Balance Sheet	H-5	72
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	H-6	73
Property Development:		
Balance Sheet	H-7	74
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	H-8	75
Economic Fund:		
Balance Sheet	H-9	76
Schedule of Revenues, Expenditures and Changes in Fund Balance	H-10	77

CITY OF PETERSBURG, ALASKA

Table of Contents, continued

FINANCIAL SECTION, continued

Exhibit Page

Supplementary Financial Information, continued

Combining and Individual Fund Financial Statements and Schedules, continued:

Special Revenue Funds, continued:

E911 Surcharge:

Balance Sheet H-11 78

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual H-12 79

Debt Service Fund:

Balance Sheet I-1 81

Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual I-2 82

Capital Project Funds:

Combining Balance Sheet J-1 84

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit) J-2 85

Enterprise Funds:

Electric Utility:

Statement of Net Assets K-1 87

Statement of Revenues, Expenses
and Changes in Net Assets K-2 88-89

Statement of Cash Flows K-3 90

Schedule of Electric Utility Capital Projects K-4 91

Water Utility:

Statement of Net Assets K-5 92

Statement of Revenues, Expenses
and Changes in Net Assets K-6 93

Statement of Cash Flows K-7 94

Schedule of Water Utility Capital Projects K-8 95

Wastewater Utility:

Statement of Net Assets K-9 96

Statement of Revenues, Expenses
and Changes in Net Assets K-10 97

Statement of Cash Flows K-11 98

Schedule of Wastewater Utility Capital Projects K-12 99

CITY OF PETERSBURG, ALASKA

Table of Contents, continued

FINANCIAL SECTION, continued

Exhibit Page

Supplementary Financial Information, continued

Combining and Individual Fund Financial Statements and Schedules, continued:

Enterprise Funds, continued:

Sanitation Utility:

Statement of Net Assets	K-13	100
Statement of Revenues, Expenses and Changes in Net Assets	K-14	101
Statement of Cash Flows	K-15	102

Harbor and Port Facilities:

Statement of Net Assets	K-16	103
Statement of Revenues, Expenses and Changes in Net Assets	K-17	104
Statement of Cash Flows	K-18	105
Schedule of Harbor and Port Facilities Capital Projects	K-19	106

Elderly Housing:

Statement of Net Assets	K-20	107
Statement of Revenues, Expenses and Changes in Net Assets	K-21	108
Statement of Cash Flows	K-22	109

Assisted Living:

Statement of Net Assets	K-23	110
Statement of Revenues, Expenses and Changes in Net Assets	K-24	111
Statement of Cash Flows	K-25	112

Motor Pool Internal Service Fund:

Statement of Net Assets	L-1	114
Statement of Revenues, Expenses and Changes in Net Assets	L-2	115
Statement of Cash Flows	L-3	116

Schedule of Expenditures of Federal Awards	M-1	117-118
--	-----	---------

Schedule of State Financial Assistance	N-1	119
--	-----	-----

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance		120
--	--	-----

CITY OF PETERSBURG, ALASKA

Table of Contents, continued

SINGLE AUDIT SECTION

Page

Single Audit Reports

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	122-123
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	124-125
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 <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>	126-127
Schedule of Findings and Questioned Costs	128-129
Summary Schedule of Prior Audit Findings	130
Corrective Action Plan	131

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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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and National Forest Receipts – School 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 September 26, 2011, 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 on pages 4 through 15 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 the 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
September 26, 2011

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, 2011. 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

- The assets of the City exceed its liabilities at the close of the most recent year by \$113 million. Of this amount, \$22.8 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, unassigned fund balance for the General Fund was \$3.63 million and was available for spending. The unassigned fund balance for the General Fund represented 44% of total General Fund expenditures exclusive of transfers out.

Overview of the Financial Statements

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

The government-wide financial statements distinguish functions of the 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 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 three major governmental funds, the General Fund, National Forest Receipts – School Special Revenue Fund and the Fire/EMS Facility Capital Project Fund. Data from thirteen other governmental funds are combined into a single, aggregated presentation, labeled the Non-major Funds. The thirteen Non-major governmental funds report revenues and expenditures for: Miscellaneous Grants, National Forest Receipts – Streets & Roads, Property Development, E911 Surcharge, Debt Service, Ballfield Playground, Library Construction, Homeland Security, Fishing Park, Birch Street Rebuild, Street Paving Projects, Kings Row Realignment, and Economic Development. The combining financial statement presentation for these thirteen 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 National Forest Receipts – School 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 Motor Pool Internal Service Fund report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. The Proprietary Funds are made up of five major Enterprise Funds: the Electric, Water and Wastewater Utility Funds; the Port & Harbor Fund; and the Assisted Living Facility Fund. The 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 51 through 54.

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 \$113,277,343 at the close of the most recent fiscal year. This was an increase of \$1,591,397 from the previous year.

The largest portion of the City's net assets (77%) 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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Current and other assets	\$ 15,463,659	14,035,271	14,951,010	14,339,587	30,414,669	28,374,858
Restricted cash and investments	-	-	2,922,857	2,865,620	2,922,857	2,865,620
Capital assets, net of depreciation	38,748,349	37,657,893	64,916,985	67,116,681	103,665,334	104,774,574
Total assets	<u>54,212,008</u>	<u>51,693,164</u>	<u>82,790,852</u>	<u>84,321,888</u>	<u>137,002,860</u>	<u>136,015,052</u>
Liabilities						
Long-term liabilities outstanding	9,095,869	9,519,010	10,886,181	11,330,446	19,982,050	20,849,456
Other liabilities	694,362	370,388	3,049,105	3,109,262	3,743,467	3,479,650
Total liabilities	<u>9,790,231</u>	<u>9,889,398</u>	<u>13,935,286</u>	<u>14,439,708</u>	<u>23,725,517</u>	<u>24,329,106</u>
Net Assets						
Invested in capital assets, net of debt	30,052,198	28,528,489	56,814,651	58,896,905	86,866,849	87,425,394
Restricted	3,563,400	-	-	-	3,563,400	-
Unrestricted	10,806,179	13,275,277	12,040,915	10,985,275	22,847,094	24,260,552
Total net assets	<u>\$ 44,421,777</u>	<u>41,803,766</u>	<u>68,855,566</u>	<u>69,882,180</u>	<u>113,277,343</u>	<u>111,685,946</u>

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

Governmental Activities

Governmental activities increased the City's net assets by \$2.6 million. Key elements of this follows:

- The National Forest Receipts – School Fund retained \$787,432 of the \$1.36 million payment the fund received this year increasing the year end fund balance to \$3.3 million.
- The Economic Fund increased its net assets by \$254,616.
- General Fund expenditures and transfers out were \$309,000 under budget.
- Property and sales tax revenue remained flat from prior year.

The net assets for the City's governmental activities are \$44.4 million. A substantial portion (68%) of the net assets is invested in capital assets net of related debt. The City uses these assets to provide services to the citizens. The unrestricted net assets of the governmental activities are \$10.8 million as of June 30, 2011.

Business-type Activities

Business-type activities decreased the City's net assets by \$1 million. This compares to an increase of \$1.6 million the prior year. This change is primarily caused by a significant decrease in capital contributions.

The net assets for the City's business-type activities are \$68.86 million, a decrease of \$1 million. As with governmental activities, a substantial portion (83%) of the net assets is invested in capital assets net of related debt. The City uses these assets to provide services to the citizens. The unrestricted net assets of the business-type activities are \$12 million as of June 30, 2011.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 977,825	1,210,417	9,984,395	9,490,948	10,962,220	10,701,365
Operating grants and contributions	2,285,737	2,680,364	192,765	-	2,478,502	2,680,364
Capital grants and contributions	2,346,436	1,464,921	157,641	2,295,297	2,504,077	3,760,218
General revenues:						
Property taxes	2,653,336	2,637,097	-	-	2,653,336	2,637,097
Sales taxes	2,638,867	2,646,277	-	-	2,638,867	2,646,277
Payment in lieu of taxes	520,621	548,888	-	-	520,621	548,888
Other taxes	37,173	39,265	-	-	37,173	39,265
Grants and entitlements not restricted to a specific purpose	1,091,290	1,166,835	-	107,795	1,091,290	1,274,630

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues, continued:						
General revenues, continued:						
Investment income	\$ 763,661	603,385	138,416	234,716	902,077	838,101
Other	<u>74,117</u>	<u>31,848</u>	<u>-</u>	<u>-</u>	<u>74,117</u>	<u>31,848</u>
Total revenues	<u>13,389,063</u>	<u>13,029,297</u>	<u>10,473,217</u>	<u>12,128,756</u>	<u>23,862,280</u>	<u>25,158,053</u>
Expenses:						
General government	1,813,697	1,449,000	-	-	1,813,697	1,449,000
Public safety	1,841,276	1,766,806	-	-	1,841,276	1,766,806
Public works	1,905,680	2,054,974	-	-	1,905,680	2,054,974
Community services	871,986	793,343	-	-	871,986	793,343
Culture and recreation	1,639,588	1,659,216	-	-	1,639,588	1,659,216
Education	2,118,158	2,264,761	-	-	2,118,158	2,264,761
Electric utility	-	-	5,650,676	5,252,104	5,650,676	5,252,104
Water utility	-	-	1,469,459	1,374,296	1,469,459	1,374,296
Sewer utility	-	-	883,776	889,668	883,776	889,668
Sanitation utility	-	-	1,033,072	942,890	1,033,072	942,890
Harbor/port facilities	-	-	1,770,270	1,754,774	1,770,270	1,754,774
Elderly housing	-	-	374,925	350,381	374,925	350,381
Assisted living	-	-	898,320	937,410	898,320	937,410
Total expenses	<u>10,190,385</u>	<u>9,988,100</u>	<u>12,080,498</u>	<u>11,501,523</u>	<u>22,270,883</u>	<u>21,489,623</u>
Increase (decrease) in net assets before transfers	3,198,678	3,041,197	(1,607,281)	627,233	1,591,397	3,668,430
Transfers	<u>(580,667)</u>	<u>(1,022,206)</u>	<u>580,667</u>	<u>1,022,206</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	2,618,011	2,018,991	(1,026,614)	1,649,439	1,591,397	3,668,430
Beginning 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>
Ending net assets	<u>\$ 44,421,777</u>	<u>41,803,766</u>	<u>68,855,566</u>	<u>69,882,180</u>	<u>113,277,343</u>	<u>111,685,946</u>

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

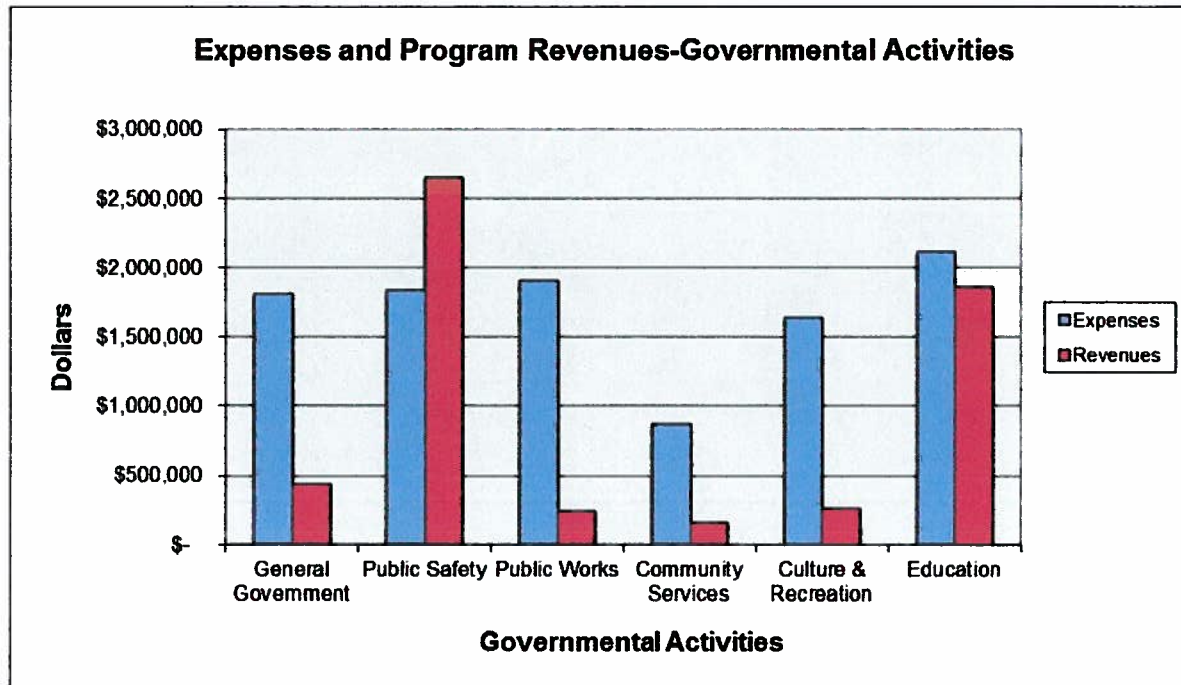
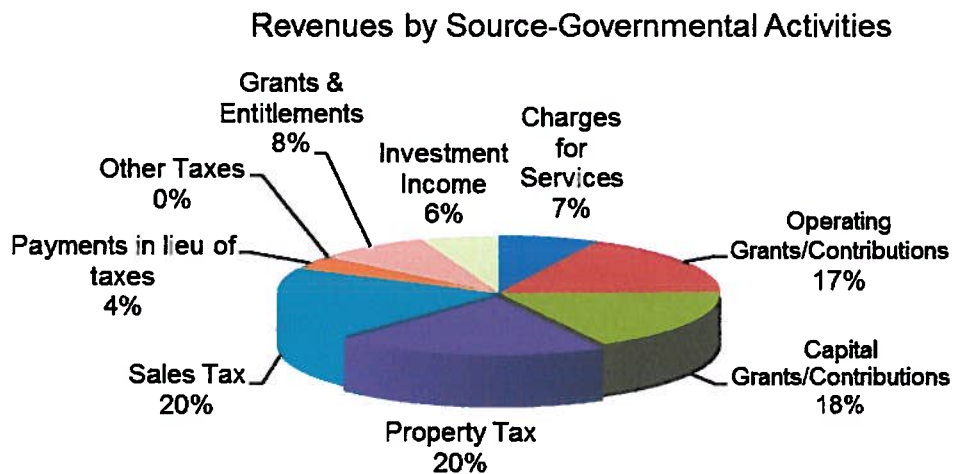


Figure 2 shows the percentages of all revenue sources for governmental activities. In 2011, sales taxes and property tax each totaled 20% of revenues, both remaining flat from the prior year.

Figure 2



CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

Business Type Activities. Net assets decreased by \$1,026,614 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

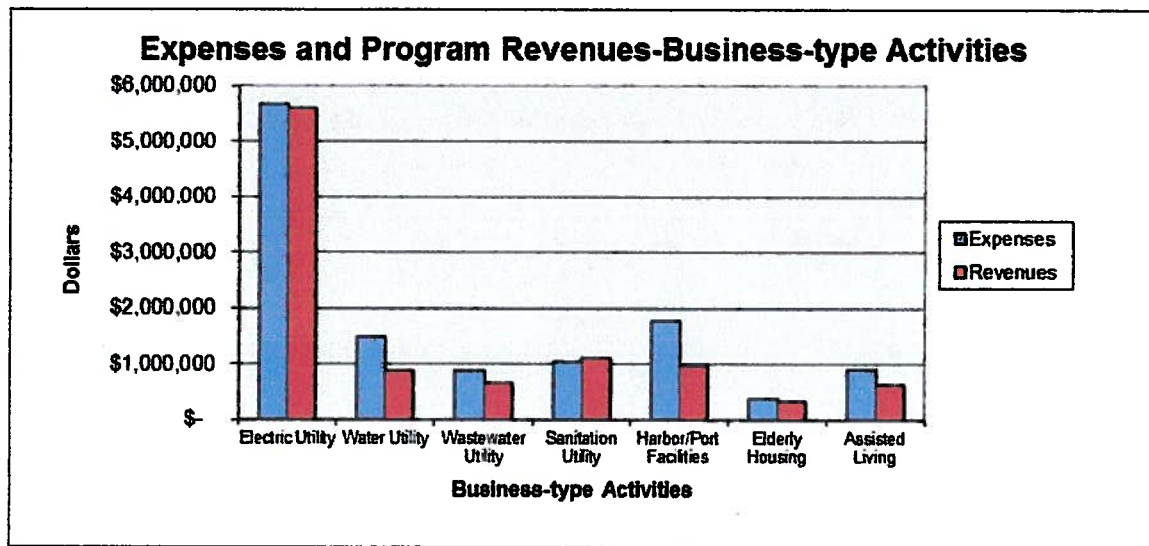
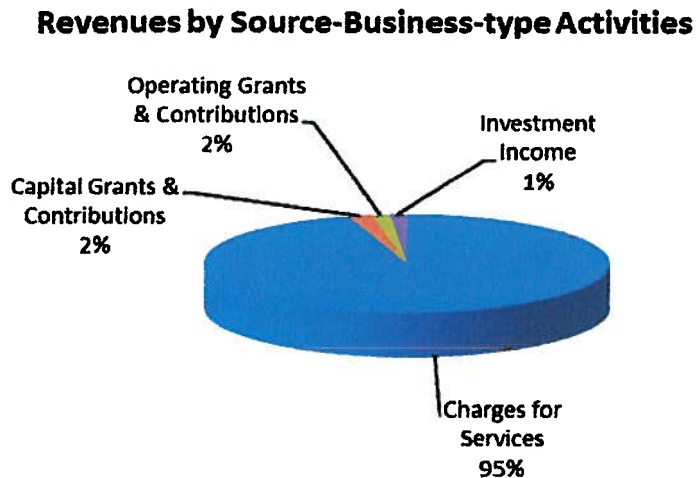


Figure 4



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. Please note that the City of Petersburg began implementing GASB Statement No. 54 in FY 2011. GASB 54 creates more transparency in the financial statements by creating up to five components of "fund balance". These components are nonspendable, restricted, committed, assigned and unassigned.

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, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Petersburg's governmental funds reported combined ending fund balances of \$13,571,675, an increase of \$855,542 in comparison with the prior year. This increase is mainly due to the accumulation of Secure Rural Schools Funding that the City is working to set aside in case funding levels drop substantially or is not extended after FY 2011/2012 by the Federal Government.

The total fund balances of the governmental funds are made up of five components. \$51,699 nonspendable, which is the General Fund's prepaid health insurance, \$3,563,400 restricted (National Forest Receipts School and Public Roads funding), \$6,215,927 committed (primarily for economic development and capital projects), \$123,479 assigned (Debt Service Fund), and \$3,617,170 unassigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$3,625,460, while total fund balance was \$3,677,159. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 44% of total General Fund expenditures. This is an increase of 1% 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. While 2010 had shown an increase of 3% from the prior year.

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 \$6,418,429, an increase of \$620,287 from the prior year. Overall net assets increased \$17,153 for the Electric Utility.
- The Water Utility Fund's unrestricted net assets were \$305,787, an increase of \$120,833.

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

- The Wastewater Utility Fund's unrestricted net assets totaled \$1,188,452 at the end of the year, an increase of 5%. A contributing factor of this was increased wastewater rates on 7/1/2010 of 1%.
- The Sanitation Utility Fund is continuing 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 \$371,968 which is an increase of \$103,683 from the prior year.
- The Harbor Fund increased its unrestricted net assets by \$177,683, for a total of \$1,347,275. This increase was much smaller than the prior years increase of \$416,399. One reason for this was the lower than expected fisheries business tax revenue in 2011.
- The Elderly Housing Facility's unrestricted net assets decreased 1% to \$552,908 in fiscal year 2011. This is becoming a downward trend as a decrease of 4%, 6% and 2% was shown in prior year's 2010, 2009 and 2008 respectively. The Facility underwent a management change this year which could be the reason we are seeing a leveling out in this area.
- Despite a transfer into the Assisted Living Fund of \$197,616 from the General Fund, and raising rates during the year, the Assisted Living facility ended the year by increasing the deficit in unrestricted net assets by \$81,361. The total deficit in unrestricted net assets at June 30, 2011 was \$245,359.
- The Motor Pool Fund's unrestricted net assets increased \$318,818 (11%) from the prior year 2010.

General Fund Budgetary Highlights

- Council adopted a minimum fund balance policy for the General Fund.
- Over \$100,000 was spent on attorney fees regarding the PMEA Union Negotiation issues and Classification hearings.
- General Fund expenditures were \$354,770 under budget.
- Transfers out exceeded transfers in by \$119,265.
- Fisheries business tax revenues decreased by \$160,609 from the prior year.

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

Capital Asset and Debt Administration

Capital Assets As of June 30, 2011, the City had invested \$103,665,334 in capital assets net of accumulated depreciation as presented in Table 3. This investment includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. This is a decrease over the previous year.

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

- A portable generator was purchased with Homeland Security funds in the amount of \$44,858.
- Almost \$2.2 million in State grant funds was spent in fiscal year 2011 on construction of the new Fire/EMS Hall.
- The Public Works Department acquired a used Volvo Vibratory Roller (\$60,150) and a 420E CAT Backhoe (\$93,149).
- Power & Light purchased a Ford 150 extended cab for the Electrician in the amount of \$34,212.
- \$37,959 was granted by Homeland Security to purchase new engines for the Harbor Security Boat.
- \$132,425 of Federal and State grant funds were spent on improvements to the Commercial Drive Down Dock (\$44,617) and the Passenger Vessel Port Fund (\$87,808) this year.
- The Baler Rebuild project was closed out and capitalized with a cost of \$94,799.
- Petersburg Power Distribution Project was closed out and capitalized at \$1.97 million. This project added a second feeder circuit from the substation at Scow Bay to town to prevent overloading of the existing feeder.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 3,435,776	3,435,776	1,279,223	1,279,223	4,714,999	4,714,999
Infrastructure	14,374,699	14,387,854	-	-	14,374,699	14,387,854
Buildings	13,584,516	14,580,748	12,782,026	13,283,497	26,366,542	27,864,245
Improvements other than buildings	43,439	50,422	40,573,740	40,279,444	40,617,179	40,329,866
Machinery and equipment	3,125,504	3,271,716	6,637,111	7,099,911	9,762,615	10,371,627
Construction in progress	<u>4,184,415</u>	<u>1,931,377</u>	<u>3,644,885</u>	<u>5,174,606</u>	<u>7,829,300</u>	<u>7,105,983</u>
Total capital assets	\$ <u>38,748,349</u>	<u>37,657,893</u>	<u>64,916,985</u>	<u>67,116,681</u>	<u>103,665,334</u>	<u>104,774,574</u>

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

Additional information on the City's capital assets can be found in note 6 on pages 43 through 45 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$19,709,128. Of this amount, \$14,905,002 comprises debt backed by the full faith and credit of the government (i.e., general obligation bonds). \$688,637 is employee accrued leave and \$4,115,489 is water and wastewater loans from the Alaska Department of Environmental Conservation. It should be noted that the State reimburses the City between 60-70% for a majority of the school GO bond debt service.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 8,644,207	9,074,210	6,260,795	6,480,791	14,905,002	15,555,001
Accrued leave	399,718	389,606	288,919	258,493	688,637	648,099
Loans, long-term	-	-	4,115,489	4,362,024	4,115,489	4,362,024
Total long-term debt	<u>\$ 9,043,925</u>	<u>9,463,816</u>	<u>10,665,203</u>	<u>11,101,308</u>	<u>19,709,128</u>	<u>20,565,124</u>

The City's governmental activity debt decreased by \$419,891 during the current year. The City's business-type debt decreased by \$436,105. Additional information on the City of Petersburg's long-term debt can be found in note 7 on pages 45 through 49.

Economic Forecast and Rates for Next Fiscal Year

- The City Council approved a balanced fiscal year 2012 budget. The budget included an increase in property taxes to include G.O. Bond payments for the Assisted Living Facility in the amount of \$198,000.
- PMEA's collective bargaining agreements expired 3/31/2010 and remain unresolved as of September 2011. Interest arbitration has just been scheduled for Class I employees to be held in January of 2012.
- There is a ballot proposition on the October 5, 2011 ballot for a \$1.5 million dollar bond issuance to obtain the remaining funds needed to construct a new public library. If the proposition is approved the completion date is planned for July of 2013.
- The City changed Health Insurance carriers from the State's Political Subdivision plan (Aetna) to Premiera Blue Cross, to avoid a projected premium increase of 40%. The City saw an increase of 15% in health insurance expenses and the PMEA employees absorbed a 2% increase in their dependant health insurance premiums.
- The City's property tax invoices will include an additional .77 mills to retire annual Mountain View Manor Assisted Living G.O. debt that the facility does not have sufficient revenues to cover.
- Wastewater rates increased on July 1, 2011 by 1%.
- A covered roof for the Ball Field Playground should be installed by December 1, 2011.

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

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.

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BASIC FINANCIAL STATEMENTS

CITY OF PETERSBURG, ALASKA

Statement of Net Assets

June 30, 2011

	Primary Government			Component Unit
	Governmental	Business-type		Petersburg
	Activities	Activities	Total	City Schools
<u>Assets</u>				
Cash and investments	\$ 15,944,767	11,693,718	27,638,485	1,473,043
Receivables, net	1,347,157	837,362	2,184,519	232,947
Internal balances	(1,882,513)	1,882,513	-	-
Inventory	-	392,355	392,355	11,483
Prepaid items	54,248	88,549	142,797	-
Restricted cash and investments	-	2,922,857	2,922,857	-
Bond issuance costs, net	-	56,513	56,513	-
Land and construction in progress	7,620,191	4,924,108	12,544,299	-
Other capital assets, net of accumulated depreciation	31,128,158	59,992,877	91,121,035	251,007
Total assets	\$ 54,212,008	82,790,852	137,002,860	1,968,480
<u>Liabilities</u>				
Accounts payable	445,094	170,052	615,146	31,086
Accrued payroll and employee benefits	158,846	121,177	280,023	44,535
Unearned revenue	34,460	2,572,587	2,607,047	3,453
Customer deposits	-	68,390	68,390	-
Accrued interest	55,962	116,899	172,861	-
Noncurrent liabilities:				
Due within one year:				
Accrued leave	399,718	288,919	688,637	43,756
Bonds payable	450,836	329,164	780,000	-
Loans payable	-	284,511	284,511	-
Due in more than one year:				
Bonds payable	8,193,371	5,931,631	14,125,002	-
Deferred loss on refunding	-	(26,746)	(26,746)	-
Bond premium, net	51,944	155,391	207,335	-
Loans payable	-	3,830,978	3,830,978	-
Landfill closure costs	-	92,333	92,333	-
Total liabilities	9,790,231	13,935,286	23,725,517	122,830
<u>Net Assets</u>				
Invested in capital assets, net of related debt	30,052,198	56,814,651	86,866,849	251,007
Restricted:				
School support and roads	3,563,400	-	3,563,400	-
Scholarships	-	-	-	78,198
Unrestricted	10,806,179	12,040,915	22,847,094	1,516,445
Total net assets	44,421,777	68,855,566	113,277,343	1,845,650
Total liabilities and net assets	\$ 54,212,008	82,790,852	137,002,860	1,968,480

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA

Statement of Activities

Year Ended June 30, 2011

					Net (Expense) Revenue and Changes in Net Assets			
Program Revenues								Component
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Primary Government			Unit
Activities	Expenses				Govern- mental Activities	Business- type Activities	Total	Petersburg City Schools
Primary government:								
Governmental:								
General government	\$ 1,813,697	438,336	-	-	(1,375,361)	-	(1,375,361)	
Public safety	1,841,276	331,442	123,679	2,197,247	811,092	-	811,092	
Public works	1,905,680	18,546	171,345	49,730	(1,666,059)	-	(1,666,059)	
Community services	871,986	5,027	96,908	61,500	(708,551)	-	(708,551)	
Culture and recreation	1,639,588	184,474	35,899	37,959	(1,381,256)	-	(1,381,256)	
Education	2,118,158	-	1,857,906	-	(260,252)	-	(260,252)	
Total governmental activities	10,190,385	977,825	2,285,737	2,346,436	(4,580,387)	-	(4,580,387)	
Business-type:								
Electric Utility	5,650,676	5,492,483	103,477	-	-	(54,716)	(54,716)	
Water Utility	1,469,459	876,763	12,835	13,703	-	(566,158)	(566,158)	
Wastewater Utility	883,776	634,402	8,959	-	-	(240,415)	(240,415)	
Sanitation Utility	1,033,072	1,097,406	15,692	-	-	80,026	80,026	
Harbor and Port Facilities	1,770,270	951,058	25,002	143,938	-	(650,272)	(650,272)	
Elderly Housing	374,925	331,724	-	-	-	(43,201)	(43,201)	
Assisted Living Facilities	898,320	600,559	26,800	-	-	(270,961)	(270,961)	
Total business-type activities	12,080,498	9,984,395	192,765	157,641	-	(1,745,697)	(1,745,697)	
Total primary government	\$ 22,270,883	10,962,220	2,478,502	2,504,077	(4,580,387)	(1,745,697)	(6,326,084)	
Component unit - school district - education								
	\$ 9,019,523	83,160	858,252	-				(8,078,111)
General revenues:								
Property taxes					\$ 2,653,336	-	2,653,336	-
Sales taxes					2,638,867	-	2,638,867	-
Payments in lieu of taxes					520,621	-	520,621	-
Other taxes					37,173	-	37,173	-
Contributions from primary government					-	-	-	1,800,000
Grants and entitlements not restricted to a specific purpose					1,091,290	-	1,091,290	6,478,253
Investment income					763,661	138,416	902,077	10,487
Other					74,117	-	74,117	118,619
Transfers					(580,667)	580,667	-	-
Total general revenues and transfers					7,198,398	719,083	7,917,481	8,407,359
Change in net assets					2,618,011	(1,026,614)	1,591,397	329,248
Net assets at beginning of year					41,803,766	69,882,180	111,685,946	1,516,402
Net assets at end of year					\$ 44,421,777	68,855,566	113,277,343	1,845,650

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA

Governmental Funds

Balance Sheet

June 30, 2011

<u>Assets</u>	<u>Major Funds</u>				<u>Total Govern- mental Funds</u>
	<u>General</u>	<u>National Forest Receipts - School Special Revenue</u>	<u>Fire/EMS Facility Capital Project</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ 2,812,952	3,316,214	-	6,450,805	12,579,971
Receivables, net of allowance for doubtful accounts:					
Property taxes	33,601	-	-	-	33,601
Sales taxes	313,128	-	-	-	313,128
Grants and shared revenues	-	-	686,287	215,502	901,789
Accounts	94,430	-	-	-	94,430
Interest	-	-	-	4,209	4,209
Prepaid insurance	51,699	-	-	-	51,699
Due from other funds	637,517	-	-	-	637,517
 Total assets	 \$ 3,943,327	 3,316,214	 686,287	 6,670,516	 14,616,344
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	112,065	-	282,474	46,241	440,780
Accrued payroll and related liabilities	150,311	-	-	543	150,854
Deferred revenue	3,792	-	-	30,668	34,460
Due to other funds	-	-	378,531	40,044	418,575
Total liabilities	266,168	-	661,005	117,496	1,044,669
Fund balances:					
Nonspendable	51,699	-	-	-	51,699
Restricted	-	3,316,214	-	247,186	3,563,400
Committed	-	-	25,282	6,190,645	6,215,927
Assigned	-	-	-	123,479	123,479
Unassigned (deficit)	3,625,460	-	-	(8,290)	3,617,170
Total fund balances	3,677,159	3,316,214	25,282	6,553,020	13,571,675
 Total liabilities and fund balances	 \$ 3,943,327	 3,316,214	 686,287	 6,670,516	 14,616,344

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 June 30, 2011

Total fund balances for governmental funds \$ 13,571,675

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 and land improvements	\$ 3,435,776	
Construction in progress	4,184,415	
Buildings	35,914,993	
Improvements other than buildings	154,948	
Infrastructure	15,666,364	
Machinery and equipment	1,763,393	
Accumulated depreciation	<u>(25,125,997)</u>	
Total capital assets		35,993,892

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.

3,988,380

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

General obligation bonds payable	(8,644,207)	
Bond premium, net of accumulated amortization	(51,944)	
Accrued interest	(55,962)	
Accrued leave	<u>(380,057)</u>	
Total long term liabilities		<u>(9,132,170)</u>

Total net assets of governmental activities \$ 44,421,777

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, 2011

	<u>Major Funds</u>				<u>Total Govern- mental Funds</u>
	<u>General</u>	<u>National Forest Receipts - School Special Revenue</u>	<u>Fire/EMS Facility Capital Project</u>	<u>Nonmajor Funds</u>	
Revenues:					
Property taxes	\$ 2,653,336	-	-	-	2,653,336
Sales taxes	2,638,867	-	-	-	2,638,867
Other taxes	72,067	-	-	-	72,067
Intergovernmental	1,958,400	1,357,487	2,197,247	884,169	6,397,303
Licenses and permits	20,266	-	-	-	20,266
Charges for services	338,420	-	-	-	338,420
Fines and forfeitures	27,316	-	-	-	27,316
Overhead charges	341,105	-	-	-	341,105
Investment income	100,608	29,806	-	633,247	763,661
Sale of property	-	-	-	44,935	44,935
Other	26,882	-	-	64,905	91,787
Total revenues	<u>8,177,267</u>	<u>1,387,293</u>	<u>2,197,247</u>	<u>1,627,256</u>	<u>13,389,063</u>
Expenditures:					
Current:					
General government	1,758,851	-	-	-	1,758,851
Public safety	1,806,087	-	-	45,396	1,851,483
Public works	1,735,673	-	-	2,811	1,738,484
Community services	225,564	-	-	258,116	483,680
Culture and recreation	954,147	-	-	35,899	990,046
Education - contribution to school distri	1,800,000	-	-	-	1,800,000
Debt service	-	-	-	816,506	816,506
Capital outlay	-	-	2,197,247	359,388	2,556,635
Total expenditures	<u>8,280,322</u>	<u>-</u>	<u>2,197,247</u>	<u>1,518,116</u>	<u>11,995,685</u>
Excess of revenues over (under) expenditures	(103,055)	1,387,293	-	109,140	1,393,378
Other financing sources (uses):					
Transfers in	599,861	-	-	5,163,775	5,763,636
Transfers out	(719,126)	(599,861)	-	(4,982,485)	(6,301,472)
Net other financing sources (uses)	<u>(119,265)</u>	<u>(599,861)</u>	<u>-</u>	<u>181,290</u>	<u>(537,836)</u>
Net change in fund balances	(222,320)	787,432	-	290,430	855,542
Fund balances at beginning of year	<u>3,899,479</u>	<u>2,528,782</u>	<u>25,282</u>	<u>6,262,590</u>	<u>12,716,133</u>
Fund balances at end of year	\$ <u>3,677,159</u>	<u>3,316,214</u>	<u>25,282</u>	<u>6,553,020</u>	<u>13,571,675</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, 2011

Net change in fund balances - total governmental funds \$ 855,542

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 (\$2,473,055) exceeded depreciation (\$1,265,220). 1,207,835

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 (\$430,003) 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. 433,253

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

Accrued leave	\$ (17,635)	
Accrued interest	<u>6,066</u>	
		(11,569)

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. 132,950

Change in net assets of governmental activities \$ 2,618,011

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 2,641,000	2,641,000	2,653,336	12,336
Sales taxes	2,664,256	2,664,256	2,638,867	(25,389)
Other taxes	75,000	75,000	72,067	(2,933)
Intergovernmental	2,079,282	2,086,782	1,958,400	(128,382)
Licenses and permits	8,800	8,800	20,266	11,466
Charges for services	292,500	287,500	338,420	50,920
Fines and forfeitures	15,750	15,750	27,316	11,566
Overhead charges	341,105	341,105	341,105	-
Investment income	125,000	125,000	100,608	(24,392)
Other revenues	27,000	27,000	26,882	(118)
Total revenues	<u>8,269,693</u>	<u>8,272,193</u>	<u>8,177,267</u>	<u>(94,926)</u>
Expenditures:				
General government	1,880,256	1,911,020	1,758,851	152,169
Public safety	1,960,919	1,968,419	1,806,087	162,332
Public works	1,832,134	1,824,634	1,735,673	88,961
Community services	230,500	230,500	225,564	4,936
Culture and recreation	882,519	900,519	954,147	(53,628)
Education - contribution to school district	1,800,000	1,800,000	1,800,000	-
Total expenditures	<u>8,586,328</u>	<u>8,635,092</u>	<u>8,280,322</u>	<u>354,770</u>
Excess of revenues over (under) expenditures	(316,635)	(362,899)	(103,055)	259,844
Other financing sources (uses):				
Transfers in	599,861	599,861	599,861	-
Transfers out	<u>(768,723)</u>	<u>(768,723)</u>	<u>(719,126)</u>	<u>49,597</u>
Net other financing sources (uses)	<u>(168,862)</u>	<u>(168,862)</u>	<u>(119,265)</u>	<u>49,597</u>
Net change in fund balance	\$ <u>(485,497)</u>	<u>(531,761)</u>	(222,320)	<u>309,441</u>
Fund balance at beginning of year			<u>3,899,479</u>	
Fund balance at end of year			\$ <u>3,677,159</u>	

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA
National Forest Receipts - School Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental - national forest receipts	\$ 1,300,000	1,300,000	1,357,487	57,487
Investment income	<u>10,000</u>	<u>10,000</u>	<u>29,806</u>	<u>19,806</u>
Total revenues	1,310,000	1,310,000	1,387,293	77,293
Other financing uses - transfers out	<u>(599,861)</u>	<u>(599,861)</u>	<u>(599,861)</u>	<u>-</u>
Net change in fund balance	\$ <u>710,139</u>	<u>710,139</u>	787,432	<u>77,293</u>
Fund balance at beginning of year			<u>2,528,782</u>	
Fund balance at end of year		\$ <u>3,316,214</u>		

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA
Proprietary Funds
Statement of Net Assets
June 30, 2011

<u>Assets</u>	<u>Major Enterprise Funds</u>						<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Harbor and Port Facilities</u>	<u>Assisted Living</u>				
Current assets:									
Cash and investments	\$ 8,435,531	195,200	1,118,876	953,837	-		990,274	11,693,718	3,364,796
Receivables, net of allowance for doubtful accounts	382,275	114,195	74,478	162,193	8,433		95,788	837,362	-
Inventories	284,656	74,953	32,746	-	-		-	392,355	-
Prepaid expenses	60,826	4,621	2,549	8,477	6,843		5,233	88,549	2,549
Total current assets	9,163,288	388,969	1,228,649	1,124,507	15,276		1,091,295	13,011,984	3,367,345
Restricted cash:									
Capital projects	-	-	-	2,905,426	-		-	2,905,426	-
Security deposits	-	-	-	-	-		17,431	17,431	-
Bond issuance costs, net of accumulated amortization	15,671	-	-	9,239	23,702		7,901	56,513	-
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	4,162,473	24,956,557	7,766,001	22,431,411	-		249,088	59,565,530	-
Machinery and equipment	16,973,410	3,108,768	327,789	461,072	78,000		305,785	21,254,824	5,853,724
Construction in progress	2,037,420	69,491	79,549	1,458,425	-		-	3,644,885	-
Total property, plant and equipment	24,930,851	33,313,146	17,197,974	25,017,002	3,985,471		5,510,605	109,955,049	5,853,724
Accumulated depreciation	(13,816,662)	(10,523,603)	(9,406,329)	(7,491,483)	(784,354)		(3,015,633)	(45,038,064)	(3,099,267)
Net property, plant and equipment	11,114,189	22,789,543	7,791,645	17,525,519	3,201,117		2,494,972	64,916,985	2,754,457
Total assets	\$ 20,293,148	23,178,512	9,020,294	21,564,691	3,240,095		3,611,599	80,908,339	6,121,802

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	\$ 85,794	14,552	550	24,470	4,830	39,856	170,052	4,314
Accrued payroll and employee benefits	51,566	9,621	8,982	19,280	15,201	16,527	121,177	7,992
Accrued leave	153,853	9,282	18,723	76,169	14,883	16,009	288,919	19,661
Deferred revenue	-	-	-	2,568,321	3,780	486	2,572,587	-
Customer deposits	31,723	6,761	5,200	-	5,300	19,406	68,390	-
Accrued interest	34,999	42,966	6,742	3,657	21,401	7,134	116,899	-
Due to other funds	-	-	-	-	218,942	-	218,942	-
<u>Current portion:</u>								
General obligation bonds	100,000	-	-	79,164	112,500	37,500	329,164	-
ADEC loans	-	252,773	31,738	-	-	-	284,511	-
Total current liabilities	457,935	335,955	71,935	2,771,061	396,837	136,918	4,170,641	31,967
<u>Long term debt, net of current portion:</u>								
General obligation bonds	2,700,000	-	-	891,631	1,755,000	585,000	5,931,631	-
Deferred loss on refunding	-	-	-	(26,746)	-	-	(26,746)	-
Bond premium, net of accumulated amortization	58,547	-	-	13,241	62,702	20,901	155,391	-
ADEC loans	-	3,359,461	471,517	-	-	-	3,830,978	-
Landfill closure costs	-	-	-	-	-	92,333	92,333	-
Total long-term debt	2,758,547	3,359,461	471,517	878,126	1,817,702	698,234	9,983,587	-
Total liabilities	3,216,482	3,695,416	543,452	3,649,187	2,214,539	835,152	14,154,228	31,967
<u>Net assets:</u>								
Invested in capital assets, net of related debt	10,658,237	19,177,309	7,288,390	16,568,229	1,270,915	1,851,571	56,814,651	2,754,457
Unrestricted (deficit)	6,418,429	305,787	1,188,452	1,347,275	(245,359)	924,876	9,939,460	3,335,378
Total net assets	17,076,666	19,483,096	8,476,842	17,915,504	1,025,556	2,776,447	66,754,111	6,089,835
Total liabilities and net assets	\$ 20,293,148	23,178,512	9,020,294	21,564,691	3,240,095	3,611,599	2,101,455	6,121,802
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.								
						\$	68,855,566	
Net assets of business-type activities								

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

Net assets of business-type activities

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, 2011

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
Operating revenues	\$ 5,307,153	876,763	634,402	951,058	600,559	1,429,130	9,799,065	988,021
Operating expenses:								
Salaries and benefits	1,211,908	296,275	264,489	548,097	501,393	446,200	3,268,362	169,668
Services, supplies, and other charges	3,466,958	266,844	177,617	262,764	165,359	606,409	4,945,951	304,304
Allocated overhead and motor pool charges	242,887	59,597	92,499	79,274	40,961	222,373	737,591	12,185
Depreciation	615,855	797,120	352,325	836,319	105,871	130,744	2,838,234	355,392
Total operating expenses	5,537,608	1,419,836	886,930	1,726,454	813,584	1,405,726	11,790,138	841,549
Income (loss) from operations	(230,455)	(543,073)	(252,528)	(775,396)	(213,025)	23,404	(1,991,073)	146,472
Nonoperating revenues (expenses):								
Investment income	94,595	1,734	12,183	19,073	-	10,831	138,416	-
SEAPA distribution	185,330	-	-	-	-	-	185,330	-
Interest expense	(134,969)	(54,075)	(7,394)	(47,262)	(83,227)	(27,742)	(354,669)	-
Gain on disposal of equipment	-	-	-	-	-	-	-	7,250
Amortization of bond issuance costs	(825)	-	-	(924)	(1,823)	(608)	(4,180)	-
State PERS relief	103,477	12,835	8,959	25,002	26,800	15,692	192,765	9,217
Net nonoperating revenues (expenses)	247,608	(39,506)	13,748	(4,111)	(58,250)	(1,827)	157,662	16,467
Income (loss) before contributions and transfer:	17,153	(582,579)	(238,780)	(779,507)	(271,275)	21,577	(1,833,411)	162,939
Capital contributions	-	18,575	-	181,897	-	-	200,472	38,500
Transfers in	-	165,000	-	205,220	197,616	-	567,836	-
Transfers out	-	-	(30,000)	-	-	-	(30,000)	-
Change in net assets	17,153	(399,004)	(268,780)	(392,390)	(73,659)	21,577	(1,095,103)	201,439
Net assets at beginning of year	17,059,513	19,882,100	8,745,622	18,307,894	1,099,215	2,754,870	5,888,396	5,888,396
Net assets at end of year	\$ 17,076,666	19,483,096	8,476,842	17,915,504	1,025,556	2,776,447	6,089,835	6,089,835
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.								
							68,489	
Change in net assets of business-type activities							\$	(1,026,614)

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA

 Proprietary Funds
 Statement of Cash Flows
 Year Ended June 30, 2011

	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	\$ 5,455,125	872,535	635,218	959,793	599,373	1,422,607	9,944,651	988,221
Payments for interfund services used	(242,887)	(59,597)	(92,499)	(79,274)	(40,961)	(222,373)	(737,591)	(12,185)
Payments to suppliers	(3,539,889)	(259,831)	(182,773)	(277,511)	(169,182)	(600,417)	(5,029,603)	(318,691)
Payments to employees	(1,102,632)	(284,267)	(255,928)	(514,197)	(484,694)	(431,762)	(3,073,480)	(167,956)
Net cash flows from operating activities	569,717	268,840	104,018	88,811	(95,464)	168,055	1,103,977	489,389
Cash flows from noncapital financing activities:								
Transfers out	-	-	(30,000)	-	-	-	(30,000)	-
Federal fuel grant received	-	-	-	-	-	-	-	12,362
Net cash flows from investing activities	-	-	(30,000)	-	-	-	(30,000)	12,362
Cash flows from capital and related financing activities:								
Principal paid on long-term debt	-	(250,438)	(31,269)	(74,996)	(108,750)	(36,250)	(501,703)	-
Interest paid on long-term debt	(136,105)	(48,022)	(7,824)	(45,919)	(88,865)	(29,621)	(356,356)	-
Proceeds from issuance of debt	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment	(366,889)	(49,120)	(12,896)	(181,088)	-	(17,032)	(627,025)	(238,013)
Decrease in deferred revenue	-	-	-	(11,513)	-	-	(11,513)	-
Proceeds from sale of equipment	-	-	-	-	-	-	-	7,250
Increase in due to other funds	-	-	-	-	95,463	-	95,463	-
Transfers in	-	165,000	-	205,220	197,616	-	567,836	-
Capital contributions received	133,874	4,872	-	1,001,648	-	-	1,140,394	38,500
Net cash flows from capital and related financing activities	(369,120)	(177,708)	(51,989)	893,352	95,464	(82,903)	307,096	(192,263)
Cash flows from investing activities - investment income received	94,595	1,734	12,183	28,911	-	10,831	148,254	-
Net increase in cash and investments	295,192	92,866	34,212	1,011,074	-	95,983	1,529,327	309,488
Cash and investments at beginning of year	8,140,339	102,334	1,084,664	2,848,189	-	911,722	13,087,248	3,055,308
Cash and investments at end of year	\$ 8,435,531	195,200	1,118,876	3,859,263	-	1,007,705	14,616,575	3,364,796
See accompanying notes to basic financial statements.								

CITY OF PETERSBURG, ALASKA

Proprietary Funds

Statement of Cash Flows, continued

	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				
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:									
Income (loss) from operations	\$ (230,455)	(543,073)	(252,528)	(775,396)	(213,025)		23,404	(1,991,073)	146,472
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:									
Depreciation	615,855	797,120	352,325	836,319	105,871		130,744	2,838,234	355,392
Noncash expense - PERS relief	103,477	12,835	8,959	25,002	26,800		15,692	192,765	9,217
Nonoperating revenues received	185,330	-	-	-	-		-	185,330	-
Increase (decrease) in allowance for doubtful account:	(14,336)	(3,720)	(3,062)	46	-		(3,474)	(24,546)	-
(Increase) decrease in assets:									
Accounts receivable	(30,743)	4,732	5,878	2,036	-		(7,445)	(25,542)	200
Inventories	(1,821)	(2,528)	(2,876)	-	-		-	(7,225)	-
Prepaid expenses	(11,550)	(4,621)	(2,549)	(8,477)	(6,843)		(5,233)	(39,273)	(2,549)
Increase (decrease) in liabilities:									
Accounts payable	(59,560)	14,162	269	(6,270)	3,020		11,225	(37,154)	(11,838)
Accrued payroll and employee benefits	(9,069)	(2,767)	(967)	(6,570)	(7,780)		(1,156)	(28,309)	18
Accrued leave	14,868	1,940	569	15,468	(2,321)		(98)	30,426	(7,523)
Deferred revenue	-	-	-	-	(286)		(110)	(396)	-
Customer deposits	7,721	(5,240)	(2,000)	-	(900)		4,506	4,087	-
Prepaid mortgage	-	-	-	6,653	-		-	6,653	-
Net cash flows from operating activities	\$ 569,717	268,840	104,018	88,811	(95,464)		168,055	1,103,977	489,389

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements

June 30, 2011

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

The *Fire/EMS Capital Project Fund* accounts for the costs associated with replacing the public safety building.

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.

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.

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.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

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 resolution. 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.

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).

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

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.

Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Fund Equity, continued

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

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council and City manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

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.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

(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.
- 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, 2011, follows:

Due from other funds:

Due to the General Fund from:

Assisted Living Enterprise Fund to cover operating costs	\$ 218,942
Fire/EMS Facility Capital Project Fund for short-term advances to cover capital costs	378,531
Nonmajor governmental fund for short-term advances to cover debt service costs	25,371
Nonmajor governmental funds for short-term advances to cover capital costs	<u>14,673</u>
Total amount due from other funds	\$ <u>637,517</u>

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Interfund Receivables, Payables, and Transfers, continued

Transfers:

From National Forest Receipts – School Special Revenue	
Fund to General Fund to cover operating costs	\$ <u>599,861</u>
From General Fund to:	
Assisted Living Enterprise Fund to cover operating and debt service costs	197,616
Harbor and Port Facilities Enterprise Fund to cover capital costs	205,220
Nonmajor governmental fund to cover debt service costs	<u>316,290</u>
Total transfers from General Fund	<u>719,126</u>
From Wastewater Utility Enterprise fund to nonmajor governmental funds to cover capital costs	<u>30,000</u>
From nonmajor governmental funds to:	
Water Utility Enterprise Fund to cover capital costs	165,000
Other nonmajor governmental funds to cover operating and capital costs	<u>4,817,485</u>
Total transfers from nonmajor governmental funds	<u>4,982,485</u>
Total transfers to other funds	\$ <u>6,331,472</u>

(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 in the case of "negative cash," is included in "Due to other funds."

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of June 30, 2011.

	<u>Pooled Cash and Investments</u>	<u>Economic Fund</u>	<u>Totals</u>
Bank deposits and money markets	\$ 98,080	364,036	462,116
Investments	<u>25,795,370</u>	<u>4,303,856</u>	<u>30,099,226</u>
	\$ <u>25,893,450</u>	<u>4,667,892</u>	<u>30,561,342</u>
Cash and investments	\$ 22,970,593	4,667,892	27,638,485
Restricted cash and investments	<u>2,922,857</u>	<u>-</u>	<u>2,922,857</u>
	\$ <u>25,893,450</u>	<u>4,667,892</u>	<u>30,561,342</u>

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

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.

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

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Investment Policy, continued

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

Interest Rate Risk

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

Investment maturities in general investments at June 30, 2011 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>
Money market funds	\$ 649,824	649,824	-
U.S. government agencies	1,465,373	362,416	1,102,957
Corporate fixed income	12,336,492	3,534,233	8,802,259
Certificates of deposit	<u>9,922,135</u>	<u>4,536,304</u>	<u>5,385,831</u>
Total subject to interest rate risk	24,373,824	<u>9,082,777</u>	<u>15,291,047</u>
Pooled investments	<u>1,421,546</u>		
Total investments	\$ <u>25,795,370</u>		

Investment maturities in the Economic Fund investments at June 30, 2011 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	\$ 2,061,475	<u>1,192,762</u>	<u>868,713</u>
International equity securities	394,703		
U.S. equity securities	<u>1,847,678</u>		
Total investments	\$ <u>4,303,856</u>		

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

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, 2011, 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>Fire/EMS Capital Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Electric Utility</u>	<u>Water Utility</u>
Grants and shared revenues	\$ -	686,287	215,502	-	35,978
Property and sales taxes	346,729	-	-	-	-
Accounts	94,430	-	-	386,229	78,765
Interest	-	-	4,209	-	-
Total receivables	441,159	686,287	219,711	386,229	114,743
Less allowance for doubtful accounts	-	-	-	(3,954)	(548)
Net receivables	\$ <u>441,159</u>	<u>686,287</u>	<u>219,711</u>	<u>382,275</u>	<u>114,195</u>

	<u>Wastewater Utility</u>	<u>Harbor and Port</u>	<u>Assisted Living</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Grants and shared revenues	\$ 12,897	45,073	-	-	995,737
Property and sales taxes	-	-	-	-	346,729
Accounts	62,177	151,576	8,433	96,582	878,192
Interest	-	4,891	-	-	9,100
Total receivables	75,074	201,540	8,433	96,582	2,229,758
Less allowance for doubtful accounts	(596)	(39,347)	-	(794)	(45,239)
Net receivables	\$ <u>74,478</u>	<u>162,193</u>	<u>8,433</u>	<u>95,788</u>	<u>2,184,519</u>

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Accounts Receivable and Valuation Allowances, continued

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, 2011, *deferred revenue* was composed of \$34,460 in grant drawdowns prior to meeting all eligibility requirements.

(6) Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2011</u>
<u>Governmental activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,435,776	-	-	3,435,776
Construction in progress	<u>1,931,377</u>	<u>2,253,038</u>	-	<u>4,184,415</u>
Total assets not being depreciated	<u>5,367,153</u>	<u>2,253,038</u>	-	<u>7,620,191</u>
<i>Capital assets being depreciated:</i>				
Buildings	35,853,125	61,868	-	35,914,993
Improvements other than buildings	154,948	-	-	154,948
Machinery and equipment	7,543,225	344,273	270,381	7,617,117*
Infrastructure	<u>15,614,475</u>	<u>51,889</u>	-	<u>15,666,364</u>
Total assets being depreciated	<u>59,165,773</u>	<u>458,030</u>	<u>270,381</u>	<u>59,353,422</u>
Less accumulated depreciation for:				
Buildings	21,272,377	1,058,100	-	22,330,477
Improvements other than buildings	104,526	6,983	-	111,509
Machinery and equipment	4,271,509	490,485	270,381	4,491,613*
Infrastructure	<u>1,226,621</u>	<u>65,044</u>	-	<u>1,291,665</u>
Total accumulated depreciation	<u>26,875,033</u>	<u>1,620,612</u>	<u>270,381</u>	<u>28,225,264</u>
Total capital assets being depreciated, net	<u>32,290,740</u>	<u>(1,162,582)</u>	-	<u>31,128,158</u>
Governmental activity capital assets, net	\$ <u>37,657,893</u>	<u>1,090,456</u>	-	<u>38,748,349</u>

* The ending balances include \$5,853,724 and \$3,099,267 of equipment cost and accumulated depreciation, respectively, related to the Motor Pool Internal Service Fund.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<u>Business-type activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 1,279,223	-	-	1,279,223
Construction in progress	<u>5,174,606</u>	<u>549,892</u>	<u>2,079,613</u>	<u>3,644,885</u>
Total assets not being depreciated	<u>6,453,829</u>	<u>549,892</u>	<u>2,079,613</u>	<u>4,924,108</u>
<i>Capital assets being depreciated:</i>				
Buildings	24,210,587	-	-	24,210,587
Improvements other than buildings	57,570,012	1,995,518	-	59,565,530
Machinery and equipment	<u>21,087,432</u>	<u>172,741</u>	<u>5,349</u>	<u>21,254,824</u>
Total assets being depreciated	<u>102,868,031</u>	<u>2,168,259</u>	<u>5,349</u>	<u>105,030,941</u>
Less accumulated depreciation for:				
Buildings	10,927,090	501,471	-	11,428,561
Improvements other than buildings	17,290,568	1,701,222	-	18,991,790
Machinery and equipment	<u>13,987,521</u>	<u>635,541</u>	<u>5,349</u>	<u>14,617,713</u>
Total accumulated depreciation	<u>42,205,179</u>	<u>2,838,234</u>	<u>5,349</u>	<u>45,038,064</u>
Total capital assets being depreciated, net	<u>60,662,852</u>	<u>(669,975)</u>	<u>-</u>	<u>59,992,877</u>
Business-type activity capital assets, net	<u>\$ 67,116,681</u>	<u>(120,083)</u>	<u>2,079,613</u>	<u>64,916,985</u>

Depreciation expense was charged to the functions as follows:

	Depreciation Excluding Internal Service Fund	Internal Service Fund Allocation	Total Depreciation
<u>Governmental activities</u>			
General government	\$ 89,723	163,507	253,230
Public safety	45,015	99,363	144,378
Public works	200,964	90,233	291,197
Culture and recreation	682,529	2,289	684,818
Education	<u>246,989</u>	<u>-</u>	<u>246,989</u>
Total governmental activities	<u>\$ 1,265,220</u>	<u>355,392</u>	<u>1,620,612</u>

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

	<u>Depreciation</u>
<u>Business-type activities</u>	
Electric utility	\$ 615,855
Water utility	797,120
Wastewater utility	352,325
Sanitation utility	61,906
Harbor and port facilities	836,319
Elderly housing	68,838
Assisted living	<u>105,871</u>
Total business-type activities	<u>\$ 2,838,234</u>

(7) **Long-Term Debt**

Bonds and notes payable at June 30, 2011, are comprised of the following:

	Balance at July 1, <u>2010</u>	<u>Additions</u>	<u>Retire- ments</u>	Balance at June 30, <u>2011</u>	Due Within One <u>Year</u>
<u>Governmental activities</u>					
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%	\$ 1,085,000	-	45,000	1,040,000	45,000
\$197,540 2007 general obligation pool refunding bonds, due in annual installments of \$15,836 to \$24,172, through 2021, plus interest at 3.875% to 5.5%	195,040	-	833	194,207	15,836
\$5,850,000 2005 general obligation school bonds, due in annual installments of \$235,000 to \$420,000 through 2026, plus interest at 4% to 5%	5,035,000	-	225,000	4,810,000	235,000
\$3,507,000 2004 general obligation school bonds, due in annual installments of \$155,000 to \$255,000 through 2024, plus interest at 4% to 4.8%	2,745,000	-	145,000	2,600,000	155,000

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

	Balance at July 1, <u>2010</u>	<u>Additions</u>	Retire- <u>ments</u>	Balance at June 30, <u>2011</u>	Due Within One <u>Year</u>
<u>Governmental activities, continued</u>					
General Obligation Bonds, continued:					
\$300,000 2000 general obligation pool bonds, due in final installment of \$14,170 in 2011, plus interest at 5.5%	\$ 14,170	-	14,170	-	-
Accrued leave (net)	<u>388,098</u>	<u>11,620</u>	<u>-</u>	<u>399,718*</u>	<u>399,718</u>
Total governmental activities	\$ <u>9,462,308</u>	<u>11,620</u>	<u>430,003</u>	9,043,925	<u>850,554</u>
Unamortized bond premium				<u>51,944</u>	
				<u>\$ 9,095,869</u>	

* The ending balance includes \$19,661 of accrued leave, 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.

	Balance at July 1, <u>2010</u>	<u>Additions</u>	Retire- <u>ments</u>	Balance at June 30, <u>2011</u>	Due Within One <u>Year</u>
<u>Business-type activities</u>					
General Obligation Bonds:					
\$987,460 2007 general obligation harbor refunding bonds, due in annual installments of \$79,164 to \$120,828, through 2021, plus interest at 3.875% to 5.5%	\$ 974,961	-	4,166	970,795	79,164
\$3,420,000 2004 general obligation elderly housing and assisted living bonds, due in annual installments of \$150,000 to \$235,000 through 2024, plus interest at 3.25% to 5.0%	2,635,000	-	145,000	2,490,000	150,000

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

	Balance at July 1, <u>2010</u>	<u>Additions</u>	<u>Retire- ments</u>	Balance at June 30, <u>2011</u>	Due Within One <u>Year</u>
<u>Business-type activities, continued</u>					
General Obligation Bonds, continued:					
\$1,500,000 2000 general obligation harbor bonds, due in final installment of \$70,830 in 2011, plus interest at 5.5%	\$ 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	100,000
Notes Payable:					
\$1,900,000 Water Utility note, due in annual installments of \$94,766 through 2020, plus interest at 1.5%	947,660	-	94,766	852,894	94,766
\$1,989,840 Water Utility note, due in annual installments of \$122,320 through 2025, including interest at 1.5%	1,632,140	-	97,838	1,534,302	99,305
\$643,823 Wastewater Utility note, due in annual installments of \$39,093 through 2025, including interest at 1.5%	521,627	-	31,269	490,358	31,738
\$1,317,577 Water Utility note, due in annual installments of \$76,743 through 2029, including interest at 1.5%	1,260,597	-	57,834	1,202,763	58,702
\$600,000 (maximum) Water Utility note, terms not yet established; interest at 1.5%	-	5,872	-	5,872	-

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

	Balance at July 1, <u>2010</u>	<u>Additions</u>	Retire- <u>ments</u>	Balance at June 30, <u>2011</u>	Due Within One <u>Year</u>
<u>Business-type activities, continued</u>					
Notes Payable, continued:					
\$828,338 (maximum) Water Utility note, terms not yet established; interest at 1.5%	\$ -	16,403	-	16,403	-
\$550,404 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5%	-	12,897	-	12,897	-
Accrued leave (net)	<u>258,493</u>	<u>30,426</u>	<u>-</u>	<u>288,919</u>	<u>288,919</u>
Total business-type activities	\$ <u>11,101,308</u>	<u>65,598</u>	<u>501,703</u>	10,665,203	<u>902,594</u>
Unamortized bond premium				155,391	
Deferred loss on refunding				<u>(26,746)</u>	
				<u>\$ 10,793,848</u>	

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

Governmental activities

Year Ending <u>June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	533,337	282,466	815,803
2017-2021	3,043,356	1,043,962	4,087,318
2022-2026	3,065,000	347,744	3,412,744
2027	<u>90,000</u>	<u>1,969</u>	<u>91,969</u>
	<u>\$ 8,644,207</u>	<u>3,030,452</u>	<u>11,674,659</u>

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

Business-type activities

Year Ending June 30,	General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	371,662	245,900	617,562
2017-2021	2,136,645	952,123	3,088,768
2022-2026	1,455,000	472,667	1,927,667
2027-2031	<u>920,000</u>	<u>150,599</u>	<u>1,070,599</u>
	<u>\$ 6,260,795</u>	<u>2,935,576</u>	<u>9,196,371</u>

Year Ending June 30,	Notes Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	296,154	43,876	340,030
2017-2021	1,432,234	151,825	1,584,059
2022-2026	973,149	56,219	1,029,368
2027-2029	<u>223,489</u>	<u>6,738</u>	<u>230,227</u>
	<u>\$ 4,080,317</u>	<u>477,698</u>	<u>4,558,015</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.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

(8) Fund Balance

The City has implemented the provisions of GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2011. Fund balance reported for the City's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

		National Forest Receipts –			
	<u>General</u>	<u>School Special Revenue</u>	<u>Fire/EMS Capital Project</u>	<u>Total Nonmajor Funds</u>	<u>Totals</u>
Nonspendable – prepaid insurance	\$ 51,699	-	-	-	51,699
Restricted:					
School support	-	3,316,214	-	-	3,316,214
Streets and roads	-	-	-	247,186	247,186
Committed:					
Economic development	-	-	-	4,672,101	4,672,101
Public works	-	-	-	256,021	256,021
Public safety	-	-	-	73,135	73,135
Capital projects	-	-	25,282	1,189,388	1,214,670
Assigned:					
Debt service	-	-	-	123,173	123,173
Subsequent year's expenditures	-	-	-	306	306
Unassigned (deficit)	<u>3,625,460</u>	<u>-</u>	<u>-</u>	<u>(8,290)</u>	<u>3,617,170</u>
Total fund balances	\$ <u>3,677,159</u>	<u>3,316,214</u>	<u>25,282</u>	<u>6,553,020</u>	<u>13,571,675</u>

(9) 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, 2011 represents the total estimated closure cost. This amount is based on what it would cost to perform all closure and postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology or changes in regulations. At June 30, 2011, 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.

(10) **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.

Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (2.41% for pension and 4.34% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.68% for pension and 4.82% for healthcare).

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy, continued

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 2011 were determined as part of the June 30, 2008 actuarial valuation and are as follows:

	Contractual <u>Rate</u>	ARM Board Adopted <u>Rate</u>	GASB 45* <u>Rate</u>
Pension	7.85%	9.98%	13.49%
Postemployment healthcare	<u>14.15%</u>	<u>17.98%</u>	<u>55.87%</u>
Total contribution rate	<u>22.00%</u>	<u>27.96%</u>	<u>69.36%</u>

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

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.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

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 8.25% (2.29 percentage points higher than the 5.96% required amount) 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 \$380,418 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.

<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>
2011	\$ 320,880	\$ 578,194	\$ 899,074	\$ 899,074	100%
2010	323,009	547,848	870,857	870,857	100%
2009	285,036	634,435	919,471	919,471	100%

(11) **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	0.56	0.48
Occupational death and disability benefits	<u>0.31</u>	<u>1.18</u>
	<u>8.87 %</u>	<u>9.66%</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.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Defined Contribution Pension Plan, continued

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, 2011 were \$116,419 and \$95,921, respectively.

(12) 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.

(13) 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.

(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.

SUPPLEMENTARY FINANCIAL INFORMATION

CITY OF PETERSBURG, ALASKA
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	Special Revenue Funds				Capital Project Funds								Total Nonmajor Govern-mental Funds
	Miscel-laneous Grants	Property Development	E911 Surcharge	Debt Service Fund	Ball-field Play-ground	Library Con-struction	Homeland Security	Fishing Park	Birch Street Rebuild	Paving Project	Kings Row Realignment	Economic Development	
Assets													
Cash and investments	\$ 21,533	247,186	256,026	73,135	-	6,846	-	93,835	208,186	499,818	376,348	4,667,892	6,450,805
Receivables:													
Grants and shared revenues	17,600	-	-	148,544	-	-	44,858	4,500	-	-	-	-	215,502
Interest	-	-	-	-	-	-	-	-	-	-	-	4,209	4,209
Total assets	\$ 39,133	247,186	256,026	73,135	-	6,846	44,858	98,335	208,186	499,818	376,348	4,672,101	6,670,516
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	7,616	-	5	-	-	-	38,475	-	-	-	145	-	46,241
Accrued payroll and related liabilities	543	-	-	-	-	-	-	-	-	-	-	-	543
Deferred revenue	30,668	-	-	-	-	-	-	-	-	-	-	-	30,668
Due to other funds	-	-	-	25,371	8,290	-	6,383	-	-	-	-	-	40,044
Total liabilities	38,827	-	5	25,371	8,290	-	44,858	-	-	-	145	-	117,496
Fund balances:													
Restricted - streets and roads	-	247,186	-	-	-	-	-	-	-	-	-	-	247,186
Committed:													
Economic development	-	-	-	-	-	-	-	-	-	-	-	4,672,101	4,672,101
Public works	-	-	256,021	-	-	-	-	-	-	-	-	-	256,021
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	73,135
Capital projects	-	-	-	-	-	6,846	-	98,335	208,186	499,818	376,203	-	1,189,388
Assigned:													
Debt service	-	-	-	123,173	-	-	-	-	-	-	-	-	123,173
Subsequent year's expenditures	306	-	-	-	-	-	-	-	-	-	-	-	306
Unassigned (deficit)	-	-	-	-	(8,290)	-	-	-	-	-	-	-	(8,290)
Total fund balances (deficit)	306	247,186	256,021	123,173	(8,290)	6,846	-	98,335	208,186	499,818	376,203	4,672,101	6,553,020
Total liabilities and fund balances	\$ 39,133	247,186	256,026	73,135	-	6,846	44,858	98,335	208,186	499,818	376,348	4,672,101	6,670,516

CITY OF PETERSBURG, ALASKA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2011

Special Revenue Funds															Capital Project Funds										Total
National Forest Receipts -																									Nonmajor Govern-mental Funds
	Miscel-laneous Grants	Streets and Roads	Property Development	Economic Fund	E911 Surcharge	Debt Service Fund	Ball-field Play-ground	Library Con-struction	Home-land Security	Fishing Park	Birch Street Rebuild	Paving Project	Kings Row Realignment	Economic Development											
Revenues:																									
Intergovernmental	\$ 131,295	103,266	-	-	-	500,419	-	11,933	137,256	-	-	-	-	-	884,169										
Investment income	-	2,225	3,290	-	-	-	-	-	-	-	-	-	-	627,732	633,247										
Sale of property	-	-	44,935	-	-	-	-	-	-	-	-	-	-	-	44,935										
Other revenues	-	-	2,300	-	32,605	-	-	30,000	-	-	-	-	-	-	64,905										
Total revenues	131,295	105,491	50,525	-	32,605	500,419	-	41,933	137,256	-	-	-	-	627,732	1,627,256										
Expenditures:																									
Public safety	45,396	-	-	-	-	-	-	-	-	-	-	-	-	-	45,396										
Public works	-	-	2,811	-	-	-	-	-	-	-	-	-	-	-	2,811										
Community services	50,000	-	-	-	-	-	-	-	-	-	-	-	-	208,116	258,116										
Culture and recreation	35,899	-	-	-	-	-	-	-	-	-	-	-	-	-	35,899										
Debt service:																									
Principal	-	-	-	-	-	430,003	-	-	-	-	-	-	-	-	430,003										
Interest	-	-	-	-	-	386,503	-	-	-	-	-	-	-	-	386,503										
Capital outlay	-	50,285	76,167	-	-	-	20,712	35,079	137,256	-	1,100	14,992	23,797	-	359,388										
Total expenditures	131,295	50,285	78,978	-	-	816,506	20,712	35,079	137,256	-	1,100	14,992	23,797	208,116	1,518,116										
Excess of revenues over (under) expenditures	-	55,206	(28,453)	-	32,605	(316,087)	(20,712)	6,854	-	-	(1,100)	(14,992)	(23,797)	419,616	109,140										
Other financing sources (uses):																									
Transfers in	-	-	-	-	-	316,290	-	-	-	-	-	30,000	400,000	4,417,485	5,163,775										
Transfers out	-	-	(400,000)	(4,417,485)	-	-	-	-	-	-	-	-	-	(165,000)	(4,982,485)										
Net other financing sources (uses)	-	-	(400,000)	(4,417,485)	-	316,290	-	-	-	-	-	30,000	400,000	4,252,485	181,290										
Net change in fund balances	-	55,206	(428,453)	(4,417,485)	32,605	203	(20,712)	6,854	-	-	(1,100)	15,008	376,203	4,672,101	290,430										
Fund balances (deficit) at beginning of year	306	191,980	684,474	4,417,485	40,530	122,970	12,422	(8)	-	98,335	209,286	484,810	-	-	6,262,590										
Fund balances (deficit) at end of year	\$ 306	247,186	256,021	-	73,135	123,173	(8,290)	6,846	-	98,335	208,186	499,818	376,203	4,672,101	6,553,020										

CITY OF PETERSBURG, ALASKA
Nonmajor Enterprise Funds
Combining Statement of Net Assets
June 30, 2011

<u>Assets</u>	<u>Sanitation Utility</u>	<u>Elderly Housing</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 431,864	558,410	990,274
Receivables, net of allowance for doubtful accounts	95,788	-	95,788
Prepaid expenses	4,581	652	5,233
Total current assets	<u>532,233</u>	<u>559,062</u>	<u>1,091,295</u>
Restricted cash - security deposits	-	17,431	17,431
Bond issuance costs, net of accumulated amortization	-	7,901	7,901
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	205,635	100,150	305,785
Total property, plant and equipment	2,583,900	2,926,705	5,510,605
Accumulated depreciation	(993,221)	(2,022,412)	(3,015,633)
Net property, plant and equipment	<u>1,590,679</u>	<u>904,293</u>	<u>2,494,972</u>
Total assets	\$ <u>2,122,912</u>	<u>1,488,687</u>	<u>3,611,599</u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable	31,699	8,157	39,856
Accrued payroll and employee benefits	13,620	2,907	16,527
Accrued leave	14,292	1,717	16,009
Deferred revenue	-	486	486
Customer deposits	8,321	11,085	19,406
Accrued interest	-	7,134	7,134
Current portion of general obligation bonds	-	37,500	37,500
Total current liabilities	<u>67,932</u>	<u>68,986</u>	<u>136,918</u>
Long-term debt, net of current portion:			
General obligation bonds	-	585,000	585,000
Bond premium, net of accumulated amortization	-	20,901	20,901
Landfill closure costs	92,333	-	92,333
Total long-term debt	<u>92,333</u>	<u>605,901</u>	<u>698,234</u>
Total liabilities	<u>160,265</u>	<u>674,887</u>	<u>835,152</u>
Net assets:			
Invested in capital assets, net of related debt	1,590,679	260,892	1,851,571
Unrestricted	371,968	552,908	924,876
Total net assets	<u>1,962,647</u>	<u>813,800</u>	<u>2,776,447</u>
Total liabilities and net assets	\$ <u>2,122,912</u>	<u>1,488,687</u>	<u>3,611,599</u>

CITY OF PETERSBURG, ALASKA
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011

	Sanitation <u>Utility</u>	Elderly <u>Housing</u>	<u>Total</u>
Operating revenues	\$ <u>1,097,406</u>	<u>331,724</u>	<u>1,429,130</u>
Operating expenses:			
Salaries and benefits	372,779	73,421	446,200
Services, supplies, and other charges	417,798	188,611	606,409
Allocated overhead and motor pool charges	206,352	16,021	222,373
Depreciation	<u>61,906</u>	<u>68,838</u>	<u>130,744</u>
Total operating expenses	<u>1,058,835</u>	<u>346,891</u>	<u>1,405,726</u>
Income (loss) from operations	38,571	(15,167)	23,404
Nonoperating revenues (expenses):			
Investment income	4,546	6,285	10,831
Interest expense	-	(27,742)	(27,742)
Amortization of bond issuance costs	-	(608)	(608)
State PERS relief	<u>15,692</u>	<u>-</u>	<u>15,692</u>
Net nonoperating revenues (expenses)	<u>20,238</u>	<u>(22,065)</u>	<u>(1,827)</u>
Change in net assets	58,809	(37,232)	21,577
Net assets at beginning of year	<u>1,903,838</u>	<u>851,032</u>	<u>2,754,870</u>
Net assets at end of year	\$ <u><u>1,962,647</u></u>	<u><u>813,800</u></u>	<u><u>2,776,447</u></u>

CITY OF PETERSBURG, ALASKA

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

Year Ended June 30, 2011

	Sanitation Utility	Elderly Housing	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,090,008	332,599	1,422,607
Payments for interfund services used	(206,352)	(16,021)	(222,373)
Payments to suppliers	(418,514)	(181,903)	(600,417)
Payments to employees	(358,483)	(73,279)	(431,762)
Net cash flows from operating activities	<u>106,659</u>	<u>61,396</u>	<u>168,055</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	-	(36,250)	(36,250)
Interest paid on long-term debt	-	(29,621)	(29,621)
Purchase of property, plant and equipment	(17,032)	-	(17,032)
Net cash flows from capital and related financing activities	<u>(17,032)</u>	<u>(65,871)</u>	<u>(82,903)</u>
Cash flows from investing activities - investment income received	<u>4,546</u>	<u>6,285</u>	<u>10,831</u>
Net increase in cash and investments	94,173	1,810	95,983
Cash and investments at beginning of year	<u>337,691</u>	<u>574,031</u>	<u>911,722</u>
Cash and investments at end of year	\$ <u>431,864</u>	<u>575,841</u>	<u>1,007,705</u>
Cash and investments at end of year:			
Cash and investments	431,864	558,410	990,274
Restricted cash	-	17,431	17,431
	\$ <u>431,864</u>	<u>575,841</u>	<u>1,007,705</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:			
Income (loss) from operations	38,571	(15,167)	23,404
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:			
Depreciation	61,906	68,838	130,744
Noncash expense - PERS relief	15,692	-	15,692
Decrease in allowance for doubtful accounts	(3,474)	-	(3,474)
(Increase) decrease in assets:			
Accounts receivable	(7,445)	-	(7,445)
Prepaid expenses	(4,581)	(652)	(5,233)
Increase (decrease) in liabilities:			
Accounts payable	3,865	7,360	11,225
Accrued payroll and employee benefits	(190)	(966)	(1,156)
Accrued leave	(1,206)	1,108	(98)
Deferred revenue	-	(110)	(110)
Customer deposits	3,521	985	4,506
Net cash flows from operating activities	\$ <u>106,659</u>	<u>61,396</u>	<u>168,055</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, 2011
 With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ <u>2,812,952</u>	<u>3,312,526</u>
Receivables:		
Property taxes	33,601	22,135
Sales taxes	313,128	297,466
Accounts	<u>94,430</u>	<u>22,439</u>
Total receivables	<u>441,159</u>	<u>342,040</u>
Prepaid insurance	51,699	76,200
Due from other funds	<u>637,517</u>	<u>411,123</u>
Total assets	\$ <u><u>3,943,327</u></u>	<u><u>4,141,889</u></u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	112,065	58,536
Accrued payroll and related liabilities	150,311	183,874
Deferred revenue	<u>3,792</u>	<u>-</u>
Total liabilities	<u>266,168</u>	<u>242,410</u>
Fund balance:		
Nonspendable - prepaid insurance	51,699	76,200
Assigned for subsequent year's expenditures	-	485,496
Unassigned	<u>3,625,460</u>	<u>3,337,783</u>
Total fund balance	<u>3,677,159</u>	<u>3,899,479</u>
Total liabilities and fund balance	\$ <u><u>3,943,327</u></u>	<u><u>4,141,889</u></u>

CITY OF PETERSBURG, ALASKA
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Taxes:				
Property taxes	\$ 2,641,000	2,653,336	12,336	2,637,097
Sales taxes	2,664,256	2,638,867	(25,389)	2,646,277
Motor vehicle registration	36,000	34,894	(1,106)	38,185
Transient room taxes	39,000	37,173	(1,827)	39,265
Total taxes	<u>5,380,256</u>	<u>5,364,270</u>	<u>(15,986)</u>	<u>5,360,824</u>
Intergovernmental:				
Payment in lieu of taxes	525,000	520,621	(4,379)	548,888
Library grants	13,750	17,008	3,258	24,299
Fisheries business tax	655,020	605,220	(49,800)	765,829
Shared fisheries business tax and landing tax	14,000	18,841	4,841	13,504
Liquor licenses	7,500	11,300	3,800	3,700
Jail and special services contract	206,298	207,098	800	206,298
State PERS relief	250,000	210,828	(39,172)	134,300
9th officer position	91,740	91,739	(1)	91,739
State revenue sharing	246,702	245,101	(1,601)	249,502
Community oriented policing services	76,772	30,644	(46,128)	-
Total intergovernmental	<u>2,086,782</u>	<u>1,958,400</u>	<u>(128,382)</u>	<u>2,038,059</u>
Licenses and permits	<u>8,800</u>	<u>20,266</u>	<u>11,466</u>	<u>9,090</u>
Charges for services:				
Police and public safety	18,600	23,680	5,080	16,088
Ambulance fees	20,000	23,959	3,959	22,071
Public works	10,500	18,546	8,046	11,375
SEACAD reimbursement	55,000	68,079	13,079	66,104
Recreation activity fees	30,000	41,123	11,123	38,086
Swimming pool fees	60,000	56,900	(3,100)	56,886
Community gym fees	75,000	82,154	7,154	70,707
Tent City and park charges	1,000	4,297	3,297	4,405
Cemetery charges	2,500	2,991	491	4,590

CITY OF PETERSBURG, ALASKA

General Fund

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

	2011			2010
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues, continued:				
Charges for services, continued:				
Other services and charges	\$ 7,600	12,880	5,280	6,935
Library charges	500	2,036	1,536	29
Cemetery plot sales	1,200	(100)	(1,300)	725
Passport services	5,600	1,875	(3,725)	1,150
Total charges for services	<u>287,500</u>	<u>338,420</u>	<u>50,920</u>	<u>299,151</u>
Fines and forfeitures	<u>15,750</u>	<u>27,316</u>	<u>11,566</u>	<u>17,827</u>
Overhead charges	<u>341,105</u>	<u>341,105</u>	<u>-</u>	<u>297,002</u>
Investment income	<u>125,000</u>	<u>100,608</u>	<u>(24,392)</u>	<u>167,780</u>
Other revenues:				
Lease income	27,000	26,010	(990)	30,596
Library donations	-	872	872	1,252
Total other revenues	<u>27,000</u>	<u>26,882</u>	<u>(118)</u>	<u>31,848</u>
Total revenues	<u>8,272,193</u>	<u>8,177,267</u>	<u>(94,926)</u>	<u>8,221,581</u>
Expenditures:				
General government:				
City council	158,320	142,971	15,349	135,031
City manager	477,410	359,844	117,566	302,250
City attorney	54,000	183,758	(129,758)	37,606
Information systems	159,960	159,667	293	119,345
Finance	541,845	510,504	31,341	493,977
Other	519,485	402,107	117,378	328,699
Total general government	<u>1,911,020</u>	<u>1,758,851</u>	<u>152,169</u>	<u>1,416,908</u>
Public safety:				
Police department	1,163,167	1,070,545	92,622	1,062,544
Jail	327,034	293,118	33,916	261,676
Fire department	478,218	442,424	35,794	393,135
Total public safety	<u>1,968,419</u>	<u>1,806,087</u>	<u>162,332</u>	<u>1,717,355</u>

CITY OF PETERSBURG, ALASKA

General Fund

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

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Expenditures, continued:				
Public works:				
Streets	\$ 1,205,406	1,141,691	63,715	1,127,266
Community development	182,606	175,788	6,818	179,604
Facilities maintenance	436,622	418,194	18,428	491,041
Total public works	<u>1,824,634</u>	<u>1,735,673</u>	<u>88,961</u>	<u>1,797,911</u>
Community services	<u>230,500</u>	<u>225,564</u>	<u>4,936</u>	<u>221,836</u>
Culture and recreation:				
Library	299,101	301,019	(1,918)	315,415
Parks and recreation	601,418	653,128	(51,710)	579,597
Total culture and recreation	<u>900,519</u>	<u>954,147</u>	<u>(53,628)</u>	<u>895,012</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>8,635,092</u>	<u>8,280,322</u>	<u>354,770</u>	<u>7,849,022</u>
Excess of revenues over (under) expenditures	<u>(362,899)</u>	<u>(103,055)</u>	<u>259,844</u>	<u>372,559</u>
Other financing sources (uses):				
Transfers in	599,861	599,861	-	657,011
Transfers out	<u>(768,723)</u>	<u>(719,126)</u>	<u>49,597</u>	<u>(1,208,057)</u>
Net other financing sources (uses)	<u>(168,862)</u>	<u>(119,265)</u>	<u>49,597</u>	<u>(551,046)</u>
Net change in fund balance	\$ <u>(531,761)</u>	<u>(222,320)</u>	<u>309,441</u>	<u>(178,487)</u>
Fund balance at beginning of year		<u>3,899,479</u>		<u>4,077,966</u>
Fund balance at end of year	\$	<u><u>3,677,159</u></u>		<u><u>3,899,479</u></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.

National Forest Receipts – School

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

National Forest Receipts – Streets and Roads

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

Property Development

This fund is used to account for activity relating to the sale and/or purchase of 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, 2011
 With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ 21,533	-
Receivables - grants	<u>17,600</u>	<u>19,522</u>
Total assets	\$ <u>39,133</u>	<u>19,522</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	7,616	7,557
Accrued payroll and related liabilities	543	-
Due to other funds	-	712
Deferred revenue	<u>30,668</u>	<u>10,947</u>
Total liabilities	<u>38,827</u>	<u>19,216</u>
Fund balance - assigned for subsequent year's expenditures	<u>306</u>	<u>306</u>
Total liabilities and fund balance	\$ <u>39,133</u>	<u>19,522</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, 2011
With Comparative Amounts for 2010

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Intergovernmental	\$ 102,475	131,295	28,820	205,199
Other	-	-	-	10,000
Total revenues	<u>102,475</u>	<u>131,295</u>	<u>28,820</u>	<u>215,199</u>
Expenditures:				
Public safety:				
Local emergency planning committee	20,180	18,154	2,026	20,180
Emergency management	37,500	27,242	10,258	30,000
Community services - hospital	-	50,000	(50,000)	-
Culture and recreation:				
Library collection enhancement	-	1,949	(1,949)	11,517
Green's Camp culvert	3,426	3,426	-	29,500
Shooting range	18,045	391	17,654	450
Campgrounds	1,067	3,383	(2,316)	4,565
SEA trail signs	31,750	26,750	5,000	-
Resource advisory committee projects	-	-	-	111,527
Total expenditures	<u>111,968</u>	<u>131,295</u>	<u>(19,327)</u>	<u>207,739</u>
Net change in fund balance	\$ <u>(9,493)</u>	-	<u>9,493</u>	7,460
Fund balance (deficit) at beginning of year		<u>306</u>		<u>(7,154)</u>
Fund balance at end of year	\$	<u>306</u>		<u>306</u>

CITY OF PETERSBURG, ALASKA
National Forest Receipts - School Special Revenue Fund
Balance Sheet
June 30, 2011
With Comparative Amounts for 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash and investments	\$ <u>3,316,214</u>	<u>2,528,782</u>
<u>Fund Balance</u>		
Fund balance - restricted for school support	\$ <u>3,316,214</u>	<u>2,528,782</u>

CITY OF PETERSBURG, ALASKA
National Forest Receipts - School Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Intergovernmental - national forest receipts	\$ 1,300,000	1,357,487	57,487	1,524,564
Investment income	<u>10,000</u>	<u>29,806</u>	<u>19,806</u>	<u>36,058</u>
Total revenues	1,310,000	1,387,293	77,293	1,560,622
Expenditures - contribution to school district	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,689</u>
Excess of revenues over expenditures	1,310,000	1,387,293	77,293	1,403,933
Other financing uses - transfers out	<u>(599,861)</u>	<u>(599,861)</u>	<u>-</u>	<u>(657,011)</u>
Net change in fund balance	\$ <u>710,139</u>	787,432	<u>77,293</u>	746,922
Fund balance at beginning of year		<u>2,528,782</u>		<u>1,781,860</u>
Fund balance at end of year	\$	<u>3,316,214</u>		<u>2,528,782</u>

CITY OF PETERSBURG, ALASKA
National Forest Receipts - Streets and Roads Special Revenue Fund
Balance Sheet
June 30, 2011
With Comparative Amounts for 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash and investments	\$ <u>247,186</u>	<u>191,980</u>
<u>Fund Balance</u>		
Fund balance - restricted for streets and roads	\$ <u>247,186</u>	<u>191,980</u>

CITY OF PETERSBURG, ALASKA
National Forest Receipts - Streets and Roads Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Intergovernmental - national forest receipts	\$ 100,000	103,266	3,266	118,714
Investment income	<u>2,000</u>	<u>2,225</u>	<u>225</u>	<u>3,972</u>
Total revenues	102,000	105,491	3,491	122,686
Expenditures - public works - paving	<u>72,859</u>	<u>50,285</u>	<u>22,574</u>	<u>93,934</u>
Excess of revenues over expenditures	29,141	55,206	26,065	28,752
Other financing uses - transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balance	\$ <u>29,141</u>	55,206	<u>26,065</u>	(71,248)
Fund balance at beginning of year		<u>191,980</u>		<u>263,228</u>
Fund balance at end of year	\$	<u>247,186</u>		<u>191,980</u>

CITY OF PETERSBURG, ALASKA
Property Development Special Revenue Fund
Balance Sheet
June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ <u>256,026</u>	<u>705,325</u>
<u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	<u>5</u>	<u>20,851</u>
Fund balance - committed for public works	<u>256,021</u>	<u>684,474</u>
Total liabilities and fund balance	\$ <u>256,026</u>	<u>705,325</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, 2011
With Comparative Amounts for 2010

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Investment income	\$ 10,000	3,290	(6,710)	13,266
Sale of property	-	44,935	44,935	53,000
Charges for services/rock sales	-	2,300	2,300	465,008
Total revenues	<u>10,000</u>	<u>50,525</u>	<u>40,525</u>	<u>531,274</u>
Expenditures:				
Public works - other services and charges	-	2,811	(2,811)	11,768
Community services - community pool demolition	-	-	-	146,037
Capital outlay	<u>64,167</u>	<u>76,167</u>	<u>(12,000)</u>	<u>218,514</u>
Total expenditures	<u>64,167</u>	<u>78,978</u>	<u>(14,811)</u>	<u>376,319</u>
Excess of revenues over (under) expenditures	(54,167)	(28,453)	25,714	28,752
Other financing uses - transfers out	<u>(400,000)</u>	<u>(400,000)</u>	-	-
Net change in fund balance	\$ <u>(454,167)</u>	(428,453)	<u>25,714</u>	154,955
Fund balance at beginning of year		<u>684,474</u>		<u>529,519</u>
Fund balance at end of year		\$ <u>256,021</u>		<u>684,474</u>

CITY OF PETERSBURG, ALASKA
Economic Fund Special Revenue Fund
Balance Sheet
June 30, 2011
With Comparative Amounts for 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash and investments	\$ -	4,397,839
Receivables - interest	-	19,646
	<hr/>	<hr/>
Total assets	\$ <u>-</u>	<u>4,417,485</u>
 <u>Fund Balance</u>		
Fund balance - committed for economic development	\$ <u>-</u>	<u>4,417,485</u>

CITY OF PETERSBURG, ALASKA
Economic Fund Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Revenues - investment income	\$ -	<u>380,304</u>
Expenditures - community services:		
Professional services	-	28,877
Contributions	<u>-</u>	<u>150,000</u>
Total expenditures	<u>-</u>	<u>178,877</u>
Excess of revenues over expenditures	-	201,427
Other financing uses - transfers out	<u>(4,417,485)</u>	<u>(165,000)</u>
Net change in fund balance	(4,417,485)	36,427
Fund balance at beginning of year	<u>4,417,485</u>	<u>4,381,058</u>
Fund balance at end of year	\$ <u>-</u>	<u>4,417,485</u>

CITY OF PETERSBURG, ALASKA
E911 Surcharge Special Revenue Fund
Balance Sheet
June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ <u>73,135</u>	<u>40,530</u>
<u>Fund Balance</u>		
Fund balance - committed for public safety	<u>73,135</u>	<u>40,530</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, 2011
With Comparative Amounts for 2010

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues - charges for services	\$ 25,000	32,605	7,605	32,268
Expenditures - public safety - professional services	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(5,000)</u>	32,605	<u>37,605</u>	32,268
Fund balance at beginning of year		<u>40,530</u>		<u>8,262</u>
Fund balance at end of year	\$	<u>73,135</u>		<u>40,530</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, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Receivables - grants and shared revenues	\$ <u>148,544</u>	<u>147,105</u>
<u>Liabilities and Fund Balance</u>		
Liabilities - due to other funds	25,371	24,135
Fund balance - assigned for debt service	<u>123,173</u>	<u>122,970</u>
Total liabilities and fund balance	\$ <u>148,544</u>	<u>147,105</u>

CITY OF PETERSBURG, ALASKA
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues - intergovernmental - State of Alaska	\$ <u>500,419</u>	<u>500,419</u>	<u>-</u>	<u>498,437</u>
Expenditures - debt service:				
2000 general obligation pool bonds:				
Principal	14,170	14,170	-	13,337
Interest	390	390	-	954
2004 general obligation school bonds:				
Principal	145,000	145,000	-	140,000
Interest	120,156	120,156	-	126,106
2005 general obligation aquatic center/voc.ed bonds:				
Principal	225,000	225,000	-	215,000
Interest	210,004	210,004	-	218,804
2007 general obligation pool bonds:				
Principal	45,000	45,000	-	40,833
Interest	47,157	47,157	-	57,686
2007 general obligation pool refunding bonds:				
Principal	833	833	-	833
Interest	8,796	8,796	-	8,830
Total expenditures	<u>816,506</u>	<u>816,506</u>	<u>-</u>	<u>812,720</u>
Excess of revenues over (under) expenditures	(316,087)	(316,087)	-	(314,283)
Other financing sources - transfers in	<u>316,087</u>	<u>316,290</u>	<u>203</u>	<u>314,475</u>
Net change in fund balance	\$ <u>-</u>	203	<u>203</u>	192
Fund balance at beginning of year		<u>122,970</u>		<u>122,778</u>
Fund balance at end of year	\$	<u>123,173</u>		<u>122,970</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.

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.

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.

Kings Row Realignment

This fund accounts for the costs to realign and regrade Kings Row to rectify safety issues for drivers on this road.

Economic Development

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

CITY OF PETERSBURG, ALASKA

Capital Project Funds
Combining Balance Sheet
June 30, 2011

<u>Assets</u>	<u>Ballfield Play- ground</u>	<u>Fire/ EMS Facility</u>	<u>Library Construc- tion</u>	<u>Homeland Security</u>	<u>Fishing Park</u>	<u>Birch Street Rebuild</u>	<u>Paving Project</u>	<u>Kings Row Realignment</u>	<u>Economic Development</u>	<u>Totals</u>
Cash and investments	\$ -	-	6,846	-	93,835	208,186	499,818	376,348	4,667,892	5,852,925
Receivables:										
Grants	-	686,287	-	44,858	4,500	-	-	-	-	735,645
Accrued interest	-	-	-	-	-	-	-	-	4,209	4,209
Total assets	\$ -	686,287	6,846	44,858	98,335	208,186	499,818	376,348	4,672,101	6,592,779
<u>Liabilities and Fund Balances</u>										
Liabilities:										
Accounts payable	-	282,474	-	38,475	-	-	-	145	-	321,094
Due to other funds	8,290	378,531	-	6,383	-	-	-	-	-	393,204
Total liabilities	8,290	661,005	-	44,858	-	-	-	145	-	714,298
Fund balances (deficit):										
Committed for economic development	-	-	-	-	-	-	-	-	4,672,101	4,672,101
Committed for capital projects	-	25,282	6,846	-	98,335	208,186	499,818	376,203	-	1,214,670
Unassigned (deficit)	(8,290)	-	-	-	-	-	-	-	-	(8,290)
Total fund balances (deficit)	(8,290)	25,282	6,846	-	98,335	208,186	499,818	376,203	4,672,101	5,878,481
Total liabilities and fund balances	\$ -	686,287	6,846	44,858	98,335	208,186	499,818	376,348	4,672,101	6,592,779

CITY OF PETERSBURG, ALASKA

Capital Project Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)
Year Ended June 30, 2011

	Ballfield Play- ground	Fire/ EMS Facility	Library Construc- tion	Homeland Security	Fishing Park	Birch Street Rebuild	Paving Project	Kings Row Realignment	Economic Development	Totals
Revenues:										
Intergovernmental	-	2,197,247	11,933	137,256	-	-	-	-	-	2,346,436
Other grants	-	-	30,000	-	-	-	-	-	-	30,000
Investment income	-	-	-	-	-	-	-	-	627,732	627,732
Total revenues	-	2,197,247	41,933	137,256	-	-	-	-	627,732	3,004,168
Expenditures - capital projects and improvements:										
Salaries and benefits	-	-	-	-	-	-	-	17	-	17
Professional services	-	256,220	35,079	-	-	1,100	14,992	23,780	28,116	359,287
Construction	20,712	1,920,136	-	-	-	-	-	-	-	1,940,848
Contributions	-	-	-	-	-	-	-	-	180,000	180,000
Materials and supplies	-	20,891	-	137,256	-	-	-	-	-	158,147
Total expenditures	20,712	2,197,247	35,079	137,256	-	1,100	14,992	23,797	208,116	2,638,299
Excess of revenues over (under) expenditures	(20,712)	-	6,854	-	-	(1,100)	(14,992)	(23,797)	419,616	365,869
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	30,000	400,000	4,417,485	4,847,485
Transfers out	-	-	-	-	-	-	-	-	(165,000)	(165,000)
Net other financing sources (uses)	-	-	-	-	-	-	30,000	400,000	4,252,485	4,682,485
Net change in fund balances (deficit)	(20,712)	-	6,854	-	-	(1,100)	15,008	376,203	4,672,101	5,048,354
Fund balances (deficit) at beginning of year	12,422	25,282	(8)	-	98,335	209,286	484,810	-	-	830,127
Fund balances (deficit) at end of year	\$ (8,290)	25,282	6,846	-	98,335	208,186	499,818	376,203	4,672,101	5,878,481

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, 2011

With Comparative Amounts for 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and investments	\$ 8,435,531	8,140,339
Receivables:		
Grants	-	133,874
Accounts	386,229	355,486
Allowance for doubtful accounts	(3,954)	(18,290)
Inventories	284,656	282,835
Prepaid expenses	60,826	49,276
Total current assets	<u>9,163,288</u>	<u>8,943,520</u>
Bond issuance costs, net of accumulated amortization	<u>15,671</u>	<u>16,496</u>
Property, plant and equipment:		
Land and land improvements	735,045	735,045
Buildings	1,022,503	1,022,503
Improvements other than buildings	4,162,473	2,193,746
Machinery and equipment	16,973,410	16,963,600
Construction in progress	<u>2,037,420</u>	<u>3,649,068</u>
Total property, plant and equipment	24,930,851	24,563,962
Accumulated depreciation	<u>(13,816,662)</u>	<u>(13,200,807)</u>
Net property, plant and equipment	<u>11,114,189</u>	<u>11,363,155</u>
Total assets	\$ <u>20,293,148</u>	<u>20,323,171</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	85,794	145,354
Accrued payroll and employee benefits	51,566	60,635
Accrued leave	153,853	138,985
Accrued interest	34,999	33,054
Customer deposits	31,723	24,002
Current portion of general obligation bonds	<u>100,000</u>	<u>-</u>
Total current liabilities	<u>457,935</u>	<u>402,030</u>
Long term debt, net of current portion:		
General obligation bonds	2,700,000	2,800,000
Bond premium, net of accumulated amortization	<u>58,547</u>	<u>61,628</u>
Total liabilities	<u>3,216,482</u>	<u>3,263,658</u>
Net assets:		
Invested in capital assets, net of related debt	10,658,237	11,261,371
Unrestricted	<u>6,418,429</u>	<u>5,798,142</u>
Total net assets	<u>17,076,666</u>	<u>17,059,513</u>
Total liabilities and net assets	\$ <u>20,293,148</u>	<u>20,323,171</u>

CITY OF PETERSBURG, ALASKA
Electric Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Residential electric	\$ 1,972,150	1,886,237
Industrial electric	2,048,160	1,972,681
Commercial electric	668,251	652,197
Street and highway lighting	112,117	110,529
Interruptible sales	101,712	80,558
Harbor electric	212,321	214,299
Pole rental	140,190	-
Other	52,252	66,937
Total operating revenues	<u>5,307,153</u>	<u>4,983,438</u>
Operating expenses:		
Power production:		
Salaries	74,311	69,255
Employee benefits	45,298	18,949
Materials and supplies	157,057	162,819
Services and charges	50,441	18,342
Interruptible	2,907,770	2,660,181
Total power production	<u>3,234,877</u>	<u>2,929,546</u>
Distribution:		
Salaries	340,237	332,502
Employee benefits	207,037	43,044
Materials and supplies	25,001	29,789
Services and charges	8,049	41,192
Total distribution	<u>580,324</u>	<u>446,527</u>
General and administrative:		
Salaries	333,284	350,060
Employee benefits	211,741	316,769
Materials and supplies	161,869	166,744
Services and charges	156,771	205,183
Allocated overhead	112,659	106,061
Motor pool charges:		
Operation and maintenance	83,784	68,342
Equipment replacement	46,444	41,928
Total general and administrative	<u>1,106,552</u>	<u>1,255,087</u>

CITY OF PETERSBURG, ALASKA

Electric Utility Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Assets, continued

	<u>2011</u>	<u>2010</u>
Operating expenses, continued:		
Depreciation	\$ <u>615,855</u>	<u>602,502</u>
Total operating expenses	<u>5,537,608</u>	<u>5,233,662</u>
Loss from operations	(230,455)	(250,224)
Nonoperating revenues (expenses):		
Investment income	94,595	120,468
SEAPA distribution	185,330	-
Interest expense	(134,969)	(33,054)
Amortization of bond issuance costs	(825)	-
State PERS relief	<u>103,477</u>	<u>46,046</u>
Net nonoperating revenues (expenses)	<u>247,608</u>	<u>133,460</u>
Income (loss) before contributions	17,153	(116,764)
Capital contributions	<u>-</u>	<u>955,391</u>
Change in net assets	17,153	838,627
Net assets at beginning of year	<u>17,059,513</u>	<u>16,220,886</u>
Net assets at end of year	\$ <u><u>17,076,666</u></u>	<u><u>17,059,513</u></u>

CITY OF PETERSBURG, ALASKA
Electric Utility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,455,125	5,028,652
Payments for interfund services used	(242,887)	(216,331)
Payments to suppliers	(3,539,889)	(3,255,864)
Payments to employees	(1,102,632)	(1,078,836)
Net cash flows from operating activities	<u>569,717</u>	<u>477,621</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(366,889)	(1,676,839)
Capital contributions received	133,874	1,277,542
Proceeds from issuance of debt	-	2,845,132
Interest paid on long-term debt	(136,105)	-
Net cash flows from capital and related financing activities	<u>(369,120)</u>	<u>2,445,835</u>
Cash flows from investing activities -		
investment income received	<u>94,595</u>	<u>120,468</u>
Net increase in cash and investments	295,192	3,043,924
Cash and investments at beginning of year	<u>8,140,339</u>	<u>5,096,415</u>
Cash and investments at end of year	\$ <u><u>8,435,531</u></u>	<u><u>8,140,339</u></u>
Reconciliation of loss from operations to net cash		
provided (used) by operating activities:		
Loss from operations	(230,455)	(250,224)
Adjustments to reconcile loss from operations		
to net cash flows from operating activities:		
Depreciation	615,855	602,502
Noncash expense - PERS relief	103,477	46,046
Nonoperating revenues received	185,330	-
Decrease in allowance for doubtful accounts	(14,336)	(4,024)
(Increase) decrease in assets:		
Accounts receivable	(30,743)	48,262
Inventories	(1,821)	11,682
Prepaid expenses	(11,550)	-
Increase (decrease) in liabilities:		
Accounts payable	(59,560)	16,704
Accrued payroll and employee benefits	(9,069)	12,242
Accrued leave	14,868	(6,545)
Customer deposits	7,721	976
Net cash flows from operating activities	\$ <u><u>569,717</u></u>	<u><u>477,621</u></u>

CITY OF PETERSBURG, ALASKA
 Electric Utility Enterprise Fund
 Schedule of Electric Utility
 Capital Projects
 Year Ended June 30, 2011

	<u>Electric Rebuild</u>	<u>Auto Control System</u>	<u>Plant Relo- cation</u>	<u>Power Distri- bution</u>	<u>Ruth Lake</u>	<u>Standby Diesel Generator</u>	<u>Totals</u>
Funding sources - Electric Utility	\$ <u>236,554</u>	<u>23,367</u>	<u>5,143</u>	<u>2,220</u>	<u>14,233</u>	<u>75,563</u>	<u>357,080</u>
Expenditures:							
Salaries and employee benefits	\$ 397	2,465	-	-	-	-	2,862
Professional services	670	17,977	-	2,220	14,233	75,558	110,658
Construction and contractors	-	-	4,190	-	-	-	4,190
Other	<u>235,487</u>	<u>2,925</u>	<u>953</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>239,370</u>
Total expenditures	\$ <u>236,554</u>	<u>23,367</u>	<u>5,143</u>	<u>2,220</u>	<u>14,233</u>	<u>75,563</u>	<u>357,080</u>

CITY OF PETERSBURG, ALASKA

Water Utility Enterprise Fund

Statement of Net Assets

June 30, 2011

With Comparative Amounts for 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and investments	\$ 195,200	102,334
Receivables:		
Grants and loans	35,978	-
Accounts	78,765	83,497
Allowance for doubtful accounts	(548)	(4,268)
Inventories	74,953	72,425
Prepaid expenses	4,621	-
Total current assets	<u>388,969</u>	<u>253,988</u>
Property, plant and equipment:		
Buildings	5,178,330	5,178,330
Improvements other than buildings	24,956,557	24,956,557
Machinery and equipment	3,108,768	3,095,626
Construction in progress	69,491	33,513
Total property, plant and equipment	33,313,146	33,264,026
Accumulated depreciation	(10,523,603)	(9,726,483)
Net property, plant and equipment	<u>22,789,543</u>	<u>23,537,543</u>
Total assets	\$ <u>23,178,512</u>	<u>23,791,531</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	14,552	390
Accrued payroll and employee benefits	9,621	12,388
Accrued leave	9,282	7,342
Customer deposits	6,761	12,001
Accrued interest	42,966	36,913
Current portion - ADEC loans	252,773	250,438
Total current liabilities	<u>335,955</u>	<u>319,472</u>
Long term debt, net of current portion - ADEC loans	<u>3,359,461</u>	<u>3,589,959</u>
Total liabilities	<u>3,695,416</u>	<u>3,909,431</u>
Net assets:		
Invested in capital assets, net of related debt	19,177,309	19,697,146
Unrestricted	305,787	184,954
Total net assets	<u>19,483,096</u>	<u>19,882,100</u>
Total liabilities and net assets	\$ <u>23,178,512</u>	<u>23,791,531</u>

CITY OF PETERSBURG, ALASKA
Water Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Residential water	\$ 493,822	493,872
Commercial water	357,803	381,696
Water delivery	18,594	9,565
Other	6,544	4,490
Total operating revenues	<u>876,763</u>	<u>889,623</u>
Operating expenses:		
Salaries	184,062	174,933
Employee benefits	112,213	57,036
Materials and supplies	130,626	101,759
Services and charges	136,218	148,446
Allocated overhead	34,088	30,697
Motor pool charges:		
Operation and maintenance	6,906	3,957
Equipment replacement	18,603	18,604
Depreciation	797,120	759,963
Total operating expenses	<u>1,419,836</u>	<u>1,295,395</u>
Loss from operations	(543,073)	(405,772)
Nonoperating revenues (expenses):		
Investment income	1,734	-
Interest expense	(54,075)	(81,890)
State PERS relief	12,835	6,888
Net nonoperating revenues (expenses)	<u>(39,506)</u>	<u>(75,002)</u>
Loss before contributions and transfers	(582,579)	(480,774)
Capital contributions	18,575	41,996
Transfers in	<u>165,000</u>	<u>459,361</u>
Change in net assets	(399,004)	20,583
Net assets at beginning of year	<u>19,882,100</u>	<u>19,861,517</u>
Net assets at end of year	\$ <u>19,483,096</u>	<u>19,882,100</u>

CITY OF PETERSBURG, ALASKA

Water Utility Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2011

With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 872,535	894,446
Payments for interfund services used	(59,597)	(53,258)
Payments to suppliers	(259,831)	(253,727)
Payments to employees	<u>(284,267)</u>	<u>(234,971)</u>
Net cash flows from operating activities	<u>268,840</u>	<u>352,490</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(250,438)	(248,141)
Interest paid on long-term debt	(48,022)	(75,259)
Purchase of property, plant and equipment	(49,120)	(937,638)
Decrease in due to other funds	-	(95,882)
Transfers in	165,000	459,361
Capital contributions received	<u>4,872</u>	<u>647,403</u>
Net cash flows from capital and related financing activities	<u>(177,708)</u>	<u>(250,156)</u>
Cash flows from investing activities -		
investment income received	<u>1,734</u>	<u>-</u>
Net increase in cash and investments	92,866	102,334
Cash and investments at beginning of year	<u>102,334</u>	<u>-</u>
Cash and investments at end of year	\$ <u>195,200</u>	<u>102,334</u>
Reconciliation of loss from operations to net cash		
provided (used) by operating activities:		
Loss from operations	(543,073)	(405,772)
Adjustments to reconcile loss from operations		
to net cash flows from operating activities:		
Depreciation	797,120	759,963
Noncash expense - PERS relief	12,835	6,888
Decrease in allowance for doubtful accounts	(3,720)	(1,121)
(Increase) decrease in assets:		
Accounts receivable	4,732	5,688
Inventories	(2,528)	(3,486)
Prepaid expenses	(4,621)	-
Increase (decrease) in liabilities:		
Accounts payable	14,162	(36)
Accrued payroll and employee benefits	(2,767)	2,753
Accrued leave	1,940	(12,643)
Customer deposits	<u>(5,240)</u>	<u>256</u>
Net cash flows from operating activities	\$ <u>268,840</u>	<u>352,490</u>

CITY OF PETERSBURG, ALASKA
Water Utility Enterprise Fund
Schedule of Water Utility
Capital Projects
Year Ended June 30, 2011

	Water Treatment Plant <u>Upgrade</u>	Water <u>Projects</u>	<u>Totals</u>
Funding sources:			
Intergovernmental	\$ 13,703	-	13,703
Water Utility	<u>5,872</u>	<u>16,403</u>	<u>22,275</u>
Total funding sources	\$ <u>19,575</u>	<u>16,403</u>	<u>35,978</u>
Expenditures - professional services	\$ <u>19,575</u>	<u>16,403</u>	<u>35,978</u>

CITY OF PETERSBURG, ALASKA
Wastewater Utility Enterprise Fund
Statement of Net Assets
June 30, 2011
With Comparative Amounts for 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and investments	\$ 1,118,876	1,084,664
Receivables:		
Grants and loan	12,897	-
Accounts	62,177	68,055
Allowance for doubtful accounts	(596)	(3,658)
Inventories	32,746	29,870
Prepaid expenses	2,549	-
Total current assets	<u>1,228,649</u>	<u>1,178,931</u>
Property, plant and equipment:		
Buildings	9,024,635	9,024,635
Improvements other than buildings	7,766,001	7,766,001
Machinery and equipment	327,789	329,031
Construction in progress	79,549	66,652
Total property, plant and equipment	<u>17,197,974</u>	<u>17,186,319</u>
Accumulated depreciation	<u>(9,406,329)</u>	<u>(9,055,245)</u>
Net property, plant and equipment	<u>7,791,645</u>	<u>8,131,074</u>
Total assets	<u>\$ 9,020,294</u>	<u>9,310,005</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	550	281
Accrued payroll and employee benefits	8,982	9,949
Accrued leave	18,723	18,154
Customer deposits	5,200	7,200
Accrued interest	6,742	7,172
Current portion of ADEC loan	31,738	31,269
Total current liabilities	<u>71,935</u>	<u>74,025</u>
Long term debt, net of current portion - ADEC loan	<u>471,517</u>	<u>490,358</u>
Total liabilities	<u>543,452</u>	<u>564,383</u>
Net assets:		
Invested in capital assets, net of related debt	7,288,390	7,609,447
Unrestricted	<u>1,188,452</u>	<u>1,136,175</u>
Total net assets	<u>8,476,842</u>	<u>8,745,622</u>
Total liabilities and net assets	<u>\$ 9,020,294</u>	<u>9,310,005</u>

CITY OF PETERSBURG, ALASKA
Wastewater Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Residential sewer	\$ 467,965	464,163
Commercial sewer	156,836	159,222
Other	<u>9,601</u>	<u>10,289</u>
Total operating revenues	<u>634,402</u>	<u>633,674</u>
Operating expenses:		
Salaries	183,732	175,290
Employee benefits	80,757	63,791
Materials and supplies	58,079	69,764
Services and charges	119,538	125,964
Allocated overhead	32,058	28,074
Motor pool charges:		
Operation and maintenance	31,106	29,117
Equipment replacement	29,335	29,335
Depreciation	<u>352,325</u>	<u>366,227</u>
Total operating expenses	<u>886,930</u>	<u>887,562</u>
Loss from operations	(252,528)	(253,888)
Nonoperating revenues (expenses):		
Investment income	12,183	20,312
Interest expense	(7,394)	(7,863)
State PERS relief	<u>8,959</u>	<u>5,984</u>
Net nonoperating revenues (expenses)	<u>13,748</u>	<u>18,433</u>
Loss before transfers	(238,780)	(235,455)
Transfers out	<u>(30,000)</u>	<u>-</u>
Change in net assets	(268,780)	(235,455)
Net assets at beginning of year	<u>8,745,622</u>	<u>8,981,077</u>
Net assets at end of year	\$ <u><u>8,476,842</u></u>	<u><u>8,745,622</u></u>

CITY OF PETERSBURG, ALASKA
Wastewater Utility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 635,218	631,737
Payments for interfund services used	(92,499)	(86,526)
Payments to suppliers	(182,773)	(210,855)
Payments to employees	(255,928)	(232,477)
Net cash flows from operating activities	<u>104,018</u>	<u>101,879</u>
Cash flows from noncapital financing activities - transfers out	<u>(30,000)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(31,269)	(30,806)
Interest paid on long-term debt	(7,824)	(8,287)
Purchase of property, plant and equipment	(12,896)	(48,642)
Net cash flows from capital and related financing activities	<u>(51,989)</u>	<u>(87,735)</u>
Cash flows from investing activities - investment income received	<u>12,183</u>	<u>20,312</u>
Net increase in cash and investments	34,212	34,456
Cash and investments at beginning of year	<u>1,084,664</u>	<u>1,050,208</u>
Cash and investments at end of year	\$ <u>1,118,876</u>	<u>1,084,664</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(252,528)	(253,888)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	352,325	366,227
Noncash expense - PERS relief	8,959	5,984
Decrease in allowance for doubtful accounts	(3,062)	(70)
(Increase) decrease in assets:		
Accounts receivable	5,878	(2,020)
Inventories	(2,876)	7,312
Prepaid expenses	(2,549)	-
Increase (decrease) in liabilities:		
Accounts payable	269	(22,439)
Accrued payroll and employee benefits	(967)	(2,727)
Accrued leave	569	3,347
Customer deposits	(2,000)	153
Net cash flows from operating activities	\$ <u>104,018</u>	<u>101,879</u>

CITY OF PETERSBURG, ALASKA
Wastewater Utility Enterprise Fund
Schedule of Wastewater Utility
Capital Projects
Year Ended June 30, 2011

**Sewer
Projects**

Funding sources - Wastewater Utility	\$ <u>12,896</u>
Expenditures - professional services	\$ <u>12,896</u>

CITY OF PETERSBURG, ALASKA
Sanitation Utility Enterprise Fund
Statement of Net Assets
June 30, 2011
With Comparative Amounts for 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and investments	\$ 431,864	337,691
Accounts receivable	96,582	89,137
Allowance for doubtful accounts	(794)	(4,268)
Prepaid expenses	4,581	-
Total current assets	<u>532,233</u>	<u>422,560</u>
Property, plant and equipment:		
Land and land improvements	63,720	63,720
Buildings	2,211,180	2,211,180
Improvements other than buildings	103,365	103,365
Machinery and equipment	205,635	97,912
Construction in progress	-	94,799
Total property, plant and equipment	<u>2,583,900</u>	<u>2,570,976</u>
Accumulated depreciation	<u>(993,221)</u>	<u>(935,423)</u>
Net property, plant and equipment	<u>1,590,679</u>	<u>1,635,553</u>
Total assets	\$ <u>2,122,912</u>	<u>2,058,113</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	31,699	27,834
Accrued payroll and employee benefits	13,620	13,810
Accrued leave	14,292	15,498
Customer deposits	8,321	4,800
Total current liabilities	<u>67,932</u>	<u>61,942</u>
Long-term debt, net of current portion - estimated landfill closure costs	<u>92,333</u>	<u>92,333</u>
Total liabilities	<u>160,265</u>	<u>154,275</u>
Net assets:		
Invested in capital assets	1,590,679	1,635,553
Unrestricted	<u>371,968</u>	<u>268,285</u>
Total net assets	<u>1,962,647</u>	<u>1,903,838</u>
Total liabilities and net assets	\$ <u>2,122,912</u>	<u>2,058,113</u>

CITY OF PETERSBURG, ALASKA
Sanitation Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Refuse collection	\$ 811,690	797,622
Landfill charges	278,178	269,971
Other	<u>7,538</u>	<u>35,786</u>
Total operating revenues	<u>1,097,406</u>	<u>1,103,379</u>
Operating expenses:		
Salaries	243,678	231,713
Employee benefits	129,101	99,794
Materials and supplies	32,000	38,288
Services and charges	139,619	97,930
Bale disposal	246,179	256,874
Allocated overhead	58,720	47,838
Motor pool charges:		
Operation and maintenance	71,407	48,900
Equipment replacement	76,225	76,225
Depreciation	<u>61,906</u>	<u>61,907</u>
Total operating expenses	<u>1,058,835</u>	<u>959,469</u>
Income from operations	38,571	143,910
Nonoperating revenues:		
Investment income	4,546	4,580
State PERS relief	<u>15,692</u>	<u>10,114</u>
Total nonoperating revenues	<u>20,238</u>	<u>14,694</u>
Income before contributions	58,809	158,604
Capital contributions	<u>-</u>	<u>63,720</u>
Change in net assets	58,809	222,324
Net assets at beginning of year	<u>1,903,838</u>	<u>1,681,514</u>
Net assets at end of year	\$ <u><u>1,962,647</u></u>	<u><u>1,903,838</u></u>

CITY OF PETERSBURG, ALASKA
Sanitation Utility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,090,008	1,126,408
Payments for interfund services used	(206,352)	(172,963)
Payments to suppliers	(418,514)	(386,474)
Payments to employees	(358,483)	(322,109)
Net cash flows from operating activities	<u>106,659</u>	<u>244,862</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(17,032)	(70,239)
Capital contributions received	<u>-</u>	<u>63,720</u>
Net cash flows from capital and related financing activities	<u>(17,032)</u>	<u>(6,519)</u>
Cash flows from investing activities -		
investment income received	<u>4,546</u>	<u>4,580</u>
Net increase in cash and investments	94,173	242,923
Cash and investments at beginning of year	<u>337,691</u>	<u>94,768</u>
Cash and investments at end of year	\$ <u><u>431,864</u></u>	<u><u>337,691</u></u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Income from operations	38,571	143,910
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation	61,906	61,907
Noncash expense - PERS relief	15,692	10,114
Decrease in allowance for doubtful accounts	(3,474)	(1,742)
(Increase) decrease in assets:		
Accounts receivable	(7,445)	24,669
Prepaid expenses	(4,581)	-
Increase (decrease) in liabilities:		
Accounts payable	3,865	6,618
Accrued payroll and employee benefits	(190)	424
Accrued leave	(1,206)	(1,140)
Customer deposits	3,521	102
Net cash flows from operating activities	\$ <u><u>106,659</u></u>	<u><u>244,862</u></u>

CITY OF PETERSBURG, ALASKA
Harbor and Port Facilities Enterprise Fund
Statement of Net Assets
June 30, 2011
With Comparative Amounts for 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and investments	\$ 953,837	-
Receivables:		
Grants	45,073	876,337
Accounts	151,576	153,612
Interest	4,891	14,729
Allowance for doubtful accounts	(39,347)	(39,301)
Prepaid expenses	8,477	-
Total current assets	<u>1,124,507</u>	<u>1,005,377</u>
Restricted cash - capital projects	<u>2,905,426</u>	<u>2,848,189</u>
Bond issuance costs, net of accumulated amortization	<u>9,239</u>	<u>10,162</u>
Property, plant and equipment:		
Land and land improvements	353,039	353,039
Buildings	313,055	313,055
Improvements other than buildings	22,431,411	22,404,620
Machinery and equipment	461,072	423,113
Construction in progress	1,458,425	1,330,574
Total property, plant and equipment	25,017,002	24,824,401
Accumulated depreciation	(7,491,483)	(6,655,164)
Net property, plant and equipment	<u>17,525,519</u>	<u>18,169,237</u>
Total assets	<u>\$ 21,564,691</u>	<u>22,032,965</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	24,470	30,740
Accrued payroll and employee benefits	19,280	25,850
Accrued leave	76,169	60,701
Prepaid moorage	104,834	98,181
Deferred revenue	2,463,487	2,475,000
Accrued interest	3,657	3,664
Current portion of general obligation bonds	79,164	74,997
Total current liabilities	<u>2,771,061</u>	<u>2,769,133</u>
Long-term debt, net of current portion:		
General obligation bonds	891,631	970,794
Deferred loss on refunding	(26,746)	(29,421)
Bond premium, net of accumulated amortization	13,241	14,565
Total liabilities	<u>3,649,187</u>	<u>3,725,071</u>
Net assets:		
Invested in capital assets, net of related debt	16,568,229	17,138,302
Unrestricted	<u>1,347,275</u>	<u>1,169,592</u>
Total net assets	<u>17,915,504</u>	<u>18,307,894</u>
Total liabilities and net assets	<u>\$ 21,564,691</u>	<u>22,032,965</u>

CITY OF PETERSBURG, ALASKA
Harbor and Port Facilities Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Harbor charges	\$ 803,083	777,493
Port charges and leases	141,178	159,685
Other	<u>6,797</u>	<u>11,675</u>
Total operating revenues	<u>951,058</u>	<u>948,853</u>
Operating expenses:		
Salaries	356,949	404,890
Employee benefits	191,148	136,606
Materials and supplies	47,123	30,704
Services and charges	215,641	230,918
Allocated overhead	50,210	41,808
Motor pool charges:		
Operation and maintenance	24,520	19,609
Equipment replacement	4,544	4,544
Depreciation	<u>836,319</u>	<u>835,514</u>
Total operating expenses	<u>1,726,454</u>	<u>1,704,593</u>
Loss from operations	(775,396)	(755,740)
Nonoperating revenues (expenses):		
Investment income	19,073	78,103
Interest expense	(47,262)	(51,396)
Amortization of bond issuance costs	(924)	(924)
State PERS relief	<u>25,002</u>	<u>18,608</u>
Net nonoperating revenues (expenses)	<u>(4,111)</u>	<u>44,391</u>
Loss before contributions and transfers	(779,507)	(711,349)
Capital contributions	181,897	1,218,823
Transfers in	<u>205,220</u>	<u>365,829</u>
Change in net assets	(392,390)	873,303
Net assets at beginning of year	<u>18,307,894</u>	<u>17,434,591</u>
Net assets at end of year	\$ <u><u>17,915,504</u></u>	<u><u>18,307,894</u></u>

CITY OF PETERSBURG, ALASKA
Harbor and Port Facilities Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 959,793	961,660
Payments for interfund services used	(79,274)	(65,961)
Payments to suppliers	(277,511)	(232,478)
Payments to employees	(514,197)	(556,102)
Net cash flows from operating activities	<u>88,811</u>	<u>107,119</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(74,996)	(70,831)
Interest paid on long-term debt	(45,919)	(50,059)
Purchase of property, plant and equipment	(181,088)	(1,222,938)
Decrease in deferred revenue	(11,513)	-
Transfers in	205,220	365,829
Capital contributions received	<u>1,001,648</u>	<u>364,609</u>
Net cash flows from capital and related financing activities	<u>893,352</u>	<u>(613,390)</u>
Cash flows from investing activities - investment income received	<u>28,911</u>	<u>87,963</u>
Net increase (decrease) in cash and investments	1,011,074	(418,308)
Cash and investments at beginning of year	<u>2,848,189</u>	<u>3,266,497</u>
Cash and investments at end of year	\$ <u>3,859,263</u>	<u>2,848,189</u>
Cash and investments at end of year:		
Cash and investments	953,837	-
Restricted cash - capital projects	<u>2,905,426</u>	<u>2,848,189</u>
	\$ <u>3,859,263</u>	<u>2,848,189</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(775,396)	(755,740)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	836,319	835,514
Noncash expense - PERS relief	25,002	18,608
Increase in allowance for doubtful accounts	46	3,608
(Increase) decrease in assets:		
Accounts receivable	2,036	(8,776)
Prepaid expenses	(8,477)	-
Increase (decrease) in liabilities:		
Accounts payable	(6,270)	29,144
Accrued payroll and employee benefits	(6,570)	1,486
Accrued leave	15,468	(34,700)
Prepaid moorage	<u>6,653</u>	<u>17,975</u>
Net cash flows from operating activities	\$ <u>88,811</u>	<u>107,119</u>

CITY OF PETERSBURG, ALASKA
Harbor and Port Facilities Enterprise Fund
Schedule of Harbor and Port Facilities
Capital Projects
Year Ended June 30, 2011

	<u>North Harbor Development</u>	<u>Commercial Dock Drive</u>	<u>Passenger Vessel Port</u>	<u>Totals</u>
Funding sources - intergovernmental	\$ <u>11,513</u>	<u>44,617</u>	<u>87,808</u>	<u>143,938</u>
Expenditures:				
Professional services	-	42,664	84,726	127,390
Construction and contractors	-	1,953	-	1,953
Other	<u>11,513</u>	<u>-</u>	<u>3,082</u>	<u>14,595</u>
Total expenditures	\$ <u>11,513</u>	<u>44,617</u>	<u>87,808</u>	<u>143,938</u>

CITY OF PETERSBURG, ALASKA

Elderly Housing Enterprise Fund

Statement of Net Assets

June 30, 2011

With Comparative Amounts for 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and investments	\$ 558,410	556,600
Prepaid expenses	652	-
Total current assets	<u>559,062</u>	<u>556,600</u>
Restricted cash - security deposits	<u>17,431</u>	<u>17,431</u>
Bond issuance costs, net of accumulated amortization	<u>7,901</u>	<u>8,508</u>
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	<u>100,150</u>	<u>100,150</u>
Total property, plant and equipment	<u>2,926,705</u>	<u>2,926,705</u>
Accumulated depreciation	<u>(2,022,412)</u>	<u>(1,953,574)</u>
Net property, plant and equipment	<u>904,293</u>	<u>973,131</u>
Total assets	\$ <u>1,488,687</u>	<u>1,555,670</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	8,157	797
Accrued payroll and employee benefits	2,907	3,873
Accrued leave	1,717	609
Deferred revenue	486	596
Customer deposits	11,085	10,100
Accrued interest	7,134	7,405
Current portion of general obligation bonds	<u>37,500</u>	<u>36,250</u>
Total current liabilities	<u>68,986</u>	<u>59,630</u>
Long-term debt, net of current portion:		
General obligation bonds	585,000	622,500
Bond premium, net of accumulated amortization	<u>20,901</u>	<u>22,508</u>
Total liabilities	<u>674,887</u>	<u>704,638</u>
Net assets:		
Invested in capital assets, net of related debt	260,892	291,873
Unrestricted	<u>552,908</u>	<u>559,159</u>
Total net assets	<u>813,800</u>	<u>851,032</u>
Total liabilities and net assets	\$ <u>1,488,687</u>	<u>1,555,670</u>

CITY OF PETERSBURG, ALASKA
 Elderly Housing Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2011
 With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Federal government - rental subsidies	\$ 210,910	179,657
Rental income	<u>120,814</u>	<u>103,186</u>
Total operating revenues	<u>331,724</u>	<u>282,843</u>
Operating expenses:		
Salaries	57,129	60,608
Employee benefits	16,292	13,415
Materials and supplies	54,755	35,302
Services and charges	133,856	130,978
Allocated overhead	14,210	10,591
Motor pool charges:		
Operation and maintenance	1,187	804
Equipment replacement	624	624
Depreciation	<u>68,838</u>	<u>68,838</u>
Total operating expenses	<u>346,891</u>	<u>321,160</u>
Loss from operations	(15,167)	(38,317)
Nonoperating revenues (expenses):		
Investment income	6,285	11,253
Interest expense	(27,742)	(28,802)
Amortization of bond issuance costs	<u>(608)</u>	<u>(608)</u>
Net nonoperating revenues (expenses)	<u>(22,065)</u>	<u>(18,157)</u>
Change in net assets	(37,232)	(56,474)
Net assets at beginning of year	<u>851,032</u>	<u>907,506</u>
Net assets at end of year	\$ <u>813,800</u>	<u>851,032</u>

CITY OF PETERSBURG, ALASKA
 Elderly Housing Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2011
 With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 332,599	284,497
Payments for interfund services used	(16,021)	(12,019)
Payments to suppliers	(181,903)	(173,930)
Payments to employees	<u>(73,279)</u>	<u>(73,803)</u>
Net cash flows from operating activities	<u>61,396</u>	<u>24,745</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(36,250)	(35,000)
Interest paid on long-term debt	<u>(29,621)</u>	<u>(30,673)</u>
Net cash flows from capital and related financing activities	<u>(65,871)</u>	<u>(65,673)</u>
Cash flows from investing activities -		
investment income received	<u>6,285</u>	<u>11,253</u>
Net increase (decrease) in cash and investments	1,810	(29,675)
Cash and investments at beginning of year	<u>574,031</u>	<u>603,706</u>
Cash and investments at end of year	\$ <u>575,841</u>	<u>574,031</u>
Cash and investments at end of year:		
Cash and investments	558,410	556,600
Restricted cash	<u>17,431</u>	<u>17,431</u>
	\$ <u>575,841</u>	<u>574,031</u>
Reconciliation of loss from operations to net cash		
provided (used) by operating activities:		
Loss from operations	(15,167)	(38,317)
Adjustments to reconcile loss from operations		
to net cash flows from operating activities:		
Depreciation	68,838	68,838
Increase in assets - prepaid expenses	(652)	-
Increase (decrease) in liabilities:		
Accounts payable	7,360	(7,650)
Accrued payroll and employee benefits	(966)	2,201
Accrued leave	1,108	(1,981)
Deferred revenue	(110)	(364)
Customer deposits	<u>985</u>	<u>2,018</u>
Net cash flows from operating activities	\$ <u>61,396</u>	<u>24,745</u>

CITY OF PETERSBURG, ALASKA
Assisted Living Enterprise Fund
Statement of Net Assets
June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Accounts receivable	\$ 8,433	8,433
Prepaid items	6,843	-
Total current assets	<u>15,276</u>	<u>8,433</u>
Bond issuance costs, net of accumulated amortization	<u>23,702</u>	<u>25,525</u>
Property, plant and equipment:		
Buildings	3,907,471	3,907,471
Machinery and equipment	<u>78,000</u>	<u>78,000</u>
Total property, plant and equipment	3,985,471	3,985,471
Accumulated depreciation	<u>(784,354)</u>	<u>(678,483)</u>
Net property, plant and equipment	<u>3,201,117</u>	<u>3,306,988</u>
Total assets	\$ <u>3,240,095</u>	<u>3,340,946</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	4,830	1,810
Accrued payroll and employee benefits	15,201	22,981
Accrued leave	14,883	17,204
Deferred revenue	3,780	4,066
Customer deposits	5,300	6,200
Accrued interest	21,401	22,216
Due to other funds	218,942	123,479
Current portion of general obligation bonds	<u>112,500</u>	<u>108,750</u>
Total current liabilities	<u>396,837</u>	<u>306,706</u>
Long-term debt, net of current portion:		
General obligation bonds	1,755,000	1,867,500
Bond premium, net of accumulated amortization	<u>62,702</u>	<u>67,525</u>
Total liabilities	<u>2,214,539</u>	<u>2,241,731</u>
Net assets:		
Invested in capital assets, net of related debt	1,270,915	1,263,213
Unrestricted (deficit)	<u>(245,359)</u>	<u>(163,998)</u>
Total net assets	<u>1,025,556</u>	<u>1,099,215</u>
Total liabilities and net assets	\$ <u>3,240,095</u>	<u>3,340,946</u>

CITY OF PETERSBURG, ALASKA
 Assisted Living Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2011
 With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Rents and royalties	\$ 189,482	199,068
Fees for services	317,825	433,758
Other revenues	<u>93,252</u>	<u>16,312</u>
Total operating revenues	<u>600,559</u>	<u>649,138</u>
Operating expenses:		
Salaries	345,243	340,999
Employee benefits	156,150	183,976
Materials and supplies	47,135	60,843
Services and charges	118,224	124,863
Allocated overhead	39,160	31,934
Motor pool charges:		
Operation and maintenance	1,177	1,063
Equipment replacement	624	624
Depreciation	<u>105,871</u>	<u>105,103</u>
Total operating expenses	<u>813,584</u>	<u>849,405</u>
Loss from operations	(213,025)	(200,267)
Nonoperating revenues (expenses):		
Interest expense	(83,227)	(86,405)
Amortization of bond issuance costs	(1,823)	(1,823)
State PERS relief	<u>26,800</u>	<u>20,155</u>
Net nonoperating revenues (expenses)	<u>(58,250)</u>	<u>(68,073)</u>
Loss before contributions and transfers	(271,275)	(268,340)
Capital contributions	-	15,367
Transfers in	<u>197,616</u>	<u>197,016</u>
Change in net assets	(73,659)	(55,957)
Net assets at beginning of year	<u>1,099,215</u>	<u>1,155,172</u>
Net assets at end of year	\$ <u>1,025,556</u>	<u>1,099,215</u>

CITY OF PETERSBURG, ALASKA
Assisted Living Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 599,373	627,114
Payments for interfund services used	(40,961)	(33,621)
Payments to suppliers	(169,182)	(188,047)
Payments to employees	<u>(484,694)</u>	<u>(496,466)</u>
Net cash flows from operating activities	<u>(95,464)</u>	<u>(91,020)</u>
Cash flows from capital and related financing activities:		
Principal paid on long term debt	(108,750)	(105,000)
Interest paid on long term debt	(88,865)	(92,017)
Purchase of property, plant and equipment	-	(15,367)
Increase in due to other funds	95,463	91,021
Transfers in	197,616	197,016
Capital contributions received	<u>-</u>	<u>15,367</u>
Net cash flows from capital and related financing activities	<u>95,464</u>	<u>91,020</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	(213,025)	(200,267)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	105,871	105,103
Noncash expense - PERS relief	26,800	20,155
Increase in assets - prepaid expenses	(6,843)	-
Increase (decrease) in liabilities:		
Accounts payable	3,020	(2,341)
Accrued payroll and employee benefits	(7,780)	849
Accrued leave	(2,321)	7,505
Deferred revenue	(286)	(18,585)
Customer deposits	<u>(900)</u>	<u>(3,439)</u>
Net cash flows from operating activities	\$ <u>(95,464)</u>	<u>(91,020)</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, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 3,364,796	3,055,308
Receivables:		
Grants	-	12,362
Other	-	200
Prepaid expenses	<u>2,549</u>	<u>-</u>
Total current assets	<u>3,367,345</u>	<u>3,067,870</u>
Equipment	5,853,724	5,879,757
Accumulated depreciation	<u>(3,099,267)</u>	<u>(3,007,921)</u>
Net equipment	<u>2,754,457</u>	<u>2,871,836</u>
Total assets	\$ <u><u>6,121,802</u></u>	<u><u>5,939,706</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	4,314	16,152
Accrued payroll and employee benefits	7,992	7,974
Accrued leave	<u>19,661</u>	<u>27,184</u>
Total current liabilities	<u>31,967</u>	<u>51,310</u>
Net assets:		
Invested in capital assets	2,754,457	2,871,836
Unrestricted	<u>3,335,378</u>	<u>3,016,560</u>
Total net assets	<u>6,089,835</u>	<u>5,888,396</u>
Total liabilities and net assets	\$ <u><u>6,121,802</u></u>	<u><u>5,939,706</u></u>

CITY OF PETERSBURG, ALASKA
Motor Pool Internal Service Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Operation and maintenance charges	\$ 456,574	323,684
Replacement reserve charges	531,447	502,991
Equipment rental	-	1,600
Total operating revenues	<u>988,021</u>	<u>828,275</u>
Operating expenses:		
Salaries	117,924	119,718
Employee benefits	51,744	56,576
Materials and supplies	229,877	213,894
Services and charges	74,427	74,223
Motor pool charges:		
Operation and maintenance	9,771	10,001
Equipment replacement	2,414	2,414
Depreciation	<u>355,392</u>	<u>309,736</u>
Total operating expenses	<u>841,549</u>	<u>786,562</u>
Income from operations	146,472	41,713
Nonoperating revenues (expenses):		
Federal fuel grant	-	90,426
Gain (loss) on disposal of equipment	7,250	(13,241)
State PERS relief	<u>9,217</u>	<u>6,067</u>
Net nonoperating revenues (expenses)	<u>16,467</u>	<u>83,252</u>
Income before contributions	162,939	124,965
Capital contributions	<u>38,500</u>	<u>-</u>
Change in net assets	201,439	124,965
Net assets at beginning of year	<u>5,888,396</u>	<u>5,763,431</u>
Net assets at end of year	\$ <u>6,089,835</u>	<u>5,888,396</u>

CITY OF PETERSBURG, ALASKA
Motor Pool Internal Service Fund
Statement of Cash Flows
Year Ended June 30, 2011
With Comparative Amounts for 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 988,221	828,840
Payments for interfund services used	(12,185)	(12,415)
Payments to suppliers	(318,691)	(272,715)
Payments to employees	(167,956)	(168,837)
Net cash flows from operating activities	<u>489,389</u>	<u>374,873</u>
Cash flows from noncapital financing activities - federal fuel grant received	<u>12,362</u>	<u>78,064</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of equipment	7,250	34,583
Purchase of equipment	(238,013)	(593,910)
Capital contributions received	38,500	64,752
Net cash flows from capital and related financing activities	<u>(192,263)</u>	<u>(494,575)</u>
Net increase (decrease) in cash and investments	309,488	(41,638)
Cash and investments at beginning of year	<u>3,055,308</u>	<u>3,096,946</u>
Cash and investments at end of year	\$ <u><u>3,364,796</u></u>	<u><u>3,055,308</u></u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Income from operations	146,472	41,713
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation	355,392	309,736
Noncash expense - PERS relief	9,217	6,067
(Increase) decrease in assets:		
Accounts receivable - other	200	565
Prepaid expenses	(2,549)	-
Increase (decrease) in liabilities:		
Accounts payable	(11,838)	15,402
Accrued payroll and employee benefits	18	1,390
Accrued leave	(7,523)	-
Net cash flows from operating activities	\$ <u><u>489,389</u></u>	<u><u>374,873</u></u>

CITY OF PETERSBURG, ALASKA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<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, 2010 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Receipts</u>	<u>June 30, 2011 Receivable (Deferred)</u>
Department of Homeland Security							
Passed through the State of Alaska Department of Military and Veterans Affairs:							
2008 Homeland Security Grant	08SHSP-GR34057	97.067	\$ 92,398	-	92,398	92,398	-
2008 Homeland Security Grant - Reallocated Funds	08SHSP-GR34057	97.067	54,669	-	44,858	-	44,858
Total CFDA 97.067				-	137,256	92,398	44,858
Emergency Management Program	10-EMPG-GR35581	97.042	37,500	7,500	27,242	25,112	9,630
Total Department of Homeland Security				7,500	164,498	117,510	54,488
Department of Agriculture							
Passed through the State of Alaska Department of Commerce, Community and Economic Development - National Forest Receipts	N/A	10.665	1,460,753	-	1,460,753	1,460,753	-
Department of Transportation							
Passed through the Organized Village of Kasaan - SEATrails	DTFH70-08-E-00019	20.205	26,750	-	26,750	26,750	-
Passed through Petersburg Indian Association - Green's Camp	N/A	20.205	68,000	(3,426)	3,426	-	-
Total Department of Transportation				(3,426)	30,176	26,750	-
Department of Defense							
Passed through the State of Alaska Department of Transportation and Public Facilities - Banana Point Breakwater Reconstruction	2007	12.101	5,000	(5,000)	-	-	(5,000)
Environmental Protection Agency							
Passed through the State of Alaska Department of Environmental Conservation:							
Water Treatment Plant Upgrade Loan (827% Federal)	685241	66.468	492,000	-	4,815	-	4,815
ADWF H2O Projects (827% Federal)	685251	66.468	679,237	-	13,450	-	13,450
Total CFDA 66.468				-	18,265	-	18,265
ACWF Sewer Projects (827% Federal)	685211	66.458	451,331	-	10,575	-	10,575
Total Environmental Protection Agency				-	28,840	-	28,840
Department of Education							
Passed through the State of Alaska Department of Commerce, Community and Economic Development - FY09 ARRA-Purchase of Bulk Fuel	800231	84.397	90,426	12,362	-	12,362	-
Institute of Museum and Library Services							
Passed through the Alaska State Council on the Arts - Storyteller Series	FY101CAD0036	45.025	980	-	980	980	-
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	800	-	800	-
Native American Library Services	NG-05-10-0017-11	45.311	7,000	-	7,000	-	7,000
Total CFDA 45.311				6,800	7,000	800	13,000
Total Institute of Museum and Library Services				6,800	7,980	1,780	13,000
Department of Justice							
COPS Hiring Grant Program	2010UMWX0001	16.710	244,884	-	30,644	-	30,644

CITY OF PETERSBURG, ALASKA
Schedule of Expenditures of Federal Awards, continued

<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, 2010 Receivable (Deferred)</u>	<u>Federal Share of Expend- itures</u>	<u>Federal Receipts</u>	<u>June 30, 2011 Receivable (Deferred)</u>
Department of Commerce							
Power Distribution	07-01-05926	11.300	1,338,740	133,874	-	133,874	-
Passed through the State of Alaska Department of Commerce, Community and Economic Development - Multi-purpose Dock Renovation - ARRA	07-79-73007	11.307	1,000,000	<u>612,748</u>	<u>4,770</u>	<u>615,492</u>	<u>2,026</u>
Total Public Works and Economic Development Cluster				<u>746,622</u>	<u>4,770</u>	<u>749,366</u>	<u>2,026</u>
Passed through the State of Alaska Department of Military and Veterans Affairs - 2010 PSIC Grant	FY10 PSIC	11.555	3,375	<u>-</u>	<u>3,375</u>	<u>3,375</u>	<u>-</u>
Total Department of Commerce				<u>746,622</u>	<u>8,145</u>	<u>752,741</u>	<u>2,026</u>
Department of Energy							
Passed through Alaska Energy Authority - Energy Efficiency & Conservation Block Grant	7510040	81.128	245,200	<u>-</u>	<u>11,130</u>	<u>11,130</u>	<u>-</u>
Department of the Interior							
Passed through the State of Alaska Department of Commerce, Community and Economic Development - Payment in Lieu of Taxes	N/A	15.226	508,708	<u>-</u>	<u>508,708</u>	<u>508,708</u>	<u>-</u>
Total Federal Financial Assistance			\$	<u>764,858</u>	<u>2,250,874</u>	<u>2,891,734</u>	<u>123,998</u>

CITY OF PETERSBURG, ALASKA
Schedule of State Financial Assistance
Year Ended June 30, 2011

<u>State Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>July 1, 2010 Receivable (Deferred)</u>	<u>State Share of Expend- itures</u>	<u>State Receipts</u>	<u>June 30, 2011 Receivable (Deferred)</u>
Department of Commerce, Community and Economic Development						
Pearl F Street (Ball Field) Playground	07-DC-252	\$ 60,000	4,486	-	4,486	-
MVM Emergency Operations Center Equipment	08-DC-371	4,000	1,207	-	1,207	-
Shooting Range Improvements	09-DC-101	25,000	-	391	391	-
*Fire & EMS Facility	09-DC-520	1,324,500	247,884	751,577	999,461	-
Public Library Construction	09-DC-521	150,000	41,449	11,933	53,382	-
*Commercial Passenger Vessel Berthing/ Power Upgrades	09-DC-558	1,250,000	262,606	83,038	324,014	21,630
Community Dock/Vehicle Drive Down Design/Construction	10-DC-022	3,390,000	982	44,617	24,184	21,415
*Fire & EMS Facility	11-DC-334	6,700,000	-	1,445,670	759,382	686,288
Medical Center - Surgical Equipment	11-DC-335	50,000	-	50,000	50,000	-
Fish Resource Landing Tax		18,841	-	18,841	18,841	-
*Shared Fisheries Business Tax		605,220	-	605,220	605,220	-
Total Department of Commerce, Community and Economic Development			558,614	3,011,287	2,840,568	729,333
Department of Education and Early Development						
Debt Retirement Program	2010	498,437	142,137	-	142,137	-
*Debt Retirement Program	2011	500,419	-	500,419	351,875	148,544
Storyteller Series	FY101CAD0036	969	-	969	969	-
Public Library Assistance Grant	PLA-11-761-59	6,300	-	6,300	6,300	-
Petersburg StoryCorps	ILC-10-791-126	10,000	(1,407)	1,407	-	-
Total Department of Education and Early Development			140,730	509,095	501,281	148,544
Department of Natural Resources						
Volunteer Fire Assistance Grant		6,000	-	-	6,000	(6,000)
E. Haugen Public Use Area Maintenance	2011	4,040	-	862	4,040	(3,178)
E. Haugen Public Use Area Maintenance	2010	4,040	(2,521)	2,521	-	-
Total Department of Natural Resources			(2,521)	3,383	10,040	(9,178)
Department of Environmental Conservation						
Water Treatment Plant Upgrade	MMG 68534	1,445,000	-	13,703	-	13,703
Department of Military and Veteran's Affairs						
LEPC Petersburg/Wrangell	11 LEPC-AR35602	18,154	-	18,154	10,184	7,970
LEPC Petersburg/Wrangell	10 LEPC-AR35253	20,180	12,022	-	12,022	-
Total Department of Military and Veteran's Affairs			12,022	18,154	22,206	7,970
Department of Transportation and Public Facilities -						
North Harbor Deferred Maintenance	PSG 02-003	2,475,000	(2,475,000)	11,513	-	(2,463,487)
Department of Revenue						
*Revenue Sharing	2010	245,101	-	245,101	245,101	-
Liquor Licenses	2010	11,300	-	11,300	11,300	-
Total Department of Revenue			-	256,401	256,401	-
Department of Administration						
*PERS Relief	N/A	380,418	-	380,418	380,418	-
Total State Financial Assistance		\$	(1,766,155)	4,203,954	4,010,914	(1,573,115)

* Major Program

CITY OF PETERSBURG, ALASKA

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

Year Ended June 30, 2011

(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*.

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, 2011, which collectively comprise City of Petersburg's basic financial statements and have issued our report thereon dated September 26, 2011. 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

Management of City of Petersburg is responsible for establishing and maintaining effective 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
September 26, 2011

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, 2011. 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, 2011. 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, 2011.

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
September 26, 2011

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, 2011. 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, 2011. 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, 2011.

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 the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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
September 26, 2011

CITY OF PETERSBURG, ALASKA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

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 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

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

CITY OF PETERSBURG, ALASKA

Schedule of Findings and Questioned Costs, continued

Summary of Auditor's Results, continued

State Financial Assistance

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, 2011

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, 2011

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