

CITY OF PETERSBURG, ALASKA

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

Year Ended June 30, 2012

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CITY OF PETERSBURG, ALASKA

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FINANCIAL SECTION

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Independent Auditor's Report

Honorable Mayor and City Council
City of Petersburg, Alaska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Petersburg, Alaska, as of and for the year ended June 30, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012, 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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Honorable Mayor and City Council
City of Petersburg, Alaska

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Petersburg's basic financial statements for the year ended June 30, 2011 which are not presented with the accompanying financial statements. In our report dated September 26, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Petersburg's financial statements as a whole. The individual fund financial statements and schedules related to the June 30, 2011 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2011.

Mikunda, Cottrell & Co.

Anchorage, Alaska
October 3, 2012

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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, 2012. 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 \$118 million. Of this amount, \$24.5 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 \$3.67 million and was available for spending. The unassigned fund balance for the General Fund represented 42% 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 22. The City has two major governmental funds, the General Fund and the Fire/EMS Facility Capital Project Fund. Data from fifteen other governmental funds are combined into a single, aggregated presentation, labeled the Non-major Funds. The fifteen Non-major governmental funds report revenues and expenditures for: Miscellaneous Grants, National Forest Receipts – Schools, National Forest Receipts – Streets & Roads, Property Development, E911 Surcharge, Debt Service, Ballfield Playground, Library Construction, Fishing Park, Birch Street Rebuild, Downtown Paving Project, Kings Row Realignment, Rasmus Enge Bridge, Disaster Response, and Economic Development. The combining financial statement presentation for the Non-major funds can be found on pages 60 and 61 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 to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 22-27 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 33. 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 53 through 56.

The combining balance sheet and statement of revenues, expenditures, and changes in fund balance for the non-major governmental funds are presented on pages 60-61. Other combining and individual fund statements and schedules can be found on pages 62 through 118.

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 \$118,156,279 at the close of the most recent fiscal year. This was an increase of \$4,878,936 from the previous year.

The largest portion of the City's net assets (76%) 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Current and other assets	\$ 15,396,076	15,463,659	15,190,316	14,951,010	30,586,392	30,414,669
Restricted cash and investments	-	-	2,896,613	2,922,857	2,896,613	2,922,857
Capital assets, net of depreciation	42,789,415	38,748,349	65,922,707	64,916,985	108,712,122	103,665,334
Total assets	<u>58,185,491</u>	<u>54,212,008</u>	<u>84,009,636</u>	<u>82,790,852</u>	<u>142,195,127</u>	<u>137,002,860</u>
Liabilities						
Long-term liabilities outstanding	8,654,890	9,095,869	11,388,700	10,886,181	20,043,590	19,982,050
Other liabilities	503,510	694,362	3,491,748	3,049,105	3,995,258	3,743,467
Total liabilities	<u>9,158,400</u>	<u>9,790,231</u>	<u>14,880,448</u>	<u>13,935,286</u>	<u>24,038,848</u>	<u>23,725,517</u>
Net Assets						
Invested in capital assets, net of debt	34,523,197	30,052,198	54,905,217	56,814,651	89,428,414	86,866,849
Restricted	4,195,217	3,563,400	-	-	4,195,217	3,563,400
Unrestricted	10,308,677	10,806,179	14,223,971	12,040,915	24,532,648	22,847,094
Total net assets	<u>\$ 49,027,091</u>	<u>44,421,777</u>	<u>69,129,188</u>	<u>68,855,566</u>	<u>118,156,279</u>	<u>113,277,343</u>

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

Governmental Activities

Governmental activities increased the City's net assets by \$4.6 million. Key elements of this follows:

- The National Forest Receipts – School Fund retained \$698,235 of the \$1.26 million payment the fund received this year increasing the year end fund balance to \$4 million.
- At year end the majority of construction of the new Fire Station was completed and was recorded as a new building capital asset in the total amount of \$6,997,387.
- Property and sales tax revenue each increased from the prior year at 8% and 7% respectively.

The net assets for the City's governmental activities are \$49 million. A substantial portion (70%) 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 \$10.3 million as of June 30, 2012.

Business-type Activities

The net assets for the City's business-type activities are \$69.13 million, an increase of 273,622. As with governmental activities, a substantial portion (79%) 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 was \$14.2 million as of June 30, 2012. This is an increase in unrestricted net assets of \$2.18 million. This change is primarily caused by closing out the Ruth Lake Capital Project and transferring \$1.19 million back into the Electric Fund. There was also a transfer of \$300,000 out of the Storage Yard Relocation Capital Project back into the Electric Fund in fiscal year 2012.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 923,795	977,825	10,602,391	9,984,395	11,526,186	10,962,220
Operating grants and contributions	2,421,268	2,285,737	275,353	192,765	2,696,621	2,478,502
Capital grants and contributions	4,366,893	2,346,436	1,284,408	157,641	5,651,311	2,504,077
General revenues:						
Property taxes	2,858,725	2,653,336	-	-	2,858,725	2,653,336
Sales taxes	2,820,007	2,638,867	-	-	2,820,007	2,638,867
Payment in lieu of taxes	519,209	520,621	-	-	519,209	520,621
Other taxes	38,364	37,173	-	-	38,364	37,173
Grants and entitlements not restricted to a specific purpose	1,023,523	1,091,290	-	-	1,023,523	1,091,290
Investment income	124,858	763,661	159,604	138,416	284,462	902,077
Other	74,765	74,117	-	-	74,765	74,117
Total revenues	<u>15,171,407</u>	<u>13,389,063</u>	<u>12,321,766</u>	<u>10,473,217</u>	<u>27,493,173</u>	<u>23,862,280</u>

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Expenses:						
General government	\$ 1,469,939	1,813,697	-	-	1,469,939	1,813,697
Public safety	1,909,787	1,841,276	-	-	1,909,787	1,841,276
Public works	1,904,390	1,905,680	-	-	1,904,390	1,905,680
Community services	656,722	871,986	-	-	656,722	871,986
Culture and recreation	1,743,794	1,639,588	-	-	1,743,794	1,639,588
Education	2,183,457	2,118,158	-	-	2,183,457	2,118,158
Electric utility	-	-	6,247,114	5,650,676	6,247,114	5,650,676
Water utility	-	-	1,480,656	1,469,459	1,480,656	1,469,459
Sewer utility	-	-	856,685	883,776	856,685	883,776
Sanitation utility	-	-	1,015,153	1,033,072	1,015,153	1,033,072
Harbor/port facilities	-	-	1,805,625	1,770,270	1,805,625	1,770,270
Elderly housing	-	-	375,967	374,925	375,967	374,925
Assisted living	-	-	964,948	898,320	964,948	898,320
Total expenses	<u>9,868,089</u>	<u>10,190,385</u>	<u>12,746,148</u>	<u>12,080,498</u>	<u>22,614,237</u>	<u>22,270,883</u>
Increase (decrease) in net assets before transfers	5,303,318	3,198,678	(424,382)	(1,607,281)	4,878,936	1,591,397
Transfers	<u>(698,004)</u>	<u>(580,667)</u>	<u>698,004</u>	<u>580,667</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	4,605,314	2,618,011	273,622	(1,026,614)	4,878,936	1,591,397
Beginning 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>
Ending net assets	\$ <u>49,027,091</u>	<u>44,421,777</u>	<u>69,129,188</u>	<u>68,855,566</u>	<u>118,156,279</u>	<u>113,277,343</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, so they are not included in this graph. They include property and sales taxes, payments in lieu of taxes, investment income, and other general revenues. Figure 1 presents a picture of the information that can be found on page 21 of the financial statements.

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

Figure 1

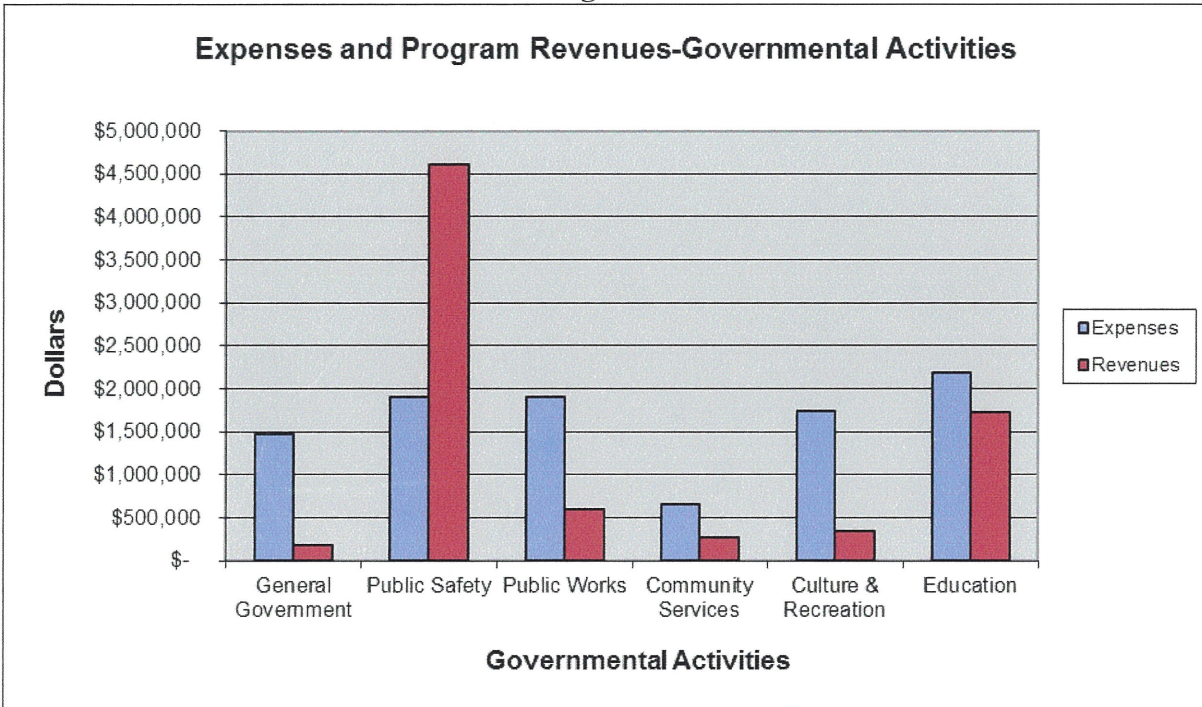
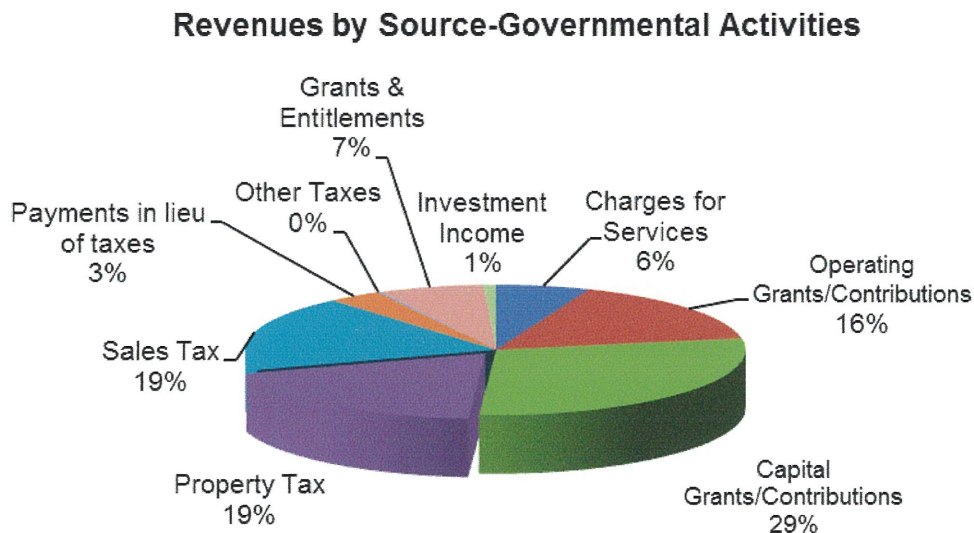


Figure 2 shows the percentages of all revenue sources for governmental activities, both program and general. In 2012, sales taxes and property tax each totaled 19% of revenues, both decreasing 1% from the prior year's proportion composition.

Figure 2



CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

Business Type Activities. Net assets increased by \$273,622 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. It should be noted that covering depreciation of capital assets is difficult when a large portion of the City's infrastructure was originally paid for by capital grants or with the assistance of grants.

Figure 3

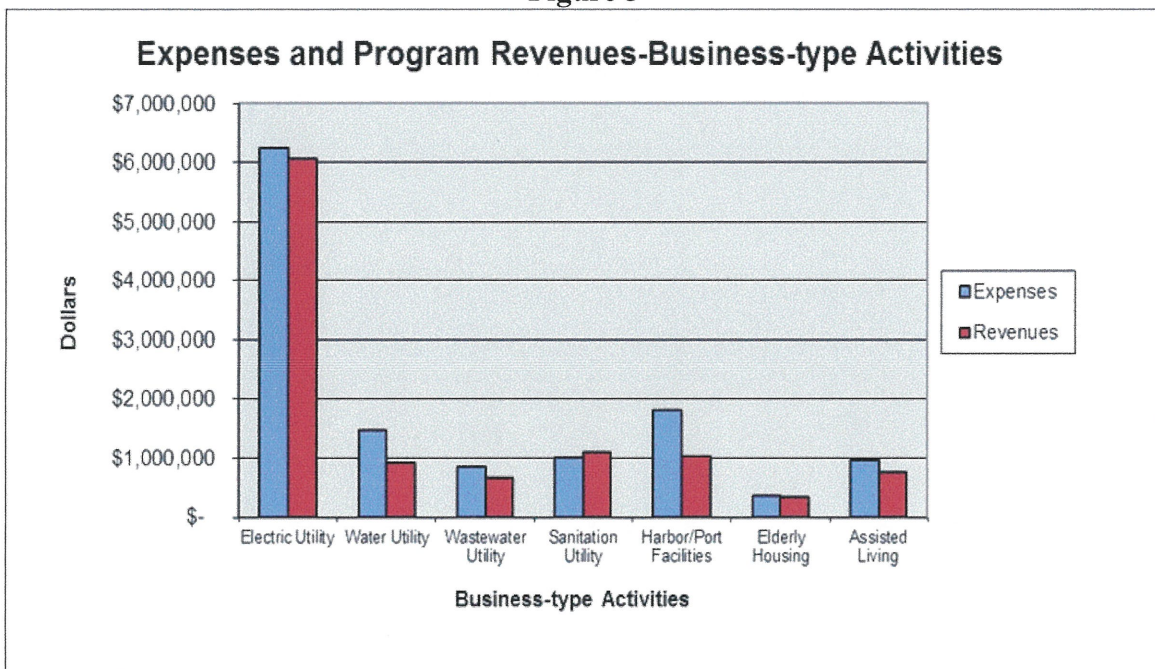
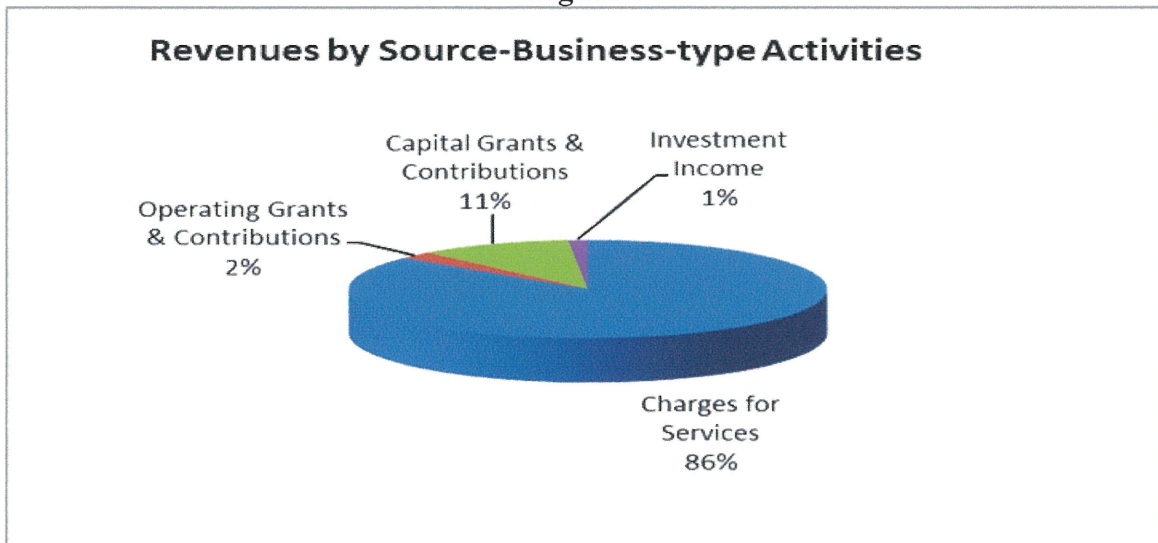


Figure 4



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.

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 \$13,418,985, a decrease of \$152,690 in comparison with the prior year. This decrease is mainly due to the Economic Fund decrease in fund balance due to economic conditions in the financial markets, and to the Birch Street Rebuild Project and Kings Row Realignment Project.

The total fund balances of the governmental funds are made up of five components. \$55,000 nonspendable, which is the General Fund's prepaid health insurance, \$4,195,217 restricted (National Forest Receipts School and Public Roads funding), \$5,367,365 committed (primarily for economic development and capital projects), \$135,724 assigned (Debt Service Fund), and \$3,665,679 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 \$3,665,679, while total fund balance was \$3,720,679. 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 42% of total General Fund expenditures. This is a decrease of 2% 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 and 2011 had shown an increase of 3% and 1% 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 \$8,077,127, an increase of \$1,658,698 from the prior year. This increase is from closing out the Ruth Lake Capital Project and transferring the balance of funds back into the Electric Fund. Overall net assets decreased \$157,788 for the Electric Utility.
- The Water Utility Fund's unrestricted net assets were \$436,456, an increase of \$130,669.

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

- The Wastewater Utility Fund's unrestricted net assets totaled \$1,097,739 at the end of the year, a decrease of less than 1%.
- The Sanitation Utility Fund is continuing to see a positive trend in their unrestricted net assets. This year's unrestricted net assets were \$488,387 which is an increase of \$116,419 from the prior year.
- The Harbor Fund increased its unrestricted net assets by \$308,115, for a total of \$1,655,390. This increase was much larger than the prior years increase of \$177,683.
- The Elderly Housing Facility's unrestricted net assets showed a slight increase in fiscal year 2012. The last four years had shown a downward trend as a decrease of 1%, 4%, and 6% was shown in prior year's 2011, 2010, and 2009 respectively. The Facility underwent a management change two years ago which could be the reason we are seeing a leveling out in this area.
- Despite a transfer into the Assisted Living Fund of \$198,103 from the transfer of General Fund property tax revenue, and raising rates during the year, the Assisted Living facility ended the year by increasing the deficit in unrestricted net assets by \$27,855. The total deficit in unrestricted net assets at June 30, 2012 was \$273,214. It should be noted that this is a small increase to the deficit compared to prior years since opening the facility.
- The Motor Pool Fund's unrestricted net assets increased \$361,413 (11%) from the prior year 2011, which was similar to the increase of 11% from the prior year of 2010.

General Fund Budgetary Highlights

- The City encountered a landslide disaster next to the Public Works building and received \$106,675 in aid from USDA Natural Resources Conservation Service. The City also had to make an emergency appropriation from the General Fund of \$107,334 to completely repair the property.
- The General Fund showed a surplus of \$284,565 for the year before transfers in and out.
- Transfers out exceeded transfers in by \$241,045.
- Property Taxes increased \$205,389 (7%) due to including the annual General Obligation Bond payment for Assisted Living of \$198,000 to the taxpayer's mill rate.

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

Capital Asset and Debt Administration

Capital Assets As of June 30, 2012, the City had invested \$108,712,122 in capital assets net of accumulated depreciation as presented in Table 3. This investment includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. This is an increase over the previous year of \$5,046,788.

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

- \$3.7 million in State grant funds was spent in fiscal year 2012 on the new Fire/EMS Hall capital project.
- King's Row capital project and the Ball Field Playground/cover capital project were both completed this year with additional capitalized costs of \$376,203 and \$185,948.
- The Romiad Building (capitalized at \$305,010) was demolished to begin construction of the new library.
- Wastewater Fund purchased a new office trailer in the amount of \$84,925.
- The Water and Sewer Reconstruction project of Second, Noseeum, Odin and Gaufin Street was started with substantial completion of utility work being completed this fiscal year (\$1,162,508).
- The Harbormaster's Shack received weatherization improvements costing \$26,635. They also installed a security camera system (\$64,226).
- \$947,686 of Federal and State grant funds were spent on improvements to the Commercial Drive Down Dock (\$138,690) and the Passenger Vessel Port Fund (\$808,996) this year.
- New vehicles/equipment purchased in Motor Pool was a replacement CAT Wheel Loader in the Sanitation Fund, a used 2000 flat-bed truck was purchased for the Harbor Department and a \$60,000 heat pump was installed at the Motor pool shop (paid for by an Alaska Building Science Network Grant).
- The Property Development Fund expended \$53,300 for Middle Harbor dredging due to the Hammer Slough Landslide and \$11,262 for a new emergency resident paging system at the Assisted Living Facility.

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 3,574,725	3,435,776	1,279,223	1,279,223	4,853,948	4,714,999
Infrastructure	15,219,077	14,374,699	-	-	15,219,077	14,374,699
Buildings	19,696,414	13,584,516	12,436,120	12,782,026	32,132,534	26,366,542
Improvements other than buildings	36,456	43,439	38,831,060	40,573,740	38,867,516	40,617,179
Machinery and equipment	3,162,984	3,125,504	6,165,860	6,637,111	9,328,844	9,762,615
Construction in progress	<u>1,099,759</u>	<u>4,184,415</u>	<u>7,210,444</u>	<u>3,644,885</u>	<u>8,310,203</u>	<u>7,829,300</u>
Total capital assets	\$ <u>42,789,415</u>	<u>38,748,349</u>	<u>65,922,707</u>	<u>64,916,985</u>	<u>108,712,122</u>	<u>103,665,334</u>

Additional information on the City's capital assets can be found in note 6 on pages 45 through 47 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$19,539,005. Of this amount, \$13,900,001 comprises debt backed by the full faith and credit of the government (i.e., general obligation bonds). \$667,549 is employee accrued leave and \$4,971,455 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 G.O. bond debt service, and that the ADEC loans are at a 1.5% interest rate.

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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 8,083,370	8,644,207	5,816,631	6,260,795	13,900,001	14,905,002
Accrued leave	388,672	399,718	278,877	288,919	667,549	688,637
Loans, long-term	<u>-</u>	<u>-</u>	<u>4,971,455</u>	<u>4,115,489</u>	<u>4,971,455</u>	<u>4,115,489</u>
Total long-term debt	\$ <u>8,472,042</u>	<u>9,043,925</u>	<u>11,066,963</u>	<u>10,665,203</u>	<u>19,539,005</u>	<u>19,709,128</u>

The City's governmental activity debt decreased by \$571,883 during the current year. The City's business-type debt increased by \$401,760. Additional information on the City of Petersburg's long-term debt can be found in note 7 on pages 47 through 52.

CITY OF PETERSBURG, ALASKA

Management's Discussion and Analysis, continued

Economic Forecast and Rates for Next Fiscal Year

- The City restructured the IT department and has budgeted to see a savings of \$80,000 in fiscal year 2013.
- Parks & Recreation department is forecasting that new pool covers at the aquatic center installed the summer of 2012 will contribute significantly to decreased utility costs in future years.
- Rates in fiscal year 2013 are set to increase for the Water (2%), Wastewater (4.5%) and Sanitation (2%) Funds.

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, 2012

	Primary Government			Component Unit
	Governmental	Business-type		Petersburg
	Activities	Activities	Total	School District
<u>Assets</u>				
Cash and investments	\$ 16,307,286	11,330,743	27,638,029	1,768,481
Receivables, net	989,788	1,375,859	2,365,647	140,377
Internal balances	(1,958,670)	1,958,670	-	-
Inventory	-	397,128	397,128	7,351
Prepaid items	57,672	91,628	149,300	94,513
Restricted cash and investments	-	2,896,613	2,896,613	-
Bond issuance costs, net	-	36,288	36,288	-
Land and construction in progress	4,674,484	8,489,667	13,164,151	-
Other capital assets, net of accumulated depreciation	38,114,931	57,433,040	95,547,971	244,639
Total assets	\$ 58,185,491	84,009,636	142,195,127	2,255,361
<u>Liabilities</u>				
Accounts payable	152,908	732,774	885,682	77,444
Accrued payroll and employee benefits	216,354	149,876	366,230	4,553
Unearned revenue	74,457	2,444,693	2,519,150	3,453
Customer deposits	-	61,251	61,251	-
Accrued interest	59,791	103,154	162,945	-
Noncurrent liabilities:				
Due within one year:				
Accrued leave	388,672	278,877	667,549	34,795
Bonds payable	475,837	344,164	820,001	-
Loans payable	-	287,357	287,357	-
Due in more than one year:				
Bonds payable	7,607,533	5,472,467	13,080,000	-
Deferred loss on refunding	(224,801)	(163,085)	(387,886)	-
Bond premium, net	407,649	392,489	800,138	-
Loans payable	-	4,684,098	4,684,098	-
Landfill closure costs	-	92,333	92,333	-
Total liabilities	9,158,400	14,880,448	24,038,848	120,245
<u>Net Assets</u>				
Invested in capital assets, net of related debt	34,523,197	54,905,217	89,428,414	244,639
Restricted:				
School support and roads	4,195,217	-	4,195,217	-
Scholarships	-	-	-	162,059
Unrestricted	10,308,677	14,223,971	24,532,648	1,728,418
Total net assets	49,027,091	69,129,188	118,156,279	2,135,116
Total liabilities and net assets	\$ 58,185,491	84,009,636	142,195,127	2,255,361

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA

Statement of Activities

Year Ended June 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
Activities	Expenses	Fees, Fines &	Operating Grants &	Capital Grants &	Primary Government		Component Unit	
		Charges for Services	Contri- butions	Contri- butions	Govern- mental Activities	Business- type Activities	Petersburg City School District	
Primary government:								
Governmental:								
General government	\$ 1,469,939	80,478	94,355	-	(1,295,106)	-	(1,295,106)	
Public safety	1,909,787	552,333	243,419	3,806,940	2,692,905	-	2,692,905	
Public works	1,904,390	70,840	229,967	290,216	(1,313,367)	-	(1,313,367)	
Community services	656,722	1,300	-	269,737	(385,685)	-	(385,685)	
Culture and recreation	1,743,794	218,844	124,251	-	(1,400,699)	-	(1,400,699)	
Education	2,183,457	-	1,729,276	-	(454,181)	-	(454,181)	
Total governmental activities	9,868,089	923,795	2,421,268	4,366,893	(2,156,133)	-	(2,156,133)	
Business-type:								
Electric Utility	6,247,114	5,922,028	148,311	-	-	(176,775)	(176,775)	
Water Utility	1,480,656	896,071	15,662	124,807	-	(444,116)	(444,116)	
Wastewater Utility	856,685	646,113	13,627	-	-	(196,945)	(196,945)	
Sanitation Utility	1,015,153	1,075,513	21,331	-	-	81,691	81,691	
Harbor and Port Facilities	1,805,625	996,577	38,313	1,133,061	-	362,326	362,326	
Elderly Housing	375,967	348,412	-	15,288	-	(12,267)	(12,267)	
Assisted Living Facilities	964,948	717,677	38,109	11,262	-	(197,900)	(197,900)	
Total business-type activities	12,746,148	10,602,391	275,353	1,284,418	-	(583,986)	(583,986)	
Total primary government	\$ 22,614,237	11,526,186	2,696,621	5,651,311	(2,156,133)	(583,986)	(2,740,119)	
Component unit - school district - education	\$ 9,254,765	83,747	792,694	-				(8,378,324)
General revenues:								
Property taxes				\$ 2,858,725	-	2,858,725	-	
Sales taxes				2,820,007	-	2,820,007	-	
Payments in lieu of taxes				519,209	-	519,209	-	
Other taxes				38,364	-	38,364	-	
Contributions from primary government				-	-	-	1,800,000	
Grants and entitlements not restricted to a specific purpose				1,023,523	-	1,023,523	6,738,278	
Investment income				124,858	159,604	284,462	1,587	
Other				74,765	-	74,765	127,925	
Transfers				(698,004)	698,004	-	-	
Total general revenues and transfers				6,761,447	857,608	7,619,055	8,667,790	
Change in net assets				4,605,314	273,622	4,878,936	289,466	
Net assets at beginning of year				44,421,777	68,855,566	113,277,343	1,845,650	
Net assets at end of year				\$ 49,027,091	69,129,188	118,156,279	2,135,116	

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA

Governmental Funds

Balance Sheet

June 30, 2012

<u>Assets</u>	<u>Major Funds</u>			<u>Total Govern- mental Funds</u>
	<u>General</u>	<u>Fire/EMS Facility Capital Project</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ 3,018,346	-	9,566,532	12,584,878
Receivables, net of allowance for doubtful accounts:				
Property taxes	27,764	-	-	27,764
Sales taxes	328,065	-	-	328,065
Grants and shared revenues	-	324,756	251,415	576,171
Accounts	53,122	-	-	53,122
Interest	-	-	4,360	4,360
Prepaid insurance	55,000	-	-	55,000
Due from other funds	<u>560,698</u>	<u>-</u>	<u>-</u>	<u>560,698</u>
 Total assets	 \$ <u>4,042,995</u>	 <u>324,756</u>	 <u>9,822,307</u>	 <u>14,190,058</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	110,877	15,813	25,217	151,907
Accrued payroll and related liabilities	206,289	-	2,228	208,517
Deferred revenue	5,150	-	69,307	74,457
Due to other funds	<u>-</u>	<u>308,943</u>	<u>27,249</u>	<u>336,192</u>
Total liabilities	<u>322,316</u>	<u>324,756</u>	<u>124,001</u>	<u>771,073</u>
 Fund balances:				
Nonspendable	55,000	-	-	55,000
Restricted	-	-	4,195,217	4,195,217
Committed	-	-	5,367,365	5,367,365
Assigned	-	-	135,724	135,724
Unassigned	<u>3,665,679</u>	<u>-</u>	<u>-</u>	<u>3,665,679</u>
Total fund balances	<u>3,720,679</u>	<u>-</u>	<u>9,698,306</u>	<u>13,418,985</u>
 Total liabilities and fund balances	 \$ <u>4,042,995</u>	 <u>324,756</u>	 <u>9,822,307</u>	 <u>14,190,058</u>

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 June 30, 2012

Total fund balances for governmental funds \$ 13,418,985

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	\$ 3,574,725	
Construction in progress	1,099,759	
Buildings	42,685,543	
Improvements other than buildings	154,948	
Infrastructure	16,580,110	
Machinery and equipment	2,062,640	
Accumulated depreciation	<u>(26,001,711)</u>	
Total capital assets		40,156,014

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.

4,147,016

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	(8,083,370)	
Deferred loss on refunding, net of accumulated amortization	224,801	
Bond premium, net of accumulated amortization	(407,649)	
Accrued interest	(59,791)	
Accrued leave	<u>(368,915)</u>	
Total long term liabilities		<u>(8,694,924)</u>

Total net assets of governmental activities \$ 49,027,091

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, 2012

	Major Funds			Total
	General	Fire/EMS Facility Capital Project	Nonmajor Funds	Govern- mental Funds
Revenues:				
Property taxes	\$ 2,858,725	-	-	2,858,725
Sales taxes	2,820,007	-	-	2,820,007
Other taxes	70,344	-	-	70,344
Intergovernmental	2,303,827	3,700,265	2,707,837	8,711,929
Licenses and permits	10,334	-	-	10,334
Charges for services	442,805	-	-	442,805
Fines and forfeitures	19,689	-	-	19,689
Overhead charges	368,077	-	-	368,077
Investment income	102,550	-	22,308	124,858
Sale of property	-	-	39,380	39,380
Other	35,429	-	37,907	73,336
Total revenues	<u>9,031,787</u>	<u>3,700,265</u>	<u>2,807,432</u>	<u>15,539,484</u>
Expenditures:				
Current:				
General government	1,924,727	-	520	1,925,247
Public safety	1,949,291	-	149,295	2,098,586
Public works	1,819,928	-	-	1,819,928
Community services	204,763	-	222,697	427,460
Culture and recreation	1,048,513	-	70,723	1,119,236
Education - contribution to school district	1,800,000	-	-	1,800,000
Debt service	-	-	797,879	797,879
Capital outlay	-	3,725,547	1,304,441	5,029,988
Total expenditures	<u>8,747,222</u>	<u>3,725,547</u>	<u>2,545,555</u>	<u>15,018,324</u>
Excess of revenues over (under) expenditures	284,565	(25,282)	261,877	521,160
Other financing sources (uses):				
Transfers in	648,361	-	918,839	1,567,200
Transfers out	(889,406)	-	(1,375,798)	(2,265,204)
Proceeds from bond issuance:				
Par value	-	-	2,010,000	2,010,000
Premium on issuance	-	-	358,955	358,955
Payment to refunded bond escrow agent	-	-	(2,344,801)	(2,344,801)
Net other financing sources (uses)	<u>(241,045)</u>	<u>-</u>	<u>(432,805)</u>	<u>(673,850)</u>
Net change in fund balances	43,520	(25,282)	(170,928)	(152,690)
Fund balances at beginning of year	<u>3,677,159</u>	<u>25,282</u>	<u>9,869,234</u>	<u>13,571,675</u>
Fund balances at end of year	\$ <u>3,720,679</u>	<u>-</u>	<u>9,698,306</u>	<u>13,418,985</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, 2012

Net change in fund balances - total governmental funds \$ (152,690)

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 (\$5,342,846) exceeded depreciation (\$1,046,153) and other capital asset transactions (\$134,571). 4,162,122

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 (\$560,837) 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 (\$130,904) in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 429,933

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	\$	11,142	
Accrued interest		<u>(3,829)</u>	
			7,313

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. 158,636

Change in net assets of governmental activities \$ 4,605,314

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CITY OF PETERSBURG, ALASKA
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 2,325,977	2,841,000	2,858,725	17,725
Sales taxes	2,862,256	2,862,256	2,820,007	(42,249)
Other taxes	79,000	79,000	70,344	(8,656)
Intergovernmental	2,087,888	2,082,888	2,303,827	220,939
Licenses and permits	9,300	9,300	10,334	1,034
Charges for services	296,600	301,600	442,805	141,205
Fines and forfeitures	16,550	16,550	19,689	3,139
Overhead charges	368,077	368,077	368,077	-
Investment income	125,000	125,000	102,550	(22,450)
Other revenues	27,000	27,000	35,429	8,429
Total revenues	<u>8,197,648</u>	<u>8,712,671</u>	<u>9,031,787</u>	<u>319,116</u>
Expenditures:				
General government	1,690,649	1,823,149	1,924,727	(101,578)
Public safety	1,962,711	1,962,711	1,949,291	13,420
Public works	1,845,324	1,822,749	1,819,928	2,821
Community services	209,000	209,000	204,763	4,237
Culture and recreation	935,740	1,018,346	1,048,513	(30,167)
Education - contribution to school district	1,800,000	1,800,000	1,800,000	-
Total expenditures	<u>8,443,424</u>	<u>8,635,955</u>	<u>8,747,222</u>	<u>(111,267)</u>
Excess of revenues over (under) expenditures	(245,776)	76,716	284,565	207,849
Other financing sources (uses):				
Transfers in	599,861	648,361	648,361	-
Transfers out	<u>(300,000)</u>	<u>(1,065,023)</u>	<u>(889,406)</u>	<u>175,617</u>
Net other financing sources (uses)	<u>299,861</u>	<u>(416,662)</u>	<u>(241,045)</u>	<u>175,617</u>
Net change in fund balance	\$ <u>54,085</u>	<u>(339,946)</u>	43,520	<u>383,466</u>
Fund balance at beginning of year			<u>3,677,159</u>	
Fund balance at end of year			\$ <u>3,720,679</u>	

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA

Proprietary Funds

Statement of Net Assets

June 30, 2012

	Assets	Major Enterprise Funds						Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
		Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living				
Current assets:										
Cash and investments		\$ 7,983,353	83,930	903,877	1,267,094	-		1,092,489	11,330,743	3,722,408
Receivables, net of allowance for doubtful accounts		429,666	466,674	228,323	136,297	8,433		106,466	1,375,859	306
Inventories		290,587	72,525	34,016	-	-		-	397,128	-
Prepaid expenses		62,638	3,259	3,349	8,894	8,198		5,290	91,628	2,672
Total current assets		<u>8,766,244</u>	<u>626,388</u>	<u>1,169,565</u>	<u>1,412,285</u>	<u>16,631</u>		<u>1,204,245</u>	<u>13,195,358</u>	<u>3,725,386</u>
Restricted cash:										
Capital projects		-	-	-	2,879,182	-		-	2,879,182	-
Security deposits		-	-	-	-	-		17,431	17,431	-
Bond issuance costs, net of accumulated amortization		<u>14,846</u>	-	-	<u>8,315</u>	<u>9,846</u>		<u>3,281</u>	<u>36,288</u>	-
Property, plant and equipment:										
Land and land improvements		735,045	-	-	353,039	-		191,139	1,279,223	-
Buildings		1,067,261	5,178,330	9,109,560	339,690	3,907,471		4,764,593	24,366,905	-
Improvements other than buildings		4,140,610	24,956,557	7,766,001	22,440,619	-		249,088	59,552,875	-
Machinery and equipment		17,018,539	3,096,434	335,211	539,408	89,262		313,422	21,392,276	6,018,976
Construction in progress		3,115,839	785,284	716,540	2,564,848	-		27,933	7,210,444	-
Total property, plant and equipment		<u>26,077,294</u>	<u>34,016,605</u>	<u>17,927,312</u>	<u>26,237,604</u>	<u>3,996,733</u>		<u>5,546,175</u>	<u>113,801,723</u>	<u>6,018,976</u>
Accumulated depreciation		<u>(14,480,077)</u>	<u>(11,303,068)</u>	<u>(9,724,119)</u>	<u>(8,335,929)</u>	<u>(890,225)</u>		<u>(3,145,598)</u>	<u>(47,879,016)</u>	<u>(3,385,575)</u>
Net property, plant and equipment		<u>11,597,217</u>	<u>22,713,537</u>	<u>8,203,193</u>	<u>17,901,675</u>	<u>3,106,508</u>		<u>2,400,577</u>	<u>65,922,707</u>	<u>2,633,401</u>
Total assets		\$ 20,378,307	23,339,925	9,372,758	22,201,457	3,132,985		3,625,534	82,050,966	6,358,787

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	\$ 434,801	124,490	35,492	111,282	4,508		22,201	732,774	1,001
Accrued payroll and employee benefits	58,885	10,341	11,459	26,597	25,505		17,089	149,876	7,837
Accrued leave	147,526	9,432	14,012	72,806	21,638		13,463	278,877	19,757
Deferred revenue	-	-	-	2,429,630	4,881		10,182	2,444,693	-
Customer deposits	28,252	5,468	4,557	-	5,100		17,874	61,251	-
Accrued interest	34,499	40,201	6,306	4,077	13,553		4,518	103,154	-
Due to other funds	-	-	-	-	224,506		-	224,506	-
<u>Current portion:</u>									
General obligation bonds	100,000	-	-	79,164	123,750		41,250	344,164	-
ADEC loans	-	255,143	32,214	-	-		-	287,357	-
Total current liabilities	803,963	445,075	104,040	2,723,556	423,441		126,577	4,626,652	28,595
<u>Long term debt, net of current portion:</u>									
General obligation bonds	2,600,000	-	-	812,467	1,545,000		515,000	5,472,467	-
Deferred loss on refunding	-	-	-	(24,072)	(104,260)		(34,753)	(163,085)	-
Bond premium, net of accumulated amortization	55,466	-	-	11,917	243,830		81,276	392,489	-
ADEC loans	-	3,695,306	988,792	-	-		-	4,684,098	-
Landfill closure costs	-	-	-	-	-		92,333	92,333	-
Total long-term debt	2,655,466	3,695,306	988,792	800,312	1,684,570		653,856	10,478,302	-
Total liabilities	3,459,429	4,140,381	1,092,832	3,523,868	2,108,011		780,433	15,104,954	28,595
<u>Net assets:</u>									
Invested in capital assets, net of related debt	8,841,751	18,763,088	7,182,187	17,022,199	1,298,188		1,797,804	54,905,217	2,633,401
Unrestricted (deficit)	8,077,127	436,456	1,097,739	1,655,390	(273,214)		1,047,297	12,040,795	3,696,791
Total net assets	16,918,878	19,199,544	8,279,926	18,677,589	1,024,974		2,845,101	66,946,012	6,330,192
Total liabilities and net assets	\$ 20,378,307	23,339,925	9,372,758	22,201,457	3,132,985		3,625,534		6,358,787
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.									
								2,183,176	
Net assets of business-type activities							\$	69,129,188	

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, 2012

	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	\$ 5,494,237	896,071	646,113	996,577	717,677	1,423,925	10,174,600	1,006,289
Operating expenses:								
Salaries and benefits	1,269,172	278,991	257,834	576,838	561,432	428,876	3,373,143	188,041
Services, supplies, and other charges	3,694,374	304,676	187,649	267,186	175,933	606,809	5,236,627	295,733
Allocated overhead and motor pool charges	257,945	59,251	83,220	77,099	47,742	234,923	760,180	16,387
Depreciation	663,415	791,799	330,123	844,446	105,871	129,965	2,865,619	351,294
Total operating expenses	5,884,906	1,434,717	858,826	1,765,569	890,978	1,400,573	12,235,569	851,455
Income (loss) from operations	(390,669)	(538,646)	(212,713)	(768,992)	(173,301)	23,352	(2,060,969)	154,834
Nonoperating revenues (expenses):								
Investment income	94,903	709	11,589	40,466	-	11,937	159,604	-
SEAPA distribution	427,791	-	-	-	-	-	427,791	-
Interest expense	(135,413)	(51,084)	(6,919)	(44,075)	(72,932)	(24,311)	(334,734)	-
Gain (loss) on disposal of equipment	(253,386)	-	-	-	-	-	(253,386)	11,993
Federal interest subsidy	33,318	-	-	-	-	-	33,318	-
Amortization of bond issuance costs	(825)	-	-	(924)	(1,823)	(608)	(4,180)	-
State PERS relief	114,993	15,662	13,627	38,313	38,109	21,331	242,035	13,530
Net nonoperating revenues (expenses)	281,381	(34,713)	18,297	33,780	(36,646)	8,349	270,448	25,523
Income (loss) before contributions and transfers	(109,288)	(573,359)	(194,416)	(735,212)	(209,947)	31,701	(1,790,521)	180,357
Capital contributions	-	124,807	-	1,133,061	11,262	15,288	1,284,418	60,000
Transfers in	-	165,000	-	385,901	198,103	21,665	770,669	-
Transfers out	(48,500)	-	(2,500)	(21,665)	-	-	(72,665)	-
Change in net assets	(157,788)	(283,552)	(196,916)	762,085	(582)	68,654	191,901	240,357
Net assets at beginning of year	17,076,666	19,483,096	8,476,842	17,915,504	1,025,556	2,776,447	-	6,089,835
Net assets at end of year	\$ 16,918,878	19,199,544	8,279,926	18,677,589	1,024,974	2,845,101	81,721	6,330,192
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.								
Change in net assets of business-type activities						\$	273,622	

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA

 Proprietary Funds
 Statement of Cash Flows
 Year Ended June 30, 2012

	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	\$ 5,871,166	889,950	627,951	981,318	718,578	1,427,804	10,516,767	1,005,983
Payments for interfund services used	(257,945)	(59,251)	(83,220)	(77,099)	(47,742)	(234,923)	(760,180)	(16,387)
Payments to suppliers	(3,353,110)	(190,948)	(154,777)	(180,791)	(177,610)	(624,521)	(4,681,757)	(299,168)
Payments to employees	(1,153,187)	(262,459)	(246,441)	(534,571)	(506,264)	(409,529)	(3,112,451)	(174,570)
Net cash flows from operating activities	1,106,924	377,292	143,513	188,857	(13,038)	158,831	1,962,379	515,858
Cash flows from noncapital financing activities - transfers out	(48,500)	-	(2,500)	(21,665)	-	-	(72,665)	-
Cash flows from capital and related financing activities:								
Principal paid on long-term debt	(100,000)	(252,773)	(31,738)	(79,164)	(112,500)	(37,500)	(613,675)	-
Interest paid on long-term debt	(138,994)	(53,849)	(7,355)	(42,305)	(78,129)	(26,043)	(346,675)	-
Proceeds from issuance of debt	-	244,507	400,830	-	-	-	645,337	-
Purchase of property, plant and equipment	(1,399,829)	(715,793)	(729,338)	(1,220,602)	(11,262)	(35,570)	(4,112,394)	(230,239)
Decrease in deferred revenue	-	-	-	(143,048)	-	-	(143,048)	-
Proceeds from sale of equipment	-	-	-	-	-	-	-	11,993
Increase in due to other funds	-	-	-	-	5,564	-	5,564	-
Transfers in	-	165,000	-	385,901	198,103	21,665	770,669	-
Capital contributions received	-	123,637	-	1,177,071	11,262	8,895	1,320,865	60,000
Federal interest subsidy received	33,318	-	-	-	-	-	33,318	-
Net cash flows from capital and related financing activities	(1,605,505)	(489,271)	(367,601)	77,853	13,038	(68,553)	(2,440,039)	(158,246)
Cash flows from investing activities - investment income received	94,903	709	11,589	41,968	-	11,937	161,106	-
Net increase (decrease) in cash and investments	(452,178)	(111,270)	(214,999)	287,013	-	102,215	(389,219)	357,612
Cash and investments at beginning of year	8,435,531	195,200	1,118,876	3,859,263	-	1,007,705	14,616,575	3,364,796
Cash and investments at end of year	\$ 7,983,353	83,930	903,877	4,146,276	-	1,109,920	14,227,356	3,722,408

See accompanying notes to basic financial statements.

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

	Major Enterprise Funds					Nonmajor	Total	Internal
	Electric	Water	Waste -	Harbor	Assisted	Enterprise	Enterprise	Service
	Utility	Utility	water	and Port	Living	Funds	Funds	Fund
	Utility	Utility	Utility	Facilities	Living	Funds	Funds	Fund
Reconciliation of income (loss) from operations								
to net cash provided (used) by operating activities:								
Income (loss) from operations	\$ (390,669)	(538,646)	(212,713)	(768,992)	(173,301)	23,352	(2,060,969)	154,834
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:								
Depreciation	663,415	791,799	330,123	844,446	105,871	129,965	2,865,619	351,294
Noncash expense - PERS relief	114,993	15,662	13,627	38,313	38,109	21,331	242,035	13,530
Nonoperating revenues received	427,791	-	-	-	-	-	427,791	-
Increase (decrease) in allowance for doubtful account	423	372	273	(11,036)	-	78	(9,890)	-
(Increase) decrease in assets:								
Accounts receivable	(47,814)	(5,200)	(17,792)	(8,580)	-	(4,363)	(83,749)	(306)
Inventories	(5,931)	2,428	(1,270)	-	-	-	(4,773)	-
Prepaid expenses	(1,812)	1,362	(800)	(417)	(1,355)	(57)	(3,079)	(123)
Increase (decrease) in liabilities:								
Accounts payable	349,007	109,938	34,942	86,812	(322)	(17,655)	562,722	(3,312)
Accrued payroll and employee benefits	7,319	720	2,477	7,317	10,304	562	28,699	(155)
Accrued leave	(6,327)	150	(4,711)	(3,363)	6,755	(2,546)	(10,042)	96
Deferred revenue	-	-	-	-	1,101	9,696	10,797	-
Customer deposits	(3,471)	(1,293)	(643)	-	(200)	(1,532)	(7,139)	-
Prepaid moorage	-	-	-	4,357	-	-	4,357	-
Net cash flows from operating activities	\$ 1,106,924	377,292	143,513	188,857	(13,038)	158,831	1,962,379	515,858

See accompanying notes to basic financial statements.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements

June 30, 2012

(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 School District. 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 School District 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 School District can be obtained from its administrative office at the address below:

Petersburg City School District
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 *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 Balances

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

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Fund Balances, continued

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

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

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal 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, 2012, follows:

Due from other funds:

Due to the General Fund from:

Assisted Living Enterprise Fund to cover operating costs	\$ 224,506
Fire/EMS Facility Capital Project Fund for short-term advances to cover capital costs	308,943
Nonmajor governmental funds for short-term advances to cover capital costs	<u>27,249</u>
Total amount due from other funds	\$ <u>560,698</u>

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Interfund Receivables, Payables, and Transfers, continued

Transfers:

From General Fund to:

Harbor and Port Facilities Enterprise Fund to cover capital costs	\$ 265,901
Nonmajor governmental fund to cover debt service costs	514,581
Nonmajor governmental funds to cover capital costs	<u>108,924</u>
Total transfers from General Fund	<u>889,406</u>

From Electric Enterprise Fund to General Fund to cover capital costs 48,500

From Wastewater Utility Enterprise fund to nonmajor governmental funds to cover capital costs 2,500

From Harbor and Port Facilities Enterprise Fund to nonmajor enterprise fund to cover capital costs 21,665

From nonmajor governmental funds to:

General Fund to cover operating costs	599,861
Water Utility Enterprise Fund to cover capital costs	165,000
Harbor and Port Facilities Enterprise Fund to cover capital costs	120,000
Assisted Living Enterprise Fund to cover debt service costs	198,103
Other nonmajor governmental funds to cover capital costs	107,000
Other nonmajor governmental fund to close out project	<u>185,834</u>
Total transfers from nonmajor governmental funds	<u>1,375,798</u>

Total transfers to other funds \$ 2,337,869

(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, 2012.

	<u>Pooled Cash and Investments</u>	<u>Economic Fund</u>	<u>Totals</u>
Bank deposits	\$ 249,023	-	249,023
Investments	<u>26,027,592</u>	<u>4,258,027</u>	<u>30,285,619</u>
	\$ <u>26,276,615</u>	<u>4,258,027</u>	<u>30,534,642</u>

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Reconciliation of Deposit and Investment Balances, continued

	<u>Pooled Cash and Investments</u>	<u>Economic Fund</u>	<u>Totals</u>
Cash and investments	\$ 23,380,002	4,258,027	27,638,029
Restricted cash and investments	<u>2,896,613</u>	<u>-</u>	<u>2,896,613</u>
	<u>\$ 26,276,615</u>	<u>4,258,027</u>	<u>30,534,642</u>

Investment Policy

The City's general investment policy authorizes investments in:

- A. U.S. Treasury bills;
- B. Notes or bonds issued by the United States of America Treasury, U.S. government agencies, or government-sponsored enterprises, or the State of Alaska or its political subdivisions or other states of the United States;
- C. Federally insured or fully collateralized certificates of deposit of banks, credit unions, and savings and loan associations;
- D. Repurchase agreements collateralized by U.S. Treasury securities and marked-to-market; if repurchase agreements are overnight investments marked-to-market, it is not necessary if securities are over-collateralized (at least to one hundred two percent);
- E. Money market mutual funds whose portfolios consist entirely of U.S. government securities; and
- F. An investment pool authorized by Alaska statutes.

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 Moodys;
- B. Common and preferred stock of U.S. domiciled corporations listed on a national exchange or NASDAQ with a minimum market capitalization of five hundred million dollars, with concurrence of the finance committee. Domestic stock and mutual stock fund purchases are allowed for up to 60% of the total stock investment of the Economic Fund. Except in mutual funds, no individual stock may have a total cost that exceeds 5% of the total stock investment of the fund. However, market value of a stock, not in a mutual fund, may exceed 5% of the total stock investment of the fund;

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Investment Policy, continued

- C. Equity/stock mutual funds listed on a national exchange with concurrence of the finance committee; and
- D. Bond mutual funds investing in high grade corporate government bonds with a minimum of a five-year track record and at least five hundred million dollars in asset value.

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

Interest Rate Risk

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

Investment maturities in general investments at June 30, 2012 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Money market funds	\$ 958,915	958,915	-
U.S. government agencies	801,080	-	801,080
Corporate fixed income	21,368,992	9,490,768	11,878,224
Municipal bonds	1,264,127	-	1,264,127
Certificates of deposit	662,729	662,729	-
Pooled investments	971,749	971,749	-
Total investments	\$ <u>26,027,592</u>	<u>12,084,161</u>	<u>13,943,431</u>

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Interest Rate Risk, continued

Investment maturities in the Economic Fund investments at June 30, 2012 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Certificates of deposit	\$ 1,922,953	895,107	1,027,846
Money market funds	<u>392,713</u>	<u>392,713</u>	-
Total subject to interest rate risk	2,315,666	<u>1,287,820</u>	<u>1,027,846</u>
International equity securities	185,282		
U.S. equity securities	<u>1,757,079</u>		
Total investments	\$ <u>4,258,027</u>		

Credit Risk

The pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAM for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. The share value of investments in the AMLIP is approximately equal to fair value.

(5) **Accounts Receivable and Valuation Allowances**

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful receivables. At June 30, 2012, 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, loans and shared revenues	\$ -	324,756	251,415	-	383,629
Property and sales taxes	355,829	-	-	-	-
Accounts	53,122	-	-	434,043	83,965
Interest	-	-	<u>4,360</u>	-	-
Total receivables	408,951	324,756	255,775	434,043	467,594
Less allowance for doubtful accounts	-	-	-	(4,377)	(920)
Net receivables	\$ <u>408,951</u>	<u>324,756</u>	<u>255,775</u>	<u>429,666</u>	<u>466,674</u>

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Accounts Receivable and Valuation Allowances, continued

	Wastewater <u>Utility</u>	Harbor and <u>Port</u>	Assisted <u>Living</u>	Nonmajor Enterprise and Internal Service <u>Funds</u>	<u>Total</u>
Grants, loans and shared revenues	\$ 149,223	1,063	-	6,393	1,116,479
Property and sales taxes	-	-	-	-	355,829
Accounts	79,969	160,156	8,433	101,251	920,939
Interest	<u>-</u>	<u>3,389</u>	<u>-</u>	<u>-</u>	<u>7,749</u>
Total receivables	229,192	164,608	8,433	107,644	2,400,996
Less allowance for doubtful accounts	<u>(869)</u>	<u>(28,311)</u>	<u>-</u>	<u>(872)</u>	<u>(35,349)</u>
Net receivables	\$ <u>228,323</u>	<u>136,297</u>	<u>8,433</u>	<u>106,772</u>	<u>2,365,647</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2012, *deferred revenue* was composed of \$74,457 in grant drawdowns prior to meeting all eligibility requirements.

(6) Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>
<u>Governmental activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,435,776	138,949	-	3,574,725
Construction in progress	<u>4,184,415</u>	<u>4,051,680</u>	<u>(7,136,336)</u>	<u>1,099,759</u>
Total assets not being depreciated	<u>7,620,191</u>	<u>4,190,629</u>	<u>(7,136,336)</u>	<u>4,674,484</u>
<i>Capital assets being depreciated:</i>				
Buildings	35,914,993	7,075,560	(305,010)	42,685,543
Improvements other than buildings	154,948	-	-	154,948
Machinery and equipment	7,617,117	529,486	(64,987)	8,081,616*
Infrastructure	<u>15,666,364</u>	<u>913,746</u>	<u>-</u>	<u>16,580,110</u>
Total assets being depreciated	<u>59,353,422</u>	<u>8,518,792</u>	<u>(369,997)</u>	<u>67,502,217</u>

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>
<u>Governmental activities, continued</u>				
Less accumulated depreciation for:				
Buildings	\$ 22,330,477	855,088	(196,436)	22,989,129
Improvements other than buildings	111,509	6,983	-	118,492
Machinery and equipment	4,491,613	466,008	(38,989)	4,918,632*
Infrastructure	<u>1,291,665</u>	<u>69,368</u>	<u>-</u>	<u>1,361,033</u>
Total accumulated depreciation	<u>28,225,264</u>	<u>1,397,447</u>	<u>(235,425)</u>	<u>29,387,286</u>
 Total capital assets being depreciated, net	 <u>31,128,158</u>	 <u>7,121,345</u>	 <u>(134,572)</u>	 <u>38,114,931</u>
 Governmental activity capital assets, net	 <u>\$ 38,748,349</u>	 <u>11,311,974</u>	 <u>(7,270,908)</u>	 <u>42,789,415</u>

* The ending balances include \$6,018,976 and \$3,385,575 of equipment cost and accumulated depreciation, respectively, related to the Motor Pool Internal Service Fund.

Business activities

Capital assets not being depreciated:

Land and land improvements	\$ 1,279,223	-	-	1,279,223
Construction in progress	<u>3,644,885</u>	<u>3,869,778</u>	<u>304,219</u>	<u>7,210,444</u>
Total assets not being depreciated	<u>4,924,108</u>	<u>3,869,778</u>	<u>304,219</u>	<u>8,489,667</u>

Capital assets being depreciated:

Buildings	24,210,587	156,318	-	24,366,905
Improvements other than buildings	59,565,530	32,102	(44,757)	59,552,875
Machinery and equipment	<u>21,254,824</u>	<u>162,119</u>	<u>(24,667)</u>	<u>21,392,276</u>
Total assets being depreciated	<u>105,030,941</u>	<u>350,539</u>	<u>(69,424)</u>	<u>105,312,056</u>

Less accumulated depreciation for:

Buildings	11,428,561	502,224	-	11,930,785
Improvements other than buildings	18,991,790	1,730,025	-	20,721,815
Machinery and equipment	<u>14,617,713</u>	<u>633,370</u>	<u>(24,667)</u>	<u>15,226,416</u>
Total accumulated depreciation	<u>45,038,064</u>	<u>2,865,619</u>	<u>(24,667)</u>	<u>47,879,016</u>

Total capital assets being depreciated, net

	<u>59,992,877</u>	<u>(2,515,080)</u>	<u>(44,757)</u>	<u>57,433,040</u>
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Business-type activity capital assets, net

	<u>\$ 64,916,985</u>	<u>1,354,698</u>	<u>348,976</u>	<u>65,922,707</u>
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CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

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	\$ 73,730	159,984	233,714
Public safety	19,551	94,372	113,923
Public works	208,933	94,649	303,582
Culture and recreation	493,598	2,289	495,887
Education	<u>250,341</u>	<u>-</u>	<u>250,341</u>
Total governmental activities	<u>\$ 1,046,153</u>	<u>351,294</u>	<u>1,397,447</u>

	<u>Depreciation</u>
<u>Business-type activities</u>	
Electric utility	\$ 663,415
Water utility	791,799
Wastewater utility	330,123
Sanitation utility	61,324
Harbor and port facilities	844,446
Elderly housing	68,641
Assisted living	<u>105,871</u>
Total business-type activities	<u>\$ 2,865,619</u>

(7) Long-Term Debt

In 2011, the City issued \$2,010,000 and \$1,910,000, respectively, in 2012 Series Two Refunding Bonds with interest rates of 2.0% to 5.0% to advance refund \$2,120,000 of 2004 General Obligation School Bonds and \$2,025,000 of 2004 General Obligation Elderly Housing and Assisted Living Bonds. The new bonds were issued at a premium of \$684,061, and after paying issuance costs of \$37,441 and refunding \$9,805 to the City, the net proceeds were \$4,556,815. The net proceeds from the issuances were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the old bonds. The advance refundings met the requirements of in-substance defeasances of portions of the old bonds and \$4,145,000 was removed from the City's financial statements.

As a result of the advance refundings, the City reduced its total debt service requirements by \$415,935, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$353,574.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

Bonds and notes payable at June 30, 2012, are comprised of the following:

	Balance at July 1, 2011	Additions	Retire- ments	Balance at June 30, 2012	Due Within One Year
<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%	\$ 1,040,000	-	45,000	995,000	45,000
\$197,540 2007 general obligation pool refunding bonds, due in annual installments of \$15,837 to \$24,172 through 2021, plus interest at 3.875% to 5.5%	194,207	-	15,837	178,370	15,837
\$5,850,000 2005 general obligation school bonds, due in annual installments of \$245,000 to \$420,000 through 2026, plus interest at 4% to 5%	4,810,000	-	235,000	4,575,000	245,000
\$3,507,000 2004 general obligation school bonds, due in annual installments of \$160,000 to \$165,000 through 2014, plus interest at 4%	2,600,000	-	2,275,000	325,000	160,000
\$2,010,000 2012 general obligation refunding school bonds, due in annual installments of \$10,000 to \$240,000 through 2025, plus interest at 2.0% to 5.0%	-	2,010,000	-	2,010,000	10,000
Accrued leave (net)	<u>399,718*</u>	<u>-</u>	<u>11,046</u>	<u>388,672*</u>	<u>388,672</u>
Total governmental activities	\$ <u>9,043,925</u>	<u>2,010,000</u>	<u>2,581,883</u>	8,472,042	<u>864,509</u>
Unamortized bond premium				407,649	
Deferred loss on refunding				<u>(224,801)</u>	
				<u>\$ 8,654,890</u>	

* The ending balance includes \$19,757 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.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

	Balance at July 1, <u>2011</u>	<u>Additions</u>	Retire- ments	Balance at June 30, <u>2012</u>	Due Within One Year
<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%	\$ 970,795	-	79,164	891,631	79,164
\$3,420,000 2004 general obligation elderly housing and assisted living bonds, due in annual installments of \$155,000 to \$160,000 through 2014, plus interest at 3.50% to 3.75%%	2,490,000	-	2,175,000	315,000	155,000
\$1,910,000 2012 general obligation elderly housing and assisted living refunding bonds, due in annual installments of \$10,000 to \$220,000 through 2024, plus interest at 2.0% to 5.0%	-	1,910,000	-	1,910,000	10,000
\$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	-	100,000	2,700,000	100,000
Notes Payable:					
\$1,900,000 Water Utility note, due in annual installments of \$94,766 through 2020, plus interest at 1.5%	852,894	-	94,766	758,128	94,766
\$1,989,840 Water Utility note, due in annual installments of \$122,320 through 2025, including interest at 1.5%	1,534,302	-	99,305	1,434,997	100,795

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

	Balance at July 1, <u>2011</u>	<u>Additions</u>	<u>Retire- ments</u>	Balance at June 30, <u>2012</u>	Due Within One <u>Year</u>
<u>Business-type activities, continued</u>					
Notes Payable, continued:					
\$643,823 Wastewater Utility note, due in annual installments of \$39,093 through 2025, including interest at 1.5%	\$ 490,358	-	31,738	458,620	32,214
\$1,317,577 Water Utility note, due in annual installments of \$76,743 through 2029, including interest at 1.5%	1,202,763	-	58,702	1,144,061	59,582
\$600,000 (maximum) Water Utility note, terms not yet established; interest at 1.5%	5,872	53,489	-	59,361	-
\$828,338 (maximum) Water Utility note, terms not yet established; interest at 1.5%	16,403	537,499	-	553,902	-
\$550,404 Wastewater Utility note, terms not yet established; interest at 1.5%	12,897	537,507	-	550,404	-
\$728,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5%	-	11,982	-	11,982	-
Accrued leave (net)	<u>288,919</u>	<u>-</u>	<u>10,042</u>	<u>278,877</u>	<u>278,877</u>
Total business-type activities	\$ <u>10,665,203</u>	<u>3,050,477</u>	<u>2,648,717</u>	11,066,963	<u>910,398</u>
Unamortized bond premium				392,489	
Deferred loss on refunding				<u>(163,085)</u>	
				<u>\$ 11,296,367</u>	

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

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 June 30,	General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 475,837	325,586	801,423
2014	487,504	325,742	813,246
2015	333,337	302,944	636,281
2016	518,337	282,660	800,997
2017	540,004	259,169	799,173
2018-2022	3,043,351	930,226	3,973,577
2023-2027	<u>2,685,000</u>	<u>237,355</u>	<u>2,922,355</u>
	<u>\$ 8,083,370</u>	<u>2,663,682</u>	<u>10,747,052</u>

Business-type activities

Year Ending June 30,	General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 344,164	252,630	596,794
2014	352,496	260,069	612,565
2015	356,663	244,311	600,974
2016	366,663	231,063	597,726
2017	384,996	215,392	600,388
2018-2022	2,041,649	809,863	2,851,512
2023-2027	1,220,000	383,583	1,603,583
2028-2031	<u>750,000</u>	<u>97,651</u>	<u>847,651</u>
	<u>\$ 5,816,631</u>	<u>2,494,562</u>	<u>8,311,193</u>

Year Ending June 30,	Notes Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	299,175	39,434	338,609
2018-2022	1,353,266	130,340	1,483,606
2023-2027	826,331	41,622	867,953
2028-2029	<u>150,100</u>	<u>3,386</u>	<u>153,486</u>
	<u>\$ 3,795,806</u>	<u>416,494</u>	<u>4,212,300</u>

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

In January 2007, the City issued 2007 general obligation bonds to advance refund \$1,140,000 of 2000 general obligation bonds. In May 2012, the City issued 2012 general obligation bonds to advance refund \$2,025,000 of 2004 Assisted Living and Elderly Housing general obligation bonds and \$2,120,000 of 2004 School general obligation bonds.

The net proceeds of these advance refundings were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the old bonds. The outstanding balance of all of the defeased bonds, which has been removed from the City's books, was \$5,195,000 at June 30, 2012.

(8) Fund Balances

Fund balances 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:

	<u>General</u>	Total <u>Nonmajor Funds</u>	<u>Totals</u>
Nonspendable – prepaid insurance	\$ <u>55,000</u>	<u>-</u>	<u>55,000</u>
Restricted:			
School support	-	4,014,449	4,014,449
Streets and roads	<u>-</u>	<u>180,768</u>	<u>180,768</u>
Total restricted	<u>-</u>	<u>4,195,217</u>	<u>4,195,217</u>
Committed:			
Economic development	-	4,262,589	4,262,589
Public works	-	363,594	363,594
Public safety	-	100,745	100,745
Capital projects	<u>-</u>	<u>640,437</u>	<u>640,437</u>
Total committed	<u>-</u>	<u>5,367,365</u>	<u>5,367,365</u>
Assigned:			
Debt service	-	135,418	135,418
Subsequent year's expenditures	<u>-</u>	<u>306</u>	<u>306</u>
Total assigned	<u>-</u>	<u>135,724</u>	<u>135,724</u>
Unassigned	<u>3,665,679</u>	<u>-</u>	<u>3,665,679</u>
Total fund balances	\$ <u>3,720,679</u>	<u>9,698,306</u>	<u>13,418,985</u>

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

(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.

The \$92,233 reported as landfill closure costs payable at June 30, 2012 represents the total estimated closure cost. This amount is based on what it would cost to perform all closure and post-closure care in 2012. Actual costs may be higher due to inflation, changes in technology or changes in regulations. At June 30, 2012, the City has not reserved or designated any fund balance to fund the cost of closure and post-closure monitoring, nor have any assets been restricted for this purpose.

(10) **Defined Benefit 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.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Conversion to Cost Sharing, continued

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 (3.21% for pension and 3.54% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.57% for pension and 3.93% for healthcare).

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

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

The City's contribution rates for the year ended June 30, 2012 were determined as part of the June 30, 2009 actuarial valuation and are as follows:

	Contractual Rate	ARM Board Adopted Rate	GASB 45* Rate
Pension	10.48%	14.65%	13.72%
Postemployment healthcare	<u>11.52%</u>	<u>16.11%</u>	<u>49.98%</u>
Total contribution rate	<u>22.00%</u>	<u>30.76%</u>	<u>63.70%</u>

* This rate uses a 4.7% 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.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy, continued

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

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

Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 8.76% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State on-behalf payment in the amount of \$570,604 as revenue and expense/expenditures in these financial statements. 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>
2012	\$434,783	\$478,050	\$912,833	\$912,833	100%
2011	320,880	578,194	899,074	899,074	100%
2010	323,009	547,848	870,857	870,587	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:

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

Defined Contribution Pension Plan, continued

	<u>Others</u> <u>Tier IV</u>	<u>Police/Fire</u> <u>Tier IV</u>
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	0.51	0.51
Occupational death and disability benefits	<u>0.11</u>	<u>0.97</u>
	<u>8.62 %</u>	<u>9.48%</u>

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

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2012 were \$149,489 and \$127,908, 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 and certain other coverages. The City is a member of Alaska Public Entity Insurance (APEI), a governmental insurance pool. APEI provides insurance coverage for property and contents damage, torts, general and automobile liability, public officials and employees' liability, law enforcement professional liability and workers' compensation. The City has no coverage for potential losses from environmental damages. APEI is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2012. Coverage limits and the deductibles on the policies have stayed relatively constant for the last several years.

CITY OF PETERSBURG, ALASKA

Notes to Basic Financial Statements, continued

(14) **Contingencies**

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

(15) **New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Of the numerous statements, the following are expected to have some effect on the City's financial reporting. Actual impacts have not yet been determined:

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – Effective for year end June 30, 2013 – This statement will result in a change to the government's presentation of proprietary fund statements and government-wide statements from a traditional "Balance Sheet" format to a new "Statement of Net Position" format which will segregate deferred inflows and deferred outflows from assets and liabilities respectively.

GASB 65 – Items Previously Reported as Assets and Liabilities – Effective for year end June 30, 2014 – This statement is a companion to GASB Statement 63 and establishes accounts to be reclassified as deferred inflows and outflows. In addition, certain items previously reported as assets or liabilities will be moved to the income statement. For example, debt issuance costs will no longer be capitalized and amortized but will be expensed as incurred, and certain regulatory assets and liabilities will be reclassified to deferred inflows and outflows.

GASB 68 – Accounting and Financial Reporting for Pensions – Effective for year end June 30, 2015 – This statement will require all governments that participate in defined benefit pension plans to report any "net pension liability" (as newly defined). An additional GASB statement provides guidance for the Plan reporting with a one year earlier implementation.

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SUPPLEMENTARY FINANCIAL INFORMATION

CITY OF PETERSBURG, ALASKA
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Special Revenue Funds					Capital Project Funds							Total Nonmajor Govern- mental Funds
	National Forest Receipts -					Debt Service Fund	Library Con- struction	Fishing Park	Birch Street Rebuild	Paving Project	Rasmus Engle Bridge Rehab	Economic Development	
<u>Assets</u>	Miscel- laneous Grants	National Forest Receipts - School	Streets and Roads	Property Develop- ment	E911 Surcharge								
Cash and investments	\$ 11,469	4,014,449	180,768	366,454	100,745	15,086	-	98,335	28,476	464,154	28,367	4,258,229	9,566,532
Receivables:													
Grants and shared revenues	63,556	-	-	3,500	-	120,332	37,959	-	4,147	-	21,921	-	251,415
Interest	-	-	-	-	-	-	-	-	-	-	-	4,360	4,360
Total assets	\$ 75,025	4,014,449	180,768	369,954	100,745	135,418	37,959	98,335	32,623	464,154	50,288	4,262,589	9,822,307
<u>Liabilities and Fund Balances</u>													
<u>Liabilities:</u>													
Accounts payable	3,184	-	-	6,360	-	-	9,959	-	2,884	-	2,830	-	25,217
Accrued payroll and related liabilities	2,228	-	-	-	-	-	-	-	-	-	-	-	2,228
Deferred revenue	69,307	-	-	-	-	-	-	-	-	-	-	-	69,307
Due to other funds	-	-	-	-	-	-	27,249	-	-	-	-	-	27,249
Total liabilities	74,719	-	-	6,360	-	-	37,208	-	2,884	-	2,830	-	124,001
<u>Fund balances:</u>													
Restricted:													
Streets and roads	-	-	180,768	-	-	-	-	-	-	-	-	-	180,768
School support	-	4,014,449	-	-	-	-	-	-	-	-	-	-	4,014,449
Committed:													
Economic development	-	-	-	-	-	-	-	-	-	-	-	4,262,589	4,262,589
Public works	-	-	-	363,594	-	-	-	-	-	-	-	-	363,594
Public safety	-	-	-	-	100,745	-	-	-	-	-	-	-	100,745
Capital projects	-	-	-	-	-	-	751	98,335	29,739	464,154	47,458	-	640,437
Assigned:													
Debt service	-	-	-	-	-	135,418	-	-	-	-	-	-	135,418
Subsequent year's expenditures	306	-	-	-	-	-	-	-	-	-	-	-	306
Total fund balances	306	4,014,449	180,768	363,594	100,745	135,418	751	98,335	29,739	464,154	47,458	4,262,589	9,698,306
Total liabilities and fund balances	\$ 75,025	4,014,449	180,768	369,954	100,745	135,418	37,959	98,335	32,623	464,154	50,288	4,262,589	9,822,307

CITY OF PETERSBURG, ALASKA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2012

	Special Revenue Funds					Capital Project Funds										Total Nonmajor Govern- mental Funds
	Miscel- laneous Grants	National Forest Receipts - School	Receipts - Streets and Roads	Property Develop- ment	E911 Surcharge	Debt Service Fund	Ball- field Play- ground	Library Con- struction	Fishing Park	Birch Street Rebuild	Paving Project	Kings Row Realignment	Rasmus Engle Bridge Rehab	Disaster Response	Economic Development	
Revenues:																
Intergovernmental	\$ 115,741	1,259,784	101,192	-	100,000	469,492	-	264,737	-	267,156	-	-	23,060	106,675	-	2,707,837
Investment income (loss)	-	38,312	2,390	3,421	-	-	-	-	-	-	-	-	-	-	(21,815)	22,308
Sale of property	-	-	-	39,380	-	-	-	-	-	-	-	-	-	-	-	39,380
Other revenues	-	-	-	1,020	31,887	-	-	5,000	-	-	-	-	-	-	-	37,907
Total revenues	115,741	1,298,096	103,582	43,821	131,887	469,492	-	269,737	-	267,156	-	-	23,060	106,675	(21,815)	2,807,432
Expenditures:																
General government	-	-	-	520	-	-	-	-	-	-	-	-	-	-	-	520
Public safety	45,018	-	-	-	104,277	-	-	-	-	-	-	-	-	-	-	149,295
Community services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	222,697	222,697
Culture and recreation	70,723	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,723
Debt service:																
Principal	-	-	-	-	-	450,837	-	-	-	-	-	-	-	-	-	450,837
Interest	-	-	-	-	-	321,415	-	-	-	-	-	-	-	-	-	321,415
Other debt service charges	-	-	-	-	-	25,627	-	-	-	-	-	-	-	-	-	25,627
Capital outlay	-	-	-	64,562	-	-	50,300	275,832	-	445,603	38,164	190,369	25,602	214,009	-	1,304,441
Total expenditures	115,741	-	-	65,082	104,277	797,879	50,300	275,832	-	445,603	38,164	190,369	25,602	214,009	222,697	2,545,555
Excess of revenues over (under) expenditures	-	1,298,096	103,582	(21,261)	27,610	(328,387)	(50,300)	(6,095)	-	(178,447)	(38,164)	(190,369)	(2,542)	(107,334)	(244,512)	261,877
Other financing sources (uses):																
Transfers in	-	-	-	185,834	-	514,581	58,590	-	-	-	2,500	-	50,000	107,334	-	918,839
Transfers out	-	(599,861)	(170,000)	(57,000)	-	(198,103)	-	-	-	-	-	(185,834)	-	-	(165,000)	(1,375,798)
Proceeds from bond issuance:																
Par value	-	-	-	-	-	2,010,000	-	-	-	-	-	-	-	-	-	2,010,000
Premium on issuance	-	-	-	-	-	358,955	-	-	-	-	-	-	-	-	-	358,955
Payment to refunded bond escrow agent	-	-	-	-	-	(2,344,801)	-	-	-	-	-	-	-	-	-	(2,344,801)
Net other financing sources (uses)	-	(599,861)	(170,000)	128,834	-	340,632	58,590	-	-	-	2,500	(185,834)	50,000	107,334	(165,000)	(432,805)
Net change in fund balances	-	698,235	(66,418)	107,573	27,610	12,245	8,290	(6,095)	-	(178,447)	(35,664)	(376,203)	47,458	-	(409,512)	(170,928)
Fund balances at beginning of year	306	3,316,214	247,186	256,021	73,135	123,173	(8,290)	6,846	98,335	208,186	499,818	376,203	-	-	4,672,101	9,869,234
Fund balances at end of year	\$ 306	4,014,449	180,768	363,594	100,745	135,418	-	751	98,335	29,739	464,154	-	47,458	-	4,262,589	9,698,306

CITY OF PETERSBURG, ALASKA

Nonmajor Enterprise Funds
Combining Statement of Net Assets
June 30, 2012

<u>Assets</u>	<u>Sanitation Utility</u>	<u>Elderly Housing</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 522,341	570,148	1,092,489
Receivables, net of allowance for doubtful accounts	100,073	6,393	106,466
Prepaid expenses	4,613	677	5,290
Total current assets	627,027	577,218	1,204,245
Restricted cash - security deposits	-	17,431	17,431
Bond issuance costs, net of accumulated amortization	-	3,281	3,281
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	213,272	100,150	313,422
Construction in progress	12,645	15,288	27,933
Total property, plant and equipment	2,604,182	2,941,993	5,546,175
Accumulated depreciation	(1,054,545)	(2,091,053)	(3,145,598)
Net property, plant and equipment	1,549,637	850,940	2,400,577
Total assets	\$ 2,176,664	1,448,870	3,625,534
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable	12,901	9,300	22,201
Accrued payroll and employee benefits	13,731	3,358	17,089
Accrued leave	12,384	1,079	13,463
Deferred revenue	-	10,182	10,182
Customer deposits	7,291	10,583	17,874
Accrued interest	-	4,518	4,518
Current portion of general obligation bonds	-	41,250	41,250
Total current liabilities	46,307	80,270	126,577
Long-term debt, net of current portion:			
General obligation bonds	-	515,000	515,000
Deferred loss on refunding	-	(34,753)	(34,753)
Bond premium, net of accumulated amortization	-	81,276	81,276
Landfill closure costs	92,333	-	92,333
Total long-term debt	92,333	561,523	653,856
Total liabilities	138,640	641,793	780,433
Net assets:			
Invested in capital assets, net of related debt	1,549,637	248,167	1,797,804
Unrestricted	488,387	558,910	1,047,297
Total net assets	2,038,024	807,077	2,845,101
Total liabilities and net assets	\$ 2,176,664	1,448,870	3,625,534

CITY OF PETERSBURG, ALASKA

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2012

	Sanitation <u>Utility</u>	Elderly <u>Housing</u>	<u>Total</u>
Operating revenues	\$ <u>1,075,513</u>	<u>348,412</u>	<u>1,423,925</u>
Operating expenses:			
Salaries and benefits	354,682	74,194	428,876
Services, supplies, and other charges	416,429	190,380	606,809
Allocated overhead and motor pool charges	216,305	18,618	234,923
Depreciation	<u>61,324</u>	<u>68,641</u>	<u>129,965</u>
Total operating expenses	<u>1,048,740</u>	<u>351,833</u>	<u>1,400,573</u>
Income (loss) from operations	26,773	(3,421)	23,352
Nonoperating revenues (expenses):			
Investment income	5,608	6,329	11,937
Interest expense	-	(24,311)	(24,311)
Amortization of bond issuance costs	-	(608)	(608)
State PERS relief	<u>21,331</u>	<u>-</u>	<u>21,331</u>
Net nonoperating revenues (expenses)	<u>26,939</u>	<u>(18,590)</u>	<u>8,349</u>
Income (loss) before contributions and transfers	53,712	(22,011)	31,701
Capital contributions	-	15,288	15,288
Transfers in	<u>21,665</u>	<u>-</u>	<u>21,665</u>
Change in net assets	75,377	(6,723)	68,654
Net assets at beginning of year	<u>1,962,647</u>	<u>813,800</u>	<u>2,776,447</u>
Net assets at end of year	\$ <u><u>2,038,024</u></u>	<u><u>807,077</u></u>	<u><u>2,845,101</u></u>

CITY OF PETERSBURG, ALASKA

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2012

	Sanitation Utility	Elderly Housing	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,070,198	357,606	1,427,804
Payments for interfund services used	(216,305)	(18,618)	(234,923)
Payments to suppliers	(435,259)	(189,262)	(624,521)
Payments to employees	(335,148)	(74,381)	(409,529)
Net cash flows from operating activities	<u>83,486</u>	<u>75,345</u>	<u>158,831</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	-	(37,500)	(37,500)
Interest paid on long-term debt	-	(26,043)	(26,043)
Capital contributions received	-	8,895	8,895
Purchase of property, plant and equipment	(20,282)	(15,288)	(35,570)
Transfers in	21,665	-	21,665
Net cash flows from capital and related financing activities	<u>1,383</u>	<u>(69,936)</u>	<u>(68,553)</u>
Cash flows from investing activities - investment income received	<u>5,608</u>	<u>6,329</u>	<u>11,937</u>
Net increase in cash and investments	90,477	11,738	102,215
Cash and investments at beginning of year	<u>431,864</u>	<u>575,841</u>	<u>1,007,705</u>
Cash and investments at end of year	\$ <u>522,341</u>	<u>587,579</u>	<u>1,109,920</u>
Cash and investments at end of year:			
Cash and investments	522,341	570,148	1,092,489
Restricted cash	-	17,431	17,431
	\$ <u>522,341</u>	<u>587,579</u>	<u>1,109,920</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:			
Income (loss) from operations	26,773	(3,421)	23,352
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:			
Depreciation	61,324	68,641	129,965
Noncash expense - PERS relief	21,331	-	21,331
Increase in allowance for doubtful accounts	78	-	78
(Increase) decrease in assets:			
Accounts receivable	(4,363)	-	(4,363)
Prepaid expenses	(32)	(25)	(57)
Increase (decrease) in liabilities:			
Accounts payable	(18,798)	1,143	(17,655)
Accrued payroll and employee benefits	111	451	562
Accrued leave	(1,908)	(638)	(2,546)
Deferred revenue	-	9,696	9,696
Customer deposits	(1,030)	(502)	(1,532)
Net cash flows from operating activities	\$ <u>83,486</u>	<u>75,345</u>	<u>158,831</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, 2012
 With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ 3,018,346	2,812,952
Receivables:		
Property taxes	27,764	33,601
Sales taxes	328,065	313,128
Accounts	<u>53,122</u>	<u>94,430</u>
Total receivables	<u>408,951</u>	<u>441,159</u>
Prepaid insurance	55,000	51,699
Due from other funds	<u>560,698</u>	<u>637,517</u>
Total assets	\$ <u><u>4,042,995</u></u>	<u><u>3,943,327</u></u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	110,877	112,065
Accrued payroll and related liabilities	206,289	150,311
Deferred revenue	<u>5,150</u>	<u>3,792</u>
Total liabilities	<u>322,316</u>	<u>266,168</u>
Fund balance:		
Nonspendable - prepaid insurance	55,000	51,699
Unassigned	<u>3,665,679</u>	<u>3,625,460</u>
Total fund balance	<u>3,720,679</u>	<u>3,677,159</u>
Total liabilities and fund balance	\$ <u><u>4,042,995</u></u>	<u><u>3,943,327</u></u>

CITY OF PETERSBURG, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

Year Ended June 30, 2012

With Comparative Amounts for 2011

	2012			2011
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Taxes:				
Property taxes	\$ 2,841,000	2,858,725	17,725	2,653,336
Sales taxes	2,862,256	2,820,007	(42,249)	2,638,867
Motor vehicle registration	36,000	31,980	(4,020)	34,894
Transient room taxes	43,000	38,364	(4,636)	37,173
Total taxes	5,782,256	5,749,076	(33,180)	5,364,270
Intergovernmental:				
Payment in lieu of taxes	500,000	519,209	19,209	520,621
Library grants	6,250	9,265	3,015	17,008
Fisheries business tax	700,000	665,901	(34,099)	605,220
Shared fisheries business tax and landing tax	15,000	25,309	10,309	18,841
Liquor licenses	7,500	8,900	1,400	11,300
Jail and special services contract	207,098	263,297	56,199	207,098
State PERS relief	150,000	315,038	165,038	210,828
9th officer position	91,739	91,739	-	91,739
State revenue sharing	322,029	323,413	1,384	245,101
Community oriented policing services	83,272	81,756	(1,516)	30,644
Total intergovernmental	2,082,888	2,303,827	220,939	1,958,400
Licenses and permits	9,300	10,334	1,034	20,266
Charges for services:				
Police and public safety	28,500	17,358	(11,142)	23,680
Ambulance fees	20,000	28,363	8,363	23,959
Public works	9,000	70,840	61,840	18,546
SEACAD reimbursement	60,000	67,936	7,936	68,079
Recreation activity fees	35,000	154,562	119,562	41,123
Swimming pool fees	58,000	25,772	(32,228)	56,900
Community gym fees	75,000	29,260	(45,740)	82,154
Tent City and park charges	1,500	3,348	1,848	4,297
Cemetery charges	2,500	2,070	(430)	2,991

CITY OF PETERSBURG, ALASKA

General Fund

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

	<u>2012</u>		<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
			<u>Actual</u>
Revenues, continued:			
Charges for services, continued:			
Other services and charges	\$ 7,800	35,984	28,184
Sales	500	160	(340)
Library charges	600	3,672	3,072
Cemetery plot sales	1,200	1,300	100
Passport services	2,000	2,180	180
Total charges for services	<u>301,600</u>	<u>442,805</u>	<u>141,205</u>
Fines and forfeitures	<u>16,550</u>	<u>19,689</u>	<u>3,139</u>
Overhead charges	<u>368,077</u>	<u>368,077</u>	<u>-</u>
Investment income	<u>125,000</u>	<u>102,550</u>	<u>(22,450)</u>
Other revenues:			
Lease income	27,000	34,365	7,365
Library donations	-	1,064	1,064
Total other revenues	<u>27,000</u>	<u>35,429</u>	<u>8,429</u>
Total revenues	<u>8,712,671</u>	<u>9,031,787</u>	<u>319,116</u>
Expenditures:			
General government:			
City council	172,043	176,093	(4,050)
City manager	374,225	376,983	(2,758)
City attorney	160,000	197,010	(37,010)
Information systems	167,424	166,451	973
Finance	592,957	514,539	78,418
Other	356,500	493,651	(137,151)
Total general government	<u>1,823,149</u>	<u>1,924,727</u>	<u>(101,578)</u>
Public safety:			
Police department	1,123,817	1,159,755	(35,938)
Jail	317,967	323,301	(5,334)
Fire department	<u>520,927</u>	<u>466,235</u>	<u>54,692</u>
Total public safety	<u>1,962,711</u>	<u>1,949,291</u>	<u>13,420</u>

CITY OF PETERSBURG, ALASKA

General Fund

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

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Expenditures, continued:				
Public works:				
Streets	\$ 1,194,970	1,186,302	8,668	1,141,691
Community development	179,297	178,200	1,097	175,788
Facilities maintenance	448,482	455,426	(6,944)	418,194
Total public works	<u>1,822,749</u>	<u>1,819,928</u>	<u>2,821</u>	<u>1,735,673</u>
Community services	<u>209,000</u>	<u>204,763</u>	<u>4,237</u>	<u>225,564</u>
Culture and recreation:				
Library	286,363	294,267	(7,904)	301,019
Parks and recreation	731,983	754,246	(22,263)	653,128
Total culture and recreation	<u>1,018,346</u>	<u>1,048,513</u>	<u>(30,167)</u>	<u>954,147</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>8,635,955</u>	<u>8,747,222</u>	<u>(111,267)</u>	<u>8,280,322</u>
Excess of revenues over (under) expenditures	<u>76,716</u>	<u>284,565</u>	<u>207,849</u>	<u>(103,055)</u>
Other financing sources (uses):				
Transfers in	648,361	648,361	-	599,861
Transfers out	(1,065,023)	(889,406)	175,617	(719,126)
Net other financing sources (uses)	<u>(416,662)</u>	<u>(241,045)</u>	<u>175,617</u>	<u>(119,265)</u>
Net change in fund balance	\$ <u>(339,946)</u>	43,520	<u>383,466</u>	(222,320)
Fund balance at beginning of year		<u>3,677,159</u>		<u>3,899,479</u>
Fund balance at end of year	\$	<u>3,720,679</u>		<u>3,677,159</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.

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, 2012
 With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ 11,469	21,533
Receivables - grants	<u>63,556</u>	<u>17,600</u>
Total assets	\$ <u>75,025</u>	<u>39,133</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	3,184	7,616
Accrued payroll and related liabilities	2,228	543
Deferred revenue	<u>69,307</u>	<u>30,668</u>
Total liabilities	<u>74,719</u>	<u>38,827</u>
Fund balance - assigned for subsequent year's expenditures	<u>306</u>	<u>306</u>
Total liabilities and fund balance	\$ <u>75,025</u>	<u>39,133</u>

CITY OF PETERSBURG, ALASKA
 Miscellaneous Grants Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2012
 With Comparative Amounts for 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues - intergovernmental	\$ <u>192,139</u>	<u>115,741</u>	<u>(76,398)</u>	<u>131,295</u>
Expenditures:				
Public safety:				
Fire department	-	6,000	(6,000)	-
Local emergency planning committee	20,180	19,018	1,162	18,154
Emergency management	30,000	20,000	10,000	27,242
Community services - hospital	-	-	-	50,000
Culture and recreation:				
Library materials	-	16,490	(16,490)	
Library collection	-	-	-	1,949
Green's Camp culvert	-	-	-	3,426
Shooting range	17,959	-	17,959	391
Campgrounds	4,000	4,331	(331)	3,383
SEA trail signs	-	-	-	26,750
Clausen Museum expansion	55,000	27,415	27,585	-
IMLS library enhancement	-	18,459	(18,459)	-
Wilson Creek repairs	-	4,028	(4,028)	-
Mitigation - BPB	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Total expenditures	<u>132,139</u>	<u>115,741</u>	<u>16,398</u>	<u>131,295</u>
Net change in fund balance	\$ <u>60,000</u>	<u>-</u>	<u>(60,000)</u>	<u>-</u>
Fund balance at beginning of year		<u>306</u>		<u>306</u>
Fund balance at end of year	\$ <u>306</u>	<u>306</u>		<u>306</u>

CITY OF PETERSBURG, ALASKA
National Forest Receipts - School Special Revenue Fund
Balance Sheet
June 30, 2012
With Comparative Amounts for 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash and investments	\$ <u>4,014,449</u>	<u>3,316,214</u>
<u>Fund Balance</u>		
Fund balance - restricted for school support	\$ <u>4,014,449</u>	<u>3,316,214</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, 2012
With Comparative Amounts for 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Intergovernmental - national forest receipts	\$ 1,000,000	1,259,784	259,784	1,357,487
Investment income	<u>10,000</u>	<u>38,312</u>	<u>28,312</u>	<u>29,806</u>
Total revenues	<u>1,010,000</u>	<u>1,298,096</u>	<u>288,096</u>	<u>1,387,293</u>
Excess of revenues over expenditures	1,010,000	1,298,096	288,096	1,387,293
Other financing uses - transfers out	<u>(599,861)</u>	<u>(599,861)</u>	<u>-</u>	<u>(599,861)</u>
Net change in fund balance	\$ <u>410,139</u>	698,235	<u>288,096</u>	787,432
Fund balance at beginning of year		<u>3,316,214</u>		<u>2,528,782</u>
Fund balance at end of year	\$	<u>4,014,449</u>		<u>3,316,214</u>

CITY OF PETERSBURG, ALASKA
National Forest Receipts - Streets and Roads Special Revenue Fund
Balance Sheet
June 30, 2012
With Comparative Amounts for 2011

	<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash and investments		\$ <u>180,768</u>	<u>247,186</u>
	<u>Fund Balance</u>		
Fund balance - restricted for streets and roads		\$ <u>180,768</u>	<u>247,186</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, 2012
With Comparative Amounts for 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Intergovernmental - national forest receipts	\$ 75,000	101,192	26,192	103,266
Investment income	<u>1,000</u>	<u>2,390</u>	<u>1,390</u>	<u>2,225</u>
Total revenues	<u>76,000</u>	<u>103,582</u>	<u>27,582</u>	<u>105,491</u>
Expenditures - public works - paving	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,285</u>
Excess of revenues over expenditures	76,000	103,582	27,582	55,206
Other financing uses - transfers out	<u>(170,000)</u>	<u>(170,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>(94,000)</u>	(66,418)	<u>27,582</u>	55,206
Fund balance at beginning of year		<u>247,186</u>		<u>191,980</u>
Fund balance at end of year	\$	<u>180,768</u>		<u>247,186</u>

CITY OF PETERSBURG, ALASKA
Property Development Special Revenue Fund
Balance Sheet
June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ 366,454	256,026
Accounts receivable	<u>3,500</u>	<u>-</u>
Total assets	\$ <u><u>369,954</u></u>	<u><u>256,026</u></u>
<u>Liabilities and Fund Balance</u>		
Liabilities - accounts payable	<u>6,360</u>	<u>5</u>
Fund balance - committed for public works	<u>363,594</u>	<u>256,021</u>
Total liabilities and fund balance	\$ <u><u>369,954</u></u>	<u><u>256,026</u></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, 2012
With Comparative Amounts for 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Investment income	\$ 2,000	3,421	1,421	3,290
Sale of property	-	39,380	39,380	44,935
Charges for services/rock sales	-	1,020	1,020	2,300
Total revenues	<u>2,000</u>	<u>43,821</u>	<u>41,821</u>	<u>50,525</u>
Expenditures:				
General government - other services and charges	-	520	(520)	2,811
Capital outlay	<u>78,800</u>	<u>64,562</u>	<u>14,238</u>	<u>76,167</u>
Total expenditures	<u>78,800</u>	<u>65,082</u>	<u>13,718</u>	<u>78,978</u>
Excess of revenues over (under) expenditures	(76,800)	(21,261)	55,539	(28,453)
Other financing sources (uses):				
Transfers in	185,834	185,834	-	-
Transfers out	<u>(57,000)</u>	<u>(57,000)</u>	<u>-</u>	<u>(400,000)</u>
Net other financing sources (uses)	<u>128,834</u>	<u>128,834</u>	<u>-</u>	<u>(400,000)</u>
Net change in fund balance	\$ <u>52,034</u>	107,573	<u>55,539</u>	(428,453)
Fund balance at beginning of year		<u>256,021</u>		<u>684,474</u>
Fund balance at end of year	\$	<u>363,594</u>		<u>256,021</u>

CITY OF PETERSBURG, ALASKA
E911 Surcharge Special Revenue Fund
Balance Sheet
June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ <u>100,745</u>	<u>73,135</u>
<u>Fund Balance</u>		
Fund balance - committed for public safety	\$ <u>100,745</u>	<u>73,135</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, 2012
With Comparative Amounts for 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Intergovernmental	\$ -	100,000	100,000	-
Charges for services	<u>30,000</u>	<u>31,887</u>	<u>1,887</u>	<u>32,605</u>
Total revenues	<u>30,000</u>	<u>131,887</u>	<u>101,887</u>	<u>32,605</u>
Expenditures - public safety - professional services	<u>70,000</u>	<u>104,277</u>	<u>(34,277)</u>	<u>-</u>
Net change in fund balance	\$ <u>(40,000)</u>	27,610	<u>67,610</u>	32,605
Fund balance at beginning of year		<u>73,135</u>		<u>40,530</u>
Fund balance at end of year	\$	<u>100,745</u>		<u>73,135</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, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and investments	\$ 15,086	-
Receivables - grants and shared revenues	<u>120,332</u>	<u>148,544</u>
Total assets	\$ <u>135,418</u>	<u>148,544</u>
<u>Liabilities and Fund Balance</u>		
Liabilities - due to other funds	-	25,371
Fund balance - assigned for debt service	<u>135,418</u>	<u>123,173</u>
Total liabilities and fund balance	\$ <u>135,418</u>	<u>148,544</u>

CITY OF PETERSBURG, ALASKA
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>		<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
			Variance Positive (Negative)
Revenues - intergovernmental - State of Alaska	\$ 502,534	469,492	(33,042) 500,419
Expenditures - debt service:			
2000 general obligation pool bonds:			
Principal	-	-	- 14,170
Interest	-	-	- 390
2004 general obligation school bonds:			
Principal	155,000	155,000	- 145,000
Interest	113,994	66,791	47,203 120,156
2005 general obligation aquatic center/voc.ed bonds:			
Principal	235,000	235,000	- 225,000
Interest	200,804	200,804	- 210,004
2007 general obligation aquatic center refunding bonds:			
Principal	45,000	45,000	- 45,000
Interest	45,357	45,357	- 47,157
2007 general obligation pool refunding bonds:			
Principal	15,837	15,837	- 833
Interest	8,463	8,463	- 8,796
Other debt service charges	-	25,627	(25,627) -
Total expenditures	819,455	797,879	21,576 816,506
Excess of revenues over (under) expenditures	(316,921)	(328,387)	(11,466) (316,087)
Other financing sources (uses):			
Transfers in	515,023	514,581	(442) 316,290
Transfers out	(198,103)	(198,103)	- -
Proceeds from bond issuance:			
Par value	-	2,010,000	2,010,000 -
Premium on issuance	-	358,955	358,955 -
Payment to refunded bond escrow agent	-	(2,344,801)	(2,344,801) -
Net other financing sources (uses)	316,920	340,632	23,712 316,290
Net change in fund balance	\$ (1)	12,245	12,246 203
Fund balance at beginning of year		123,173	122,970
Fund balance at end of year	\$	135,418	123,173

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.

Fishing Park

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

Birch Street Rebuild

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

Paving Project

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

Rasmus Enge Bridge Rehabilitation

This fund accounts for the Rasmus Enge Bridge rehabilitation project which is primarily funded by a Denali Commission grant.

Disaster Response

This fund accounts for the USDA grant and the costs related to the landslide at Hammer Slough.

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 (USDA) to be used for economic assistance projects.

CITY OF PETERSBURG, ALASKA
 Capital Project Funds
 Combining Balance Sheet
 June 30, 2012

<u>Assets</u>	<u>Fire/</u> <u>EMS</u> <u>Facility</u>	<u>Library</u> <u>Construc-</u> <u>tion</u>	<u>Fishing</u> <u>Park</u>	<u>Birch</u> <u>Street</u> <u>Rebuild</u>	<u>Paving</u> <u>Project</u>	<u>Rasmus</u> <u>Engel</u> <u>Bridge</u> <u>Rehab</u>	<u>Economic</u> <u>Development</u>	<u>Totals</u>
Cash and investments	\$ -	-	98,335	28,476	464,154	28,367	4,258,229	4,877,561
Receivables:								
Grants	324,756	37,959	-	4,147	-	21,921	-	388,783
Accrued interest	-	-	-	-	-	-	4,360	4,360
Total assets	\$ 324,756	37,959	98,335	32,623	464,154	50,288	4,262,589	5,270,704
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	15,813	9,959	-	2,884	-	2,830	-	31,486
Due to other funds	308,943	27,249	-	-	-	-	-	336,192
Total liabilities	324,756	37,208	-	2,884	-	2,830	-	367,678
Fund balances:								
Committed:								
Economic development	-	-	-	-	-	-	4,262,589	4,262,589
Capital projects	-	751	98,335	29,739	464,154	47,458	-	640,437
Total fund balances	-	751	98,335	29,739	464,154	47,458	4,262,589	4,903,026
Total liabilities and fund balances	\$ 324,756	37,959	98,335	32,623	464,154	50,288	4,262,589	5,270,704

CITY OF PETERSBURG, ALASKA

Capital Project Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)
Year Ended June 30, 2012

	Ballfield Play- ground	Fire/ EMS Facility	Library Construc- tion	Fishing Park	Birch Street Rebuild	Paving Project	Rasmus Engle Bridge Rehab	Disaster Response	Kings Row Realignment	Economic Development	Totals
Revenues:											
Intergovernmental	\$ -	3,700,265	264,737	-	267,156	-	23,060	106,675	-	-	4,361,893
Other grants	-	-	5,000	-	-	-	-	-	-	-	5,000
Investment income (loss)	-	-	-	-	-	-	-	-	-	(21,815)	(21,815)
Total revenues	-	3,700,265	269,737	-	267,156	-	23,060	106,675	-	(21,815)	4,345,078
Expenditures - capital projects and improvements:											
Professional services	-	170,521	244,755	-	57,091	38,164	24,337	12,602	3,643	27,697	578,810
Construction	50,300	3,482,059	22,824	-	385,350	-	-	136,028	186,726	-	4,263,287
Contributions	-	-	-	-	-	-	-	-	-	195,000	195,000
Materials and supplies	-	72,967	8,253	-	3,162	-	1,265	65,379	-	-	151,026
Total expenditures	50,300	3,725,547	275,832	-	445,603	38,164	25,602	214,009	190,369	222,697	5,188,123
Excess of revenues over (under) expenditures	(50,300)	(25,282)	(6,095)	-	(178,447)	(38,164)	(2,542)	(107,334)	(190,369)	(244,512)	(843,045)
Other financing sources (uses):											
Transfers in	58,590	-	-	-	-	2,500	50,000	107,334	-	-	218,424
Transfers out	-	-	-	-	-	-	-	-	(185,834)	(165,000)	(350,834)
Net other financing sources (uses)	58,590	-	-	-	-	2,500	50,000	107,334	(185,834)	(165,000)	(132,410)
Net change in fund balances (deficit)	8,290	(25,282)	(6,095)	-	(178,447)	(35,664)	47,458	-	(376,203)	(409,512)	(975,455)
Fund balances (deficit) at beginning of year	(8,290)	25,282	6,846	98,335	208,186	499,818	-	-	376,203	4,672,101	5,878,481
Fund balances at end of year	\$ -	-	751	98,335	29,739	464,154	47,458	-	-	4,262,589	4,903,026

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, 2012
 With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ 7,983,353	8,435,531
Accounts receivable	434,043	386,229
Allowance for doubtful accounts	(4,377)	(3,954)
Inventories	290,587	284,656
Prepaid expenses	62,638	60,826
Total current assets	<u>8,766,244</u>	<u>9,163,288</u>
Bond issuance costs, net of accumulated amortization	<u>14,846</u>	<u>15,671</u>
Property, plant and equipment:		
Land and land improvements	735,045	735,045
Buildings	1,067,261	1,022,503
Improvements other than buildings	4,140,610	4,162,473
Machinery and equipment	17,018,539	16,973,410
Construction in progress	3,115,839	2,037,420
Total property, plant and equipment	26,077,294	24,930,851
Accumulated depreciation	(14,480,077)	(13,816,662)
Net property, plant and equipment	<u>11,597,217</u>	<u>11,114,189</u>
Total assets	\$ <u>20,378,307</u>	<u>20,293,148</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	434,801	85,794
Accrued payroll and employee benefits	58,885	51,566
Accrued leave	147,526	153,853
Accrued interest	34,499	34,999
Customer deposits	28,252	31,723
Current portion of general obligation bonds	100,000	100,000
Total current liabilities	<u>803,963</u>	<u>457,935</u>
Long term debt, net of current portion:		
General obligation bonds	2,600,000	2,700,000
Bond premium, net of accumulated amortization	55,466	58,547
Total liabilities	<u>3,459,429</u>	<u>3,216,482</u>
Net assets:		
Invested in capital assets, net of related debt	8,841,751	10,658,237
Unrestricted	8,077,127	6,418,429
Total net assets	<u>16,918,878</u>	<u>17,076,666</u>
Total liabilities and net assets	\$ <u>20,378,307</u>	<u>20,293,148</u>

CITY OF PETERSBURG, ALASKA

Electric Utility Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2012

With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Residential electric	\$ 1,995,097	1,972,150
Industrial electric	2,308,812	2,048,160
Commercial electric	733,495	668,251
Street and highway lighting	141,213	112,117
Interruptible sales	-	101,712
Harbor electric	211,962	212,321
Pole rental	47,920	140,190
Other	55,738	52,252
Total operating revenues	<u>5,494,237</u>	<u>5,307,153</u>
Operating expenses:		
Power production:		
Salaries	76,393	74,311
Employee benefits	17,730	45,298
Materials and supplies	256,370	157,057
Services and charges	50,394	50,441
Interruptible	<u>2,992,144</u>	<u>2,907,770</u>
Total power production	<u>3,393,031</u>	<u>3,234,877</u>
Distribution:		
Salaries	376,686	340,237
Employee benefits	78,233	207,037
Materials and supplies	34,111	25,001
Services and charges	<u>12,934</u>	<u>8,049</u>
Total distribution	<u>501,964</u>	<u>580,324</u>
General and administrative:		
Salaries	338,420	333,284
Employee benefits	381,710	211,741
Materials and supplies	169,860	161,869
Services and charges	178,561	156,771
Allocated overhead	129,467	112,659
Motor pool charges:		
Operation and maintenance	70,613	83,784
Equipment replacement	<u>57,865</u>	<u>46,444</u>
Total general and administrative	<u>1,326,496</u>	<u>1,106,552</u>

CITY OF PETERSBURG, ALASKA

Electric Utility Enterprise Fund

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

	<u>2012</u>	<u>2011</u>
Operating expenses, continued:		
Depreciation	\$ <u>663,415</u>	<u>615,855</u>
Total operating expenses	<u>5,884,906</u>	<u>5,537,608</u>
Loss from operations	(390,669)	(230,455)
Nonoperating revenues (expenses):		
Investment income	94,903	94,595
SEAPA distribution	427,791	185,330
Interest expense	(135,413)	(134,969)
Amortization of bond issuance costs	(825)	(825)
Federal interest subsidy	33,318	32,392
Loss on disposal of capital assets	(253,386)	-
State PERS relief	<u>114,993</u>	<u>71,085</u>
Net nonoperating revenues (expenses)	<u>281,381</u>	<u>247,608</u>
Income (loss) before transfers	(109,288)	17,153
Transfers out	<u>(48,500)</u>	<u>-</u>
Change in net assets	(157,788)	17,153
Net assets at beginning of year	<u>17,076,666</u>	<u>17,059,513</u>
Net assets at end of year	\$ <u><u>16,918,878</u></u>	<u><u>17,076,666</u></u>

CITY OF PETERSBURG, ALASKA

Electric Utility Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2012

With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,871,166	5,455,125
Payments for interfund services used	(257,945)	(242,887)
Payments to suppliers	(3,353,110)	(3,539,889)
Payments to employees	(1,153,187)	(1,102,632)
Net cash flows from operating activities	<u>1,106,924</u>	<u>569,717</u>
Cash flows from noncapital financing activities - transfer out	<u>(48,500)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(1,399,829)	(366,889)
Capital contributions received	-	133,874
Principal paid on long-term debt	(100,000)	-
Interest paid on long-term debt	(138,994)	(136,105)
Federal interest subsidy received	33,318	-
Net cash flows from capital and related financing activities	<u>(1,605,505)</u>	<u>(369,120)</u>
Cash flows from investing activities - investment income received	<u>94,903</u>	<u>94,595</u>
Net increase (decrease) in cash and investments	(452,178)	295,192
Cash and investments at beginning of year	<u>8,435,531</u>	<u>8,140,339</u>
Cash and investments at end of year	\$ <u>7,983,353</u>	<u>8,435,531</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(390,669)	(230,455)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	663,415	615,855
Noncash expense - PERS relief	114,993	103,477
Nonoperating revenues received	427,791	185,330
Increase (decrease) in allowance for doubtful accounts	423	(14,336)
(Increase) decrease in assets:		
Accounts receivable	(47,814)	(30,743)
Inventories	(5,931)	(1,821)
Prepaid expenses	(1,812)	(11,550)
Increase (decrease) in liabilities:		
Accounts payable	349,007	(59,560)
Accrued payroll and employee benefits	7,319	(9,069)
Accrued leave	(6,327)	14,868
Customer deposits	(3,471)	7,721
Net cash flows from operating activities	\$ <u>1,106,924</u>	<u>569,717</u>

CITY OF PETERSBURG, ALASKA
 Electric Utility Enterprise Fund
 Schedule of Electric Utility
 Capital Projects
 Year Ended June 30, 2012

	<u>Electric Rebuild</u>	<u>Auto Control System</u>	<u>Plant Relo- cation</u>	<u>Hydro Station Upgrade</u>	<u>Standby Diesel Generator</u>	<u>Totals</u>
Funding sources - Electric Utility	\$ <u>146,308</u>	<u>16,400</u>	<u>4,568</u>	<u>19,038</u>	<u>1,168,390</u>	<u>1,354,704</u>
Expenditures:						
Salaries and employee benefits	\$ 34,864	1,216	-	592	7,878	44,550
Professional services	4,168	13,390	-	5,880	39,359	62,797
Construction and contractors	-	-	874	-	211,989	212,863
Other	<u>107,276</u>	<u>1,794</u>	<u>3,694</u>	<u>12,566</u>	<u>909,164</u>	<u>1,034,494</u>
Total expenditures	\$ <u>146,308</u>	<u>16,400</u>	<u>4,568</u>	<u>19,038</u>	<u>1,168,390</u>	<u>1,354,704</u>

CITY OF PETERSBURG, ALASKA

Water Utility Enterprise Fund

Statement of Net Assets

June 30, 2012

With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ 83,930	195,200
Receivables:		
Grants and loans	383,629	35,978
Accounts	83,965	78,765
Allowance for doubtful accounts	(920)	(548)
Inventories	72,525	74,953
Prepaid expenses	3,259	4,621
Total current assets	<u>626,388</u>	<u>388,969</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	3,096,434	3,108,768
Construction in progress	785,284	69,491
Total property, plant and equipment	34,016,605	33,313,146
Accumulated depreciation	(11,303,068)	(10,523,603)
Net property, plant and equipment	<u>22,713,537</u>	<u>22,789,543</u>
Total assets	\$ <u>23,339,925</u>	<u>23,178,512</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	124,490	14,552
Accrued payroll and employee benefits	10,341	9,621
Accrued leave	9,432	9,282
Customer deposits	5,468	6,761
Accrued interest	40,201	42,966
Current portion - ADEC loans	255,143	252,773
Total current liabilities	<u>445,075</u>	<u>335,955</u>
Long term debt, net of current portion - ADEC loans	<u>3,695,306</u>	<u>3,359,461</u>
Total liabilities	<u>4,140,381</u>	<u>3,695,416</u>
Net assets:		
Invested in capital assets, net of related debt	18,763,088	19,177,309
Unrestricted	436,456	305,787
Total net assets	<u>19,199,544</u>	<u>19,483,096</u>
Total liabilities and net assets	\$ <u>23,339,925</u>	<u>23,178,512</u>

CITY OF PETERSBURG, ALASKA

Water Utility Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2012

With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Residential water	\$ 491,518	493,822
Commercial water	393,287	357,803
Water delivery	5,094	18,594
Other	6,172	6,544
Total operating revenues	<u>896,071</u>	<u>876,763</u>
Operating expenses:		
Salaries	185,437	184,062
Employee benefits	93,554	112,213
Materials and supplies	140,397	130,626
Services and charges	164,279	136,218
Allocated overhead	35,142	34,088
Motor pool charges:		
Operation and maintenance	7,410	6,906
Equipment replacement	16,699	18,603
Depreciation	791,799	797,120
Total operating expenses	<u>1,434,717</u>	<u>1,419,836</u>
Loss from operations	(538,646)	(543,073)
Nonoperating revenues (expenses):		
Investment income	709	1,734
Interest expense	(51,084)	(54,075)
State PERS relief	15,662	12,835
Net nonoperating revenues (expenses)	<u>(34,713)</u>	<u>(39,506)</u>
Loss before contributions and transfers	(573,359)	(582,579)
Capital contributions	124,807	18,575
Transfers in	<u>165,000</u>	<u>165,000</u>
Change in net assets	(283,552)	(399,004)
Net assets at beginning of year	<u>19,483,096</u>	<u>19,882,100</u>
Net assets at end of year	\$ <u>19,199,544</u>	<u>19,483,096</u>

CITY OF PETERSBURG, ALASKA

Water Utility Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2012

With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 889,950	872,535
Payments for interfund services used	(59,251)	(59,597)
Payments to suppliers	(190,948)	(259,831)
Payments to employees	<u>(262,459)</u>	<u>(284,267)</u>
Net cash flows from operating activities	<u>377,292</u>	<u>268,840</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(252,773)	(250,438)
Interest paid on long-term debt	(53,849)	(48,022)
Purchase of property, plant and equipment	(715,793)	(49,120)
Proceeds from issuance of debt	244,507	-
Transfers in	165,000	165,000
Capital contributions received	<u>123,637</u>	<u>4,872</u>
Net cash flows from capital and related financing activities	<u>(489,271)</u>	<u>(177,708)</u>
Cash flows from investing activities -		
investment income received	<u>709</u>	<u>1,734</u>
Net increase (decrease) in cash and investments	(111,270)	92,866
Cash and investments at beginning of year	<u>195,200</u>	<u>102,334</u>
Cash and investments at end of year	\$ <u><u>83,930</u></u>	<u><u>195,200</u></u>
Reconciliation of loss from operations to net cash		
provided (used) by operating activities:		
Loss from operations	(538,646)	(543,073)
Adjustments to reconcile loss from operations		
to net cash flows from operating activities:		
Depreciation	791,799	797,120
Noncash expense - PERS relief	15,662	12,835
Increase (decrease) in allowance for doubtful accounts	372	(3,720)
(Increase) decrease in assets:		
Accounts receivable	(5,200)	4,732
Inventories	2,428	(2,528)
Prepaid expenses	1,362	(4,621)
Increase (decrease) in liabilities:		
Accounts payable	109,938	14,162
Accrued payroll and employee benefits	720	(2,767)
Accrued leave	150	1,940
Customer deposits	<u>(1,293)</u>	<u>(5,240)</u>
Net cash flows from operating activities	\$ <u><u>377,292</u></u>	<u><u>268,840</u></u>

CITY OF PETERSBURG, ALASKA
 Water Utility Enterprise Fund
 Schedule of Water Utility
 Capital Projects
 Year Ended June 30, 2012

	Water Treatment Plant Upgrade	Water Projects	Totals
Funding sources:			
Intergovernmental	\$ 124,807	-	124,807
Water Utility	<u>53,488</u>	<u>537,499</u>	<u>590,987</u>
Total funding sources	<u>\$ 178,295</u>	<u>537,499</u>	<u>715,794</u>
Expenditures:			
Contractor	\$ -	478,002	478,002
Professional services	<u>178,295</u>	<u>59,497</u>	<u>237,792</u>
Total expenditures	<u>\$ 178,295</u>	<u>537,499</u>	<u>715,794</u>

CITY OF PETERSBURG, ALASKA
Wastewater Utility Enterprise Fund
Statement of Net Assets
June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ 903,877	1,118,876
Receivables:		
Grants and loan	149,223	12,897
Accounts	79,969	62,177
Allowance for doubtful accounts	(869)	(596)
Inventories	34,016	32,746
Prepaid expenses	3,349	2,549
Total current assets	<u>1,169,565</u>	<u>1,228,649</u>
Property, plant and equipment:		
Buildings	9,109,560	9,024,635
Improvements other than buildings	7,766,001	7,766,001
Machinery and equipment	335,211	327,789
Construction in progress	716,540	79,549
Total property, plant and equipment	<u>17,927,312</u>	<u>17,197,974</u>
Accumulated depreciation	<u>(9,724,119)</u>	<u>(9,406,329)</u>
Net property, plant and equipment	<u>8,203,193</u>	<u>7,791,645</u>
Total assets	\$ <u>9,372,758</u>	<u>9,020,294</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	35,492	550
Accrued payroll and employee benefits	11,459	8,982
Accrued leave	14,012	18,723
Customer deposits	4,557	5,200
Accrued interest	6,306	6,742
Current portion of ADEC loan	32,214	31,738
Total current liabilities	<u>104,040</u>	<u>71,935</u>
Long term debt, net of current portion - ADEC loan	<u>988,792</u>	<u>471,517</u>
Total liabilities	<u>1,092,832</u>	<u>543,452</u>
Net assets:		
Invested in capital assets, net of related debt	7,182,187	7,288,390
Unrestricted	1,097,739	1,188,452
Total net assets	<u>8,279,926</u>	<u>8,476,842</u>
Total liabilities and net assets	\$ <u>9,372,758</u>	<u>9,020,294</u>

CITY OF PETERSBURG, ALASKA
Wastewater Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Residential sewer	\$ 471,343	467,965
Commercial sewer	159,121	156,836
Other	<u>15,649</u>	<u>9,601</u>
Total operating revenues	<u>646,113</u>	<u>634,402</u>
Operating expenses:		
Salaries	177,532	183,732
Employee benefits	80,302	80,757
Materials and supplies	52,603	58,079
Services and charges	135,046	119,538
Allocated overhead	34,217	32,058
Motor pool charges:		
Operation and maintenance	15,032	31,106
Equipment replacement	33,971	29,335
Depreciation	<u>330,123</u>	<u>352,325</u>
Total operating expenses	<u>858,826</u>	<u>886,930</u>
Loss from operations	(212,713)	(252,528)
Nonoperating revenues (expenses):		
Investment income	11,589	12,183
Interest expense	(6,919)	(7,394)
State PERS relief	<u>13,627</u>	<u>8,959</u>
Net nonoperating revenues (expenses)	<u>18,297</u>	<u>13,748</u>
Loss before transfers	(194,416)	(238,780)
Transfers out	<u>(2,500)</u>	<u>(30,000)</u>
Change in net assets	(196,916)	(268,780)
Net assets at beginning of year	<u>8,476,842</u>	<u>8,745,622</u>
Net assets at end of year	\$ <u>8,279,926</u>	<u>8,476,842</u>

CITY OF PETERSBURG, ALASKA

Wastewater Utility Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2012

With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 627,951	635,218
Payments for interfund services used	(83,220)	(92,499)
Payments to suppliers	(154,777)	(182,773)
Payments to employees	(246,441)	(255,928)
Net cash flows from operating activities	<u>143,513</u>	<u>104,018</u>
Cash flows from noncapital financing activities - transfers out	<u>(2,500)</u>	<u>(30,000)</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(31,738)	(31,269)
Interest paid on long-term debt	(7,355)	(7,824)
Purchase of property, plant and equipment	(729,338)	(12,896)
Proceeds from issuance of debt	<u>400,830</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>(367,601)</u>	<u>(51,989)</u>
Cash flows from investing activities - investment income received	<u>11,589</u>	<u>12,183</u>
Net increase (decrease) in cash and investments	(214,999)	34,212
Cash and investments at beginning of year	<u>1,118,876</u>	<u>1,084,664</u>
Cash and investments at end of year	\$ <u><u>903,877</u></u>	<u><u>1,118,876</u></u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(212,713)	(252,528)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	330,123	352,325
Noncash expense - PERS relief	13,627	8,959
Increase (decrease) in allowance for doubtful accounts	273	(3,062)
(Increase) decrease in assets:		
Accounts receivable	(17,792)	5,878
Inventories	(1,270)	(2,876)
Prepaid expenses	(800)	(2,549)
Increase (decrease) in liabilities:		
Accounts payable	34,942	269
Accrued payroll and employee benefits	2,477	7
Accrued leave	(4,711)	569
Customer deposits	<u>(643)</u>	<u>(2,000)</u>
Net cash flows from operating activities	\$ <u><u>143,513</u></u>	<u><u>104,992</u></u>

CITY OF PETERSBURG, ALASKA

Wastewater Utility Enterprise Fund

Schedule of Wastewater Utility

Capital Projects

Year Ended June 30, 2012

	Pumpstation <u>Upgrade</u>	Sewer <u>Projects</u>	<u>Totals</u>
Funding sources - Wastewater Utility	\$ <u>11,982</u>	<u>625,009</u>	<u>636,991</u>
Expenditures:			
Contractor	\$ -	575,657	575,657
Professional services	<u>11,982</u>	<u>49,352</u>	<u>61,334</u>
Total expenditures	\$ <u>11,982</u>	<u>625,009</u>	<u>636,991</u>

CITY OF PETERSBURG, ALASKA
Sanitation Utility Enterprise Fund
Statement of Net Assets
June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ 522,341	431,864
Accounts receivable	100,945	96,582
Allowance for doubtful accounts	(872)	(794)
Prepaid expenses	4,613	4,581
Total current assets	<u>627,027</u>	<u>532,233</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	213,272	205,635
Construction in progress	12,645	-
Total property, plant and equipment	<u>2,604,182</u>	<u>2,583,900</u>
Accumulated depreciation	<u>(1,054,545)</u>	<u>(993,221)</u>
Net property, plant and equipment	<u>1,549,637</u>	<u>1,590,679</u>
Total assets	\$ <u>2,176,664</u>	<u>2,122,912</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	12,901	31,699
Accrued payroll and employee benefits	13,731	13,620
Accrued leave	12,384	14,292
Customer deposits	7,291	8,321
Total current liabilities	<u>46,307</u>	<u>67,932</u>
Long-term debt - estimated landfill closure costs	<u>92,333</u>	<u>92,333</u>
Total liabilities	<u>138,640</u>	<u>160,265</u>
Net assets:		
Invested in capital assets	1,549,637	1,590,679
Unrestricted	<u>488,387</u>	<u>371,968</u>
Total net assets	<u>2,038,024</u>	<u>1,962,647</u>
Total liabilities and net assets	\$ <u>2,176,664</u>	<u>2,122,912</u>

CITY OF PETERSBURG, ALASKA
Sanitation Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Refuse collection	\$ 805,339	811,690
Landfill charges	255,759	278,178
Other	<u>14,415</u>	<u>7,538</u>
Total operating revenues	<u>1,075,513</u>	<u>1,097,406</u>
Operating expenses:		
Salaries	231,701	243,678
Employee benefits	122,981	129,101
Materials and supplies	40,250	32,000
Services and charges	158,506	139,619
Bale disposal	217,673	246,179
Allocated overhead	58,910	58,720
Motor pool charges:		
Operation and maintenance	73,197	71,407
Equipment replacement	84,198	76,225
Depreciation	<u>61,324</u>	<u>61,906</u>
Total operating expenses	<u>1,048,740</u>	<u>1,058,835</u>
Income from operations	26,773	38,571
Nonoperating revenues:		
Investment income	5,608	4,546
State PERS relief	<u>21,331</u>	<u>15,692</u>
Total nonoperating revenues	<u>26,939</u>	<u>20,238</u>
Income before transfers	53,712	58,809
Transfers in	<u>21,665</u>	<u>-</u>
Change in net assets	75,377	58,809
Net assets at beginning of year	<u>1,962,647</u>	<u>1,903,838</u>
Net assets at end of year	\$ <u><u>2,038,024</u></u>	<u><u>1,962,647</u></u>

CITY OF PETERSBURG, ALASKA
Sanitation Utility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,070,198	1,090,008
Payments for interfund services used	(216,305)	(206,352)
Payments to suppliers	(435,259)	(418,514)
Payments to employees	(335,148)	(358,483)
Net cash flows from operating activities	<u>83,486</u>	<u>106,659</u>
Cash flows from capital and related financing activities:		
Purchase of property, plant and equipment	(20,282)	(17,032)
Transfers in	<u>21,665</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>1,383</u>	<u>(17,032)</u>
Cash flows from investing activities -		
investment income received	<u>5,608</u>	<u>4,546</u>
Net increase in cash and investments	90,477	94,173
Cash and investments at beginning of year	<u>431,864</u>	<u>337,691</u>
Cash and investments at end of year	\$ <u><u>522,341</u></u>	<u><u>431,864</u></u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Income from operations	26,773	38,571
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation	61,324	61,906
Noncash expense - PERS relief	21,331	15,692
Increase (decrease) in allowance for doubtful accounts	78	(3,474)
(Increase) decrease in assets:		
Accounts receivable	(4,363)	(7,445)
Prepaid expenses	(32)	(4,581)
Increase (decrease) in liabilities:		
Accounts payable	(18,798)	3,865
Accrued payroll and employee benefits	111	(190)
Accrued leave	(1,908)	(1,206)
Customer deposits	<u>(1,030)</u>	<u>3,521</u>
Net cash flows from operating activities	\$ <u><u>83,486</u></u>	<u><u>106,659</u></u>

CITY OF PETERSBURG, ALASKA
Harbor and Port Facilities Enterprise Fund
Statement of Net Assets
June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ 1,267,094	953,837
Receivables:		
Grants	1,063	45,073
Accounts	160,156	151,576
Interest	3,389	4,891
Allowance for doubtful accounts	(28,311)	(39,347)
Prepaid expenses	8,894	8,477
Total current assets	<u>1,412,285</u>	<u>1,124,507</u>
Restricted cash - capital projects	<u>2,879,182</u>	<u>2,905,426</u>
Bond issuance costs, net of accumulated amortization	<u>8,315</u>	<u>9,239</u>
Property, plant and equipment:		
Land and land improvements	353,039	353,039
Buildings	339,690	313,055
Improvements other than buildings	22,440,619	22,431,411
Machinery and equipment	539,408	461,072
Construction in progress	2,564,848	1,458,425
Total property, plant and equipment	<u>26,237,604</u>	<u>25,017,002</u>
Accumulated depreciation	<u>(8,335,929)</u>	<u>(7,491,483)</u>
Net property, plant and equipment	<u>17,901,675</u>	<u>17,525,519</u>
Total assets	<u>\$ 22,201,457</u>	<u>21,564,691</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	111,282	24,470
Accrued payroll and employee benefits	26,597	19,280
Accrued leave	72,806	76,169
Prepaid moorage	109,191	104,834
Deferred revenue	2,320,439	2,463,487
Accrued interest	4,077	3,657
Current portion of general obligation bonds	79,164	79,164
Total current liabilities	<u>2,723,556</u>	<u>2,771,061</u>
Long-term debt, net of current portion:		
General obligation bonds	812,467	891,631
Deferred loss on refunding	(24,072)	(26,746)
Bond premium, net of accumulated amortization	11,917	13,241
Total liabilities	<u>3,523,868</u>	<u>3,649,187</u>
Net assets:		
Invested in capital assets, net of related debt	17,022,199	16,568,229
Unrestricted	<u>1,655,390</u>	<u>1,347,275</u>
Total net assets	<u>18,677,589</u>	<u>17,915,504</u>
Total liabilities and net assets	<u>\$ 22,201,457</u>	<u>21,564,691</u>

CITY OF PETERSBURG, ALASKA
Harbor and Port Facilities Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Harbor charges	\$ 798,516	803,083
Port charges and leases	142,157	141,178
Other	<u>55,904</u>	<u>6,797</u>
Total operating revenues	<u>996,577</u>	<u>951,058</u>
Operating expenses:		
Salaries	378,781	356,949
Employee benefits	198,057	191,148
Materials and supplies	65,974	47,123
Services and charges	201,212	215,641
Allocated overhead	51,447	50,210
Motor pool charges:		
Operation and maintenance	22,195	24,520
Equipment replacement	3,457	4,544
Depreciation	<u>844,446</u>	<u>836,319</u>
Total operating expenses	<u>1,765,569</u>	<u>1,726,454</u>
Loss from operations	(768,992)	(775,396)
Nonoperating revenues (expenses):		
Investment income	40,466	19,073
Interest expense	(44,075)	(47,262)
Amortization of bond issuance costs	(924)	(924)
State PERS relief	<u>38,313</u>	<u>25,002</u>
Net nonoperating revenues (expenses)	<u>33,780</u>	<u>(4,111)</u>
Loss before contributions and transfers	(735,212)	(779,507)
Capital contributions	1,133,061	181,897
Transfers in	385,901	205,220
Transfers out	<u>(21,665)</u>	<u>-</u>
Change in net assets	762,085	(392,390)
Net assets at beginning of year	<u>17,915,504</u>	<u>18,307,894</u>
Net assets at end of year	\$ <u>18,677,589</u>	<u>17,915,504</u>

CITY OF PETERSBURG, ALASKA
Harbor and Port Facilities Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 981,318	959,793
Payments for interfund services used	(77,099)	(79,274)
Payments to suppliers	(180,791)	(277,511)
Payments to employees	(534,571)	(514,197)
Net cash flows from operating activities	<u>188,857</u>	<u>88,811</u>
Cash flows from noncapital financing activities - transfers out	<u>(21,665)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(79,164)	(74,996)
Interest paid on long-term debt	(42,305)	(45,919)
Purchase of property, plant and equipment	(1,220,602)	(181,088)
Decrease in deferred revenue	(143,048)	(11,513)
Transfers in	385,901	205,220
Capital contributions received	<u>1,177,071</u>	<u>1,001,648</u>
Net cash flows from capital and related financing activities	<u>77,853</u>	<u>893,352</u>
Cash flows from investing activities - investment income received	<u>41,968</u>	<u>28,911</u>
Net increase in cash and investments	287,013	1,011,074
Cash and investments at beginning of year	<u>3,859,263</u>	<u>2,848,189</u>
Cash and investments at end of year	\$ <u>4,146,276</u>	<u>3,859,263</u>
Cash and investments at end of year:		
Cash and investments	1,267,094	953,837
Restricted cash - capital projects	<u>2,879,182</u>	<u>2,905,426</u>
	\$ <u>4,146,276</u>	<u>3,859,263</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(768,992)	(775,396)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	844,446	836,319
Noncash expense - PERS relief	38,313	25,002
Increase (decrease) in allowance for doubtful accounts	(11,036)	46
(Increase) decrease in assets:		
Accounts receivable	(8,580)	2,036
Prepaid expenses	(417)	(8,477)
Increase (decrease) in liabilities:		
Accounts payable	86,812	(6,270)
Accrued payroll and employee benefits	7,317	(6,570)
Accrued leave	(3,363)	15,468
Prepaid moorage	<u>4,357</u>	<u>6,653</u>
Net cash flows from operating activities	\$ <u>188,857</u>	<u>88,811</u>

CITY OF PETERSBURG, ALASKA
Harbor and Port Facilities Enterprise Fund
Schedule of Harbor and Port Facilities
Capital Projects
Year Ended June 30, 2012

	<u>North Harbor Development</u>	<u>Commercial Dock Drive</u>	<u>Passenger Vessel Port</u>	<u>Totals</u>
Funding sources - intergovernmental	\$ <u>143,048</u>	<u>138,690</u>	<u>808,996</u>	<u>1,090,734</u>
Expenditures:				
Professional services	123,018	138,690	81,669	343,377
Construction and contractors	20,030	-	726,542	746,572
Other	<u>-</u>	<u>-</u>	<u>785</u>	<u>785</u>
Total expenditures	\$ <u>143,048</u>	<u>138,690</u>	<u>808,996</u>	<u>1,090,734</u>

CITY OF PETERSBURG, ALASKA

Elderly Housing Enterprise Fund

Statement of Net Assets

June 30, 2012

With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ 570,148	558,410
Grant receivable	6,393	-
Prepaid expenses	677	652
Total current assets	<u>577,218</u>	<u>559,062</u>
Restricted cash - security deposits	<u>17,431</u>	<u>17,431</u>
Bond issuance costs, net of accumulated amortization	<u>3,281</u>	<u>7,901</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	100,150	100,150
Construction in progress	15,288	-
Total property, plant and equipment	2,941,993	2,926,705
Accumulated depreciation	<u>(2,091,053)</u>	<u>(2,022,412)</u>
Net property, plant and equipment	<u>850,940</u>	<u>904,293</u>
Total assets	\$ <u>1,448,870</u>	<u>1,488,687</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	9,300	8,157
Accrued payroll and employee benefits	3,358	2,907
Accrued leave	1,079	1,717
Deferred revenue	10,182	486
Customer deposits	10,583	11,085
Accrued interest	4,518	7,134
Current portion of general obligation bonds	<u>41,250</u>	<u>37,500</u>
Total current liabilities	<u>80,270</u>	<u>68,986</u>
Long-term debt, net of current portion:		
General obligation bonds	515,000	585,000
Deferred loss on refunding	(34,753)	-
Bond premium, net of accumulated amortization	<u>81,276</u>	<u>20,901</u>
Total liabilities	<u>641,793</u>	<u>674,887</u>
Net assets:		
Invested in capital assets, net of related debt	248,167	260,892
Unrestricted	<u>558,910</u>	<u>552,908</u>
Total net assets	<u>807,077</u>	<u>813,800</u>
Total liabilities and net assets	\$ <u>1,448,870</u>	<u>1,488,687</u>

CITY OF PETERSBURG, ALASKA
 Elderly Housing Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2012
 With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Federal government - rental subsidies	\$ 224,448	210,910
Rental income	<u>123,964</u>	<u>120,814</u>
Total operating revenues	<u>348,412</u>	<u>331,724</u>
Operating expenses:		
Salaries	54,061	57,129
Employee benefits	20,133	16,292
Materials and supplies	54,201	54,755
Services and charges	136,179	133,856
Allocated overhead	14,937	14,210
Motor pool charges:		
Operation and maintenance	3,057	1,187
Equipment replacement	624	624
Depreciation	<u>68,641</u>	<u>68,838</u>
Total operating expenses	<u>351,833</u>	<u>346,891</u>
Loss from operations	(3,421)	(15,167)
Nonoperating revenues (expenses):		
Investment income	6,329	6,285
Interest expense	(24,311)	(27,742)
Amortization of bond issuance costs	<u>(608)</u>	<u>(608)</u>
Net nonoperating revenues (expenses)	<u>(18,590)</u>	<u>(22,065)</u>
Loss before contributions	(22,011)	(37,232)
Capital contributions	<u>15,288</u>	<u>-</u>
Change in net assets	(6,723)	(37,232)
Net assets at beginning of year	<u>813,800</u>	<u>851,032</u>
Net assets at end of year	\$ <u><u>807,077</u></u>	<u><u>813,800</u></u>

CITY OF PETERSBURG, ALASKA

Elderly Housing Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2012

With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 357,606	332,599
Payments for interfund services used	(18,618)	(16,021)
Payments to suppliers	(189,262)	(181,903)
Payments to employees	(74,381)	(73,279)
Net cash flows from operating activities	<u>75,345</u>	<u>61,396</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(37,500)	(36,250)
Interest paid on long-term debt	(26,043)	(29,621)
Purchase of property, plant and equipment	(15,288)	-
Capital contributions received	8,895	-
Net cash flows from capital and related financing activities	<u>(69,936)</u>	<u>(65,871)</u>
Cash flows from investing activities -		
investment income received	<u>6,329</u>	<u>6,285</u>
Net increase in cash and investments	11,738	1,810
Cash and investments at beginning of year	<u>575,841</u>	<u>574,031</u>
Cash and investments at end of year	\$ <u>587,579</u>	<u>575,841</u>
Cash and investments at end of year:		
Cash and investments	570,148	558,410
Restricted cash	<u>17,431</u>	<u>17,431</u>
	\$ <u>587,579</u>	<u>575,841</u>
Reconciliation of loss from operations to net cash		
provided (used) by operating activities:		
Loss from operations	(3,421)	(15,167)
Adjustments to reconcile loss from operations		
to net cash flows from operating activities:		
Depreciation	68,641	68,838
Increase in assets - prepaid expenses	(25)	(652)
Increase (decrease) in liabilities:		
Accounts payable	1,143	7,360
Accrued payroll and employee benefits	451	(966)
Accrued leave	(638)	1,108
Deferred revenue	9,696	(110)
Customer deposits	(502)	985
Net cash flows from operating activities	\$ <u>75,345</u>	<u>61,396</u>
Noncash capital and related financing activities - the City issued \$477,500		
in refunding bonds at a premium of \$81,276 to advance refund \$506,250		
of previously issued outstanding bonds.	\$ <u>(28,750)</u>	<u>-</u>

CITY OF PETERSBURG, ALASKA

Assisted Living Enterprise Fund

Statement of Net Assets

June 30, 2012

With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets:		
Accounts receivable	\$ 8,433	8,433
Prepaid items	8,198	6,843
Total current assets	<u>16,631</u>	<u>15,276</u>
Bond issuance costs, net of accumulated amortization	<u>9,846</u>	<u>23,702</u>
Property, plant and equipment:		
Buildings	3,907,471	3,907,471
Machinery and equipment	<u>89,262</u>	<u>78,000</u>
Total property, plant and equipment	3,996,733	3,985,471
Accumulated depreciation	<u>(890,225)</u>	<u>(784,354)</u>
Net property, plant and equipment	<u>3,106,508</u>	<u>3,201,117</u>
Total assets	\$ <u>3,132,985</u>	<u>3,240,095</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	4,508	4,830
Accrued payroll and employee benefits	25,505	15,201
Accrued leave	21,638	14,883
Deferred revenue	4,881	3,780
Customer deposits	5,100	5,300
Accrued interest	13,553	21,401
Due to other funds	224,506	218,942
Current portion of general obligation bonds	<u>123,750</u>	<u>112,500</u>
Total current liabilities	<u>423,441</u>	<u>396,837</u>
Long-term debt, net of current portion:		
General obligation bonds	1,545,000	1,755,000
Deferred loss on refunding	(104,260)	-
Bond premium, net of accumulated amortization	<u>243,830</u>	<u>62,702</u>
Total liabilities	<u>2,108,011</u>	<u>2,214,539</u>
Net assets:		
Invested in capital assets, net of related debt	1,298,188	1,270,915
Unrestricted (deficit)	<u>(273,214)</u>	<u>(245,359)</u>
Total net assets	<u>1,024,974</u>	<u>1,025,556</u>
Total liabilities and net assets	\$ <u>3,132,985</u>	<u>3,240,095</u>

CITY OF PETERSBURG, ALASKA
 Assisted Living Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Assets
 Year Ended June 30, 2012
 With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Rents and royalties	\$ 221,835	189,482
Fees for services	492,144	317,825
Other revenues	<u>3,698</u>	<u>93,252</u>
Total operating revenues	<u>717,677</u>	<u>600,559</u>
Operating expenses:		
Salaries	374,893	345,243
Employee benefits	186,539	156,150
Materials and supplies	61,918	47,135
Services and charges	114,015	118,224
Allocated overhead	44,061	39,160
Motor pool charges:		
Operation and maintenance	3,057	1,177
Equipment replacement	624	624
Depreciation	<u>105,871</u>	<u>105,871</u>
Total operating expenses	<u>890,978</u>	<u>813,584</u>
Loss from operations	(173,301)	(213,025)
Nonoperating revenues (expenses):		
Interest expense	(72,932)	(83,227)
Amortization of bond issuance costs	(1,823)	(1,823)
State PERS relief	<u>38,109</u>	<u>26,800</u>
Net nonoperating revenues (expenses)	<u>(36,646)</u>	<u>(58,250)</u>
Loss before contributions and transfers	(209,947)	(271,275)
Capital contributions	11,262	-
Transfers in	<u>198,103</u>	<u>197,616</u>
Change in net assets	(582)	(73,659)
Net assets at beginning of year	<u>1,025,556</u>	<u>1,099,215</u>
Net assets at end of year	\$ <u>1,024,974</u>	<u>1,025,556</u>

CITY OF PETERSBURG, ALASKA

Assisted Living Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2012

With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 718,578	599,373
Payments for interfund services used	(47,742)	(40,961)
Payments to suppliers	(177,610)	(169,182)
Payments to employees	<u>(506,264)</u>	<u>(484,694)</u>
Net cash flows from operating activities	<u>(13,038)</u>	<u>(95,464)</u>
Cash flows from capital and related financing activities:		
Principal paid on long term debt	(112,500)	(108,750)
Interest paid on long term debt	(78,129)	(88,865)
Purchase of property, plant and equipment	(11,262)	-
Increase in due to other funds	5,564	95,463
Transfers in	198,103	197,616
Capital contributions received	<u>11,262</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>13,038</u>	<u>95,464</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	(173,301)	(213,025)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	105,871	105,871
Noncash expense - PERS relief	38,109	26,800
Increase in assets - prepaid expenses	(1,355)	(6,843)
Increase (decrease) in liabilities:		
Accounts payable	(322)	3,020
Accrued payroll and employee benefits	10,304	(7,780)
Accrued leave	6,755	(2,321)
Deferred revenue	1,101	(286)
Customer deposits	<u>(200)</u>	<u>(900)</u>
Net cash flows from operating activities	\$ <u>(13,038)</u>	<u>(95,464)</u>
Noncash capital and related financing activities - the City issued \$1,432,500 in refunding bonds at a premium of \$243,830 to advance refund \$1,518,750 of previously issued outstanding bonds.	\$ <u>(86,250)</u>	<u>-</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, 2012
 With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 3,722,408	3,364,796
Receivables - other	306	-
Prepaid expenses	<u>2,672</u>	<u>2,549</u>
Total current assets	<u>3,725,386</u>	<u>3,367,345</u>
Equipment	6,018,976	5,853,724
Accumulated depreciation	<u>(3,385,575)</u>	<u>(3,099,267)</u>
Net equipment	<u>2,633,401</u>	<u>2,754,457</u>
Total assets	\$ <u><u>6,358,787</u></u>	<u><u>6,121,802</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	1,001	4,314
Accrued payroll and employee benefits	7,837	7,992
Accrued leave	<u>19,757</u>	<u>19,661</u>
Total current liabilities	<u>28,595</u>	<u>31,967</u>
Net assets:		
Invested in capital assets	2,633,401	2,754,457
Unrestricted	<u>3,696,791</u>	<u>3,335,378</u>
Total net assets	<u>6,330,192</u>	<u>6,089,835</u>
Total liabilities and net assets	\$ <u><u>6,358,787</u></u>	<u><u>6,121,802</u></u>

CITY OF PETERSBURG, ALASKA
Motor Pool Internal Service Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Operation and maintenance charges	\$ 507,825	456,574
Replacement reserve charges	498,358	531,447
Other	106	-
Total operating revenues	<u>1,006,289</u>	<u>988,021</u>
Operating expenses:		
Salaries	121,490	117,924
Employee benefits	66,551	51,744
Materials and supplies	240,792	229,877
Services and charges	54,941	74,427
Motor pool charges:		
Operation and maintenance	13,973	9,771
Equipment replacement	2,414	2,414
Depreciation	<u>351,294</u>	<u>355,392</u>
Total operating expenses	<u>851,455</u>	<u>841,549</u>
Income from operations	154,834	146,472
Nonoperating revenues:		
Gain on disposal of equipment	11,993	7,250
State PERS relief	<u>13,530</u>	<u>9,217</u>
Total nonoperating revenues	<u>25,523</u>	<u>16,467</u>
Income before contributions	180,357	162,939
Capital contributions	<u>60,000</u>	<u>38,500</u>
Change in net assets	240,357	201,439
Net assets at beginning of year	<u>6,089,835</u>	<u>5,888,396</u>
Net assets at end of year	\$ <u>6,330,192</u>	<u>6,089,835</u>

CITY OF PETERSBURG, ALASKA
 Motor Pool Internal Service Fund
 Statement of Cash Flows
 Year Ended June 30, 2012
 With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 1,005,983	988,221
Payments for interfund services used	(16,387)	(12,185)
Payments to suppliers	(299,168)	(318,691)
Payments to employees	<u>(174,570)</u>	<u>(167,956)</u>
Net cash flows from operating activities	<u>515,858</u>	<u>489,389</u>
 Cash flows from noncapital financing activities - federal fuel grant received	 <u>-</u>	 <u>12,362</u>
 Cash flows from capital and related financing activities:		
Proceeds from sale of equipment	11,993	7,250
Purchase of equipment	(230,239)	(238,013)
Capital contributions received	<u>60,000</u>	<u>38,500</u>
Net cash flows from capital and related financing activities	<u>(158,246)</u>	<u>(192,263)</u>
 Net increase in cash and investments	 357,612	 309,488
 Cash and investments at beginning of year	 <u>3,364,796</u>	 <u>3,055,308</u>
 Cash and investments at end of year	 \$ <u><u>3,722,408</u></u>	 <u><u>3,364,796</u></u>
 Reconciliation of income from operations to net cash provided (used) by operating activities:		
Income from operations	154,834	146,472
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation	351,294	355,392
Noncash expense - PERS relief	13,530	9,217
(Increase) decrease in assets:		
Accounts receivable - other	(306)	200
Prepaid expenses	(123)	(2,549)
Increase (decrease) in liabilities:		
Accounts payable	(3,312)	(11,838)
Accrued payroll and employee benefits	(155)	18
Accrued leave	<u>96</u>	<u>(7,523)</u>
Net cash flows from operating activities	\$ <u><u>515,858</u></u>	<u><u>489,389</u></u>

CITY OF PETERSBURG, ALASKA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

<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, 2011 Receivable (Deferred)</u>	<u>Federal Share of Expenditures</u>	<u>Federal Receipts</u>	<u>June 30, 2012 Receivable (Deferred)</u>
Department of Homeland Security							
Harbor Security Cameras ARRA	2010-PU-T0-0141-IJ#3	97.056	\$ 49,260	-	49,260	49,260	-
Passed through the State of Alaska Department of Military and Veterans Affairs:							
2008 Homeland Security Grant - Reallocated Funds	08SHSP-GR34057	97.067	54,669	54,669	-	54,669	-
2011 Homeland Security Grant	11SHSP-GR34076	97.067	100,000	-	100,000	100,000	-
Total CFDA 97.067				54,669	100,000	154,669	-
Emergency Management Program	10-EMPG-GR35581	97.042	37,500	9,630	-	9,630	-
Emergency Management Program	11-EMPG-GR35584	97.042	20,000	-	20,000	11,453	8,547
Total CFDA 97.042				9,630	20,000	21,083	8,547
Total Department of Homeland Security	N/A			64,299	169,260	225,012	8,547
Department of Agriculture							
USDA-NCRS: Public Works Landslide Disaster Relief	68-0150-11-012	10.923	106,675	-	106,675	106,675	-
USDA Forest Service RAC Grant: Wilson Creek	12-DG-11100521-011	10.665	65,000	-	4,028	-	4,028
Passed through the State of Alaska Department of Commerce, Community and Economic Development - National Forest Receipts	N/A	10.665	1,360,976	-	1,360,976	1,360,976	-
Total CFDA 10.665				-	1,365,004	1,360,976	4,028
Passed through the State of Alaska Department of Natural Resources - Volunteer Fire Assistance Grant - Wildfire Equipment	N/A	10.664	6,420	-	-	6,420	(6,420)
Total Department of Agriculture				-	1,471,679	1,474,071	(2,392)
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 Grant (62% Federal)	MMG 68534	66.202	900,000	10,277	93,605	77,154	26,728
Water Treatment Plant Upgrade Loan (Approx 84% Federal)	685241	66.468	500,000	4,893	44,951	36,736	13,108
ACWF Pumpstation 5, Upgrade Loan (80% Federal)	685221	66.458	583,732	-	9,607	-	9,607
ACWF Sewer Projects Loan (80% Federal)	685211	66.458	441,323	10,575	430,748	308,495	132,828
Total CFDA 66.458				10,575	440,355	308,495	142,435
Total Environmental Protection Agency				25,745	578,911	422,385	182,271
Institute of Museum and Library Services							
Passed through the State of Alaska Department of Education and Early Development:							
Continuing Education - Alcock	N/A	45.310	1,500	-	1,500	-	1,500
Continuing Education - Ieremia	N/A	45.310	1,000	-	1,000	1,000	-
Total CFDA 45.310				-	2,500	1,000	1,500
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-05-10-0028-10	45.311	7,000	7,000	-	7,000	-
Native American Library Services	NG-05-11-0017-11	45.311	7,000	-	3,356	3,356	-
Total CFDA 45.311				13,000	3,356	16,356	-
Total Institute of Museum and Library Services				13,000	5,856	17,356	1,500
Department of Justice							
COPS Hiring Grant Program	2010UMWX0001	16.710	244,884	30,644	81,756	95,828	16,572

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, 2011 Receivable (Deferred)</u>	<u>Federal Share of Expend- itures</u>	<u>Federal Receipts</u>	<u>June 30, 2012 Receivable (Deferred)</u>
Department of Commerce							
Multi-purpose Dock Renovation - ARRA	07-79-73007	11.307	\$ 1,000,000	<u>2,026</u>	<u>224,112</u>	<u>226,138</u>	<u>-</u>
Denali Commission							
Birch Street Rehabilitation - Construction	01378-00	90.100	375,495	-	267,156	263,009	4,147
Sing Lee Alley Bridge Design	01377-00	90.100	63,679	<u>-</u>	<u>23,060</u>	<u>1,139</u>	<u>21,921</u>
Total Denali Commission				<u>-</u>	<u>290,216</u>	<u>264,148</u>	<u>26,068</u>
Department of Energy							
Passed through Alaska Energy Authority - Energy Efficiency & Conservation Block Grant ARRA	7510040	81.128	245,200	<u>-</u>	<u>77,605</u>	<u>77,605</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	507,283	<u>-</u>	<u>507,283</u>	<u>507,283</u>	<u>-</u>
Total Federal Financial Assistance			\$	<u>130,714</u>	<u>3,406,678</u>	<u>3,309,826</u>	<u>227,566</u>

CITY OF PETERSBURG, ALASKA
Schedule of State Financial Assistance
Year Ended June 30, 2012

<u>State Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>July 1, 2011 Receivable (Deferred)</u>	<u>State Share of Expenditures</u>	<u>State Receipts</u>	<u>June 30, 2012 Receivable (Deferred)</u>
Department of Commerce, Community and Economic Development						
Public Library Construction	09-DC-521	\$ 150,000	-	8,703	8,703	-
*Commercial Passenger Vessel Berthing/Power Upgrades	09-DC-558	1,250,000	21,630	584,884	605,452	1,062
*Community Dock/Vehicle Drive Down Design/Construction	10-DC-022	3,390,000	21,415	138,690	137,629	22,476
Clausen Museum Storage	11-DC-333	55,000	-	27,415	-	27,415
*Fire & EMS Facility	11-DC-334	6,700,000	686,288	3,700,266	4,061,798	324,756
*Public Library Construction	11-DC-630	3,300,000	-	256,034	218,075	37,959
Elderly Housing Roof Replacement	12-DC-419	370,000	-	15,673	9,280	6,393
Elderly Housing Kitchen Rehab	12-DM-136	11,000	-	1,635	11,000	(9,365)
Clausen Museum Expansion Site Prep	12-DM-137	30,000	-	-	30,000	(30,000)
Rifle Range Improvements	12-DM-138	25,000	-	-	25,000	(25,000)
Fish Resource Landing Tax		25,309	-	25,309	25,309	-
*Shared Fisheries Business Tax		665,901	-	665,901	665,901	-
Total Department of Commerce, Community and Economic Development			729,333	5,424,510	5,798,147	355,696
Department of Education and Early Development						
Debt Retirement Program	2011	500,419	142,137	-	142,137	-
*Debt Retirement Program	2012	469,492	-	469,492	349,160	120,332
Public Library Assistance Grant	PLA-12-761-59	6,500	-	6,500	6,500	-
Total Department of Education and Early Development			142,137	475,992	497,797	120,332
Department of Natural Resources						
Volunteer Fire Assistance Grant	2011	6,000	(6,000)	6,000	-	-
E. Haugen Public Use Area Maintenance	2011	4,040	(3,178)	3,178	-	-
E. Haugen Public Use Area Maintenance	2012	4,040	-	1,153	4,040	(2,887)
Total Department of Natural Resources			(9,178)	10,331	4,040	(2,887)
Department of Environmental Conservation						
Water Treatment Plant Upgrade (38% State)	MMG 68534	545,000	3,426	31,202	25,718	8,910
Department of Military and Veteran's Affairs						
LEPC Petersburg/Wrangell	11 LEPC-GR35602	18,154	7,970	-	7,970	-
LEPC Petersburg/Wrangell	12 LEPC-GR35602	19,018	-	19,018	13,008	6,010
Total Department of Military and Veteran's Affairs			7,970	19,018	20,978	6,010
Department of Transportation and Public Facilities -						
*North Harbor Deferred Maintenance	PSG 02-003	2,475,000	(2,463,487)	143,048	-	(2,320,439)
Department of Revenue						
*Revenue Sharing	2011	323,413	-	323,413	323,413	-
Liquor Licenses	2011	8,900	-	8,900	8,900	-
Total Department of Revenue			-	332,313	332,313	-
Department of Administration						
*PERS Relief	N/A	570,604	-	570,604	570,604	-
Total State Financial Assistance			\$ (1,589,799)	7,007,018	7,249,597	(1,832,378)

* Major Program

CITY OF PETERSBURG, ALASKA

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

Year Ended June 30, 2012

(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, 2012, which collectively comprise City of Petersburg's basic financial statements and have issued our report thereon dated October 3, 2012. 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
October 3, 2012

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, 2012. 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, 2012. 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, 2012.

Honorable Mayor and City Council
City of Petersburg, Alaska

Internal Control Over Compliance

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

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

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

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

Mikunda, Cottrell & Co.

Anchorage, Alaska
October 3, 2012

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, 2012. 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, 2012. 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, 2012.

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
October 3, 2012

CITY OF PETERSBURG, ALASKA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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? ☐ 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? ☐ 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
Environmental Protection Agency	66.458	Clean Water Revolving Loan Funds
Department of the Interior	15.226	Payment in Lieu of Taxes

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? ☐ 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?

\$100,000

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, 2012

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, 2012

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