



Petersburg Borough, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, and Single Audit Reports
Year Ended June 30, 2017

Petersburg Borough, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and Single Audit Reports
Year Ended June 30, 2017

Petersburg Borough, Alaska

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditor's Report		1-3
Management's Discussion and Analysis		6-17
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	20
Statement of Activities	A-2	21
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	22
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	B-2	23
Statement of Revenues, Expenditures and Changes in Fund Balances	B-3	24
Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities	B-4	25
Proprietary Funds:		
Statement of Net Position	C-1	26-27
Statement of Revenues, Expenses and Changes in Net Position	C-2	28
Statement of Cash Flows	C-3	30-31
Notes to Basic Financial Statements		32-64
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	D-1	66
Public Employees Retirement System:		
Schedule of the Borough's Information on the Net Pension Liability	E-1	67
Schedule of the Borough's Contributions	E-2	68
Notes to Required Supplementary Information		69
Supplementary Information		
Combining and Individual Fund Financial Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	F-1	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	F-2	73

Petersburg Borough, Alaska

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Nonmajor Enterprise Funds:		
Combining Statement of Net Position	G-1	74
Combining Statement of Revenues, Expenses and Changes in Net Position	G-2	75
Combining Statement of Cash Flows	G-3	76
General Fund:		
Balance Sheet	H-1	78
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	H-2	79-81
Special Revenue Funds:		
Miscellaneous Grants:		
Balance Sheet	I-1	84
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-2	85
National Forest Receipts - School:		
Balance Sheet	I-3	86
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-4	87
National Forest Receipts - Streets and Roads:		
Balance Sheet	I-5	88
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-6	89
Property Development:		
Balance Sheet	I-7	90
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-8	91
E911 Surcharge:		
Balance Sheet	I-9	92
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-10	93
Borough Organizational:		
Balance Sheet	I-11	94
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-12	95
Transient Room Tax:		
Balance Sheet	I-13	96
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-14	97

Petersburg Borough, Alaska

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Debt Service Fund:		
Balance Sheet	J-1	100
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	J-2	101
Capital Project Funds:		
Police, Jail and Administration Building Renovation:		
Balance Sheet	K-1	104
Statement of Revenues, Expenditures and Changes In Fund Balance (Deficit)	K-2	105
Nonmajor Capital Project Funds:		
Combining Balance Sheet	K-3	106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	K-4	107
Enterprise Funds:		
Electric Utility:		
Statement of Net Position	L-1	110
Statement of Revenues, Expenses and Changes in Net Position	L-2	111-112
Statement of Cash Flows	L-3	113
Schedule of Electric Utility Capital Projects	L-4	114
Water Utility:		
Statement of Net Position	L-5	115
Statement of Revenues, Expenses and Changes in Net Position	L-6	116
Statement of Cash Flows	L-7	117
Wastewater Utility:		
Statement of Net Position	L-8	118
Statement of Revenues, Expenses and Changes in Net Position	L-9	119
Statement of Cash Flows	L-10	120
Schedule of Wastewater Utility Capital Projects	L-11	121
Sanitation Utility:		
Statement of Net Position	L-12	122
Statement of Revenues, Expenses and Changes in Net Position	L-13	123
Statement of Cash Flows	L-14	124
Harbor and Port Facilities:		
Statement of Net Position	L-15	125
Statement of Revenues, Expenses and Changes in Net Position	L-16	126

Petersburg Borough, Alaska

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Enterprise Funds, continued:		
Harbor and Port Facilities, continued:		
Statement of Cash Flows	L-17	127
Schedule of Harbor and Port Facilities Capital Projects	L-18	128
Elderly Housing:		
Statement of Net Position	L-19	129
Statement of Revenues, Expenses and Changes in Net Position	L-20	130
Statement of Cash Flows	L-21	131
Assisted Living:		
Statement of Net Position	L-22	132
Statement of Revenues, Expenses and Changes in Net Position	L-23	133
Statement of Cash Flows	L-24	134
Motor Pool Internal Service Fund:		
Statement of Net Position	M-1	136
Statement of Revenues, Expenses and Changes in Net Position	M-2	137
Statement of Cash Flows	M-3	138
Schedule of Expenditures of Federal Awards	N-1	139
Schedule of State Financial Assistance	O-1	140-141
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance		142
SINGLE AUDIT SECTION		
Single Audit Reports		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		144-145
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance		146-147
Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>		148-149
Schedule of Findings and Questioned Costs		150-151

Financial Section

This page intentionally left blank.



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and Borough Assembly
Petersburg Borough, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Petersburg Borough, Alaska (the "Borough"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Petersburg Borough, Alaska, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 17, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund on page 66, and the Schedules of the Borough's Information on the Net Pension Liability and Pension Contributions on pages 67 through 68, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended June 30, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise Petersburg Borough's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2017 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Petersburg Borough as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated December 22, 2016 which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2016 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, 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2018, on our consideration of Petersburg Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Petersburg Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Petersburg Borough's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
January 24, 2018

This page intentionally left blank.

Management's Discussion & Analysis

Petersburg Borough

Management's Discussion and Analysis

This section offers readers of the Petersburg Borough's (the Borough) financial statements a narrative overview and analysis of the financial activities of the Borough for the fiscal year that ended June 30, 2017. The intent of this section is to provide the reader with some comparative discussion and analysis. We encourage readers to consider the information presented here in conjunction with the Borough's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Borough exceed its liabilities at the close of the most recent year by \$132.5 million. Of this amount, \$17.6 million (unrestricted net position) is legally unreserved and may therefore be used to meet the Borough's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3.94 million and was available for spending. The unassigned fund balance for the General Fund represented 47% of total General Fund expenditures exclusive of transfers out.

Overview of the Financial Statements

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

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

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

The government-wide financial statements distinguish functions of the Borough that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Borough include general government, public safety, public works, community development, parks and recreation, library and community services. The business-type activities of the Borough include the electric, water, sewer and sanitation utilities; the port and harbors; elderly housing and assisted living facilities; and the motor pool operations.

Petersburg Borough

Management's Discussion and Analysis

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

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

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

The Borough adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided as required supplementary information to the basic financial statements for the General Fund to demonstrate compliance with these budgets.

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

Notes to the Financial Statements. The notes to the financial statements begin on page 32. The notes provide information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other additional supplementary information.

Petersburg Borough

Management's Discussion and Analysis

Government Wide Financial Statements

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

In the case of the Petersburg Borough, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$132,529,626 at the close of the most recent fiscal year. This was a net increase of \$644,480 and deferred inflow from the previous year.

The largest portion of the Borough's net position, 84%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The Borough uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. A substantial portion of these capital assets were paid for with the assistance of Federal and State grants.

Table 1
Petersburg Borough's Net Position

	Governmental activities		Business-type activities		Total activities	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 14,632,681	\$ 18,851,371	\$ 17,575,216	\$ 18,016,090	\$ 32,207,897	\$ 36,867,461
Restricted cash and investments	-	-	17,486	17,480	17,486	17,480
Capital assets, net of depreciation	52,701,639	46,947,212	74,479,658	75,298,147	127,181,297	122,245,359
Total Assets	67,334,320	65,798,583	92,072,360	93,331,717	159,406,680	159,130,300
Deferred outflows of resources	1,378,711	1,191,434	1,103,984	820,858	2,482,695	2,012,292
Total Assets and Deferred Outflows of Resources	\$ 68,713,031	\$ 66,990,017	\$ 93,176,344	\$ 94,152,575	\$ 161,889,375	\$ 161,142,592
Liabilities						
Long-term liabilities outstanding	\$ 13,228,843	\$ 12,855,207	\$ 14,689,383	\$ 13,884,403	\$ 27,918,226	\$ 26,739,610
Other liabilities	583,868	949,046	737,541	1,435,288	1,321,409	2,384,334
Total Liabilities	13,812,711	13,804,253	15,426,924	15,319,691	29,239,635	29,123,944
Deferred Inflows of resources	63,796	84,273	56,318	63,784	120,114	148,057
Total Liabilities and Deferred Inflows of Resources	13,876,507	13,888,526	15,483,242	15,383,475	29,359,749	29,272,001
Net Position						
Net investment in capital assets	45,924,969	39,523,274	65,244,099	65,415,710	111,169,068	104,938,984
Restricted	3,773,343	4,836,938	-	-	3,773,343	4,836,938
Unrestricted	5,138,212	8,741,279	12,449,003	13,353,390	17,587,215	22,094,669
Total Net Position	\$ 54,836,524	\$ 53,101,491	\$ 77,693,102	\$ 78,769,100	\$ 132,529,626	\$ 131,870,591

Petersburg Borough

Management's Discussion and Analysis

Governmental Activities

Governmental activities change in net position for 2017 was an increase of \$1.7 million. Key elements of this follows:

- \$3.36 million in capital grant spending for the Police, Jail, Admin Building Renovation.

The net position for the Borough's governmental activities is \$54.8 million. A substantial portion (84%) of the net position is invested in capital assets net of related debt. The Borough uses these assets to provide services to the citizens. The unrestricted net position of the governmental activities is \$5.14 million as of June 30, 2017.

Business-type Activities

The net position for the Borough's business-type activities is \$77.7 million, a decrease of \$1,075,998. As with governmental activities, a substantial portion (84%) of the net position is invested in capital assets net of related debt. The Borough uses these assets to provide services to the citizens.

The unrestricted net position of the business-type activities was \$12.4 million as of June 30, 2017. This is a decrease in unrestricted net position of \$904,387.

The remainder of this page left blank intentionally.

Petersburg Borough

Management's Discussion and Analysis

Table 2
Changes in Net Position

Figure 1 shows governmental activities, expenses and the related revenues dedicated to each activity. It shows the amount of dedicated revenues associated with the various kinds of activities, exclusive of other revenues. Other revenues also support government activities, but are general in nature and apply to all categories, so they are not included in this graph. They include property and sales taxes, payments in lieu of taxes, investment income, and other general revenues.

	Governmental Activities		Business-type Activities		Total Activities	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 662,741	\$ 698,904	\$ 11,585,730	\$ 11,414,684	\$ 12,248,471	\$ 12,113,588
Operating grants and contributions	622,349	1,628,436	173,021	201,182	795,370	1,829,618
Capital grants and contributions	3,385,465	2,003,514	1,688,092	1,122,970	5,073,557	3,126,484
General Revenues:						
Property Tax	3,151,083	3,168,103	-	-	3,151,083	3,168,103
Sales Tax	2,950,026	2,945,432	-	-	2,950,026	2,945,432
Payment in lieu of taxes	578,688	615,402	-	-	578,688	615,402
Other taxes	301,145	303,484	-	-	301,145	303,484
Grants and entitlements not restricted to a specific purpose	698,998	1,354,989	-	-	698,998	1,354,989
Investment Income	312,761	258,833	30,198	212,922	342,959	471,755
Other	4,586	6,997	-	-	4,586	6,997
Total revenues	12,667,842	12,984,094	13,477,041	12,951,758	26,144,883	25,935,852
Expenses						
General Government	1,728,988	1,829,736	-	-	1,728,988	1,829,736
Public Safety	2,401,050	2,518,931	-	-	2,401,050	2,518,931
Public Works	1,424,236	1,370,007	-	-	1,424,236	1,370,007
Community Development	308,461	311,071	-	-	308,461	311,071
Community Services	272,322	218,415	-	-	272,322	218,415
Culture & Recreation	2,070,661	2,299,422	-	-	2,070,661	2,299,422
Education	2,215,509	2,206,072	-	-	2,215,509	2,206,072
Electric utility	-	-	6,330,003	5,631,256	6,330,003	5,631,256
Water utility	-	-	1,592,957	1,692,103	1,592,957	1,692,103
Wastewater utility	-	-	1,031,092	959,838	1,031,092	959,838
Sanitation utility	-	-	1,262,567	1,264,569	1,262,567	1,264,569
Harbor/Port Facilities	-	-	2,646,474	2,580,449	2,646,474	2,580,449
Elderly Housing	-	-	449,701	492,669	449,701	492,669
Assisted Living	-	-	1,751,827	1,491,297	1,751,827	1,491,297
Total expenses	10,421,227	10,753,654	15,064,621	14,112,181	25,485,848	24,865,835
Increase (decrease) in net position before transfers	2,246,615	2,230,440	(1,587,580)	(1,160,423)	659,035	1,070,017
Transfers	(511,582)	(966,168)	511,582	966,168	-	-
Increase (decrease) in net position	1,735,033	1,264,272	(1,075,998)	(194,255)	659,035	1,070,017
Beginning net position	53,101,491	51,837,219	78,769,100	78,963,355	131,870,591	130,800,574
Ending net position	\$ 54,836,524	\$ 53,101,491	\$ 77,693,102	\$ 78,769,100	\$ 132,529,626	\$ 131,870,591

Petersburg Borough

Management's Discussion and Analysis

Figure 1

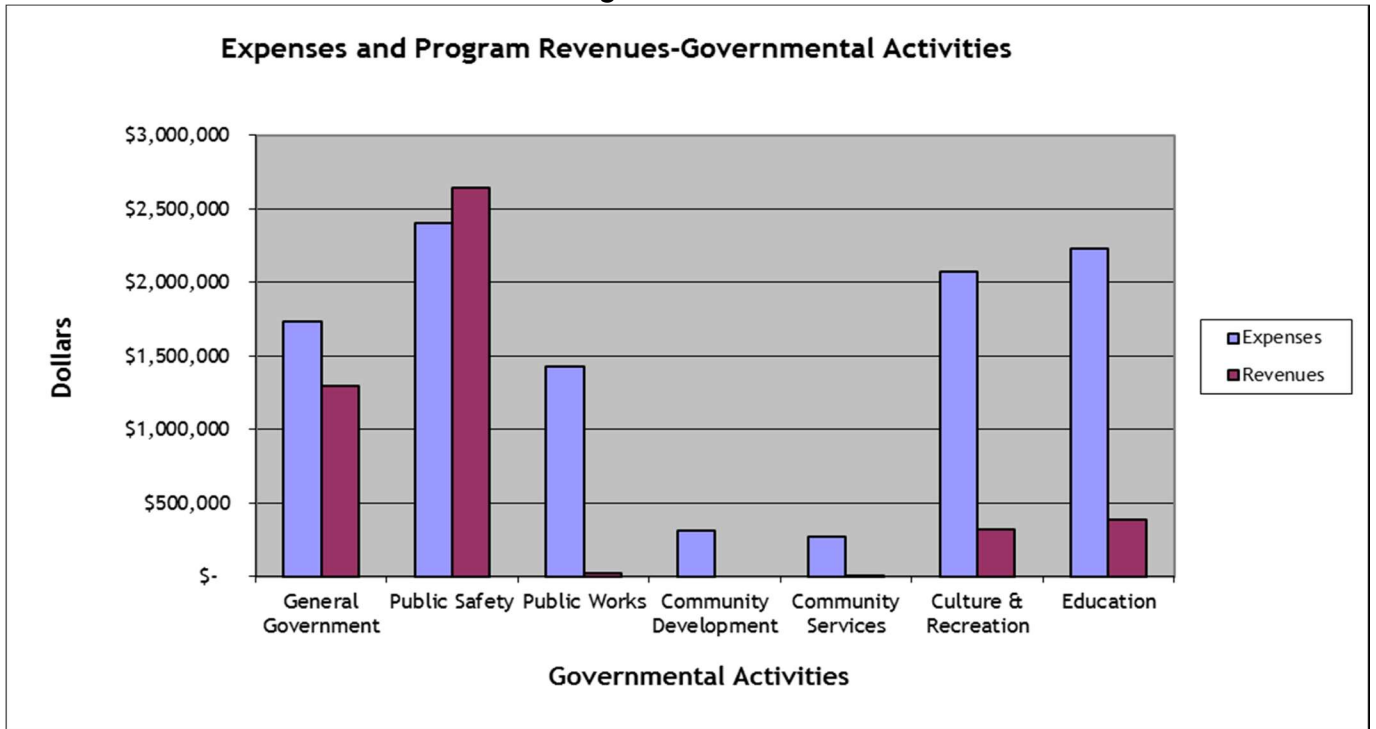
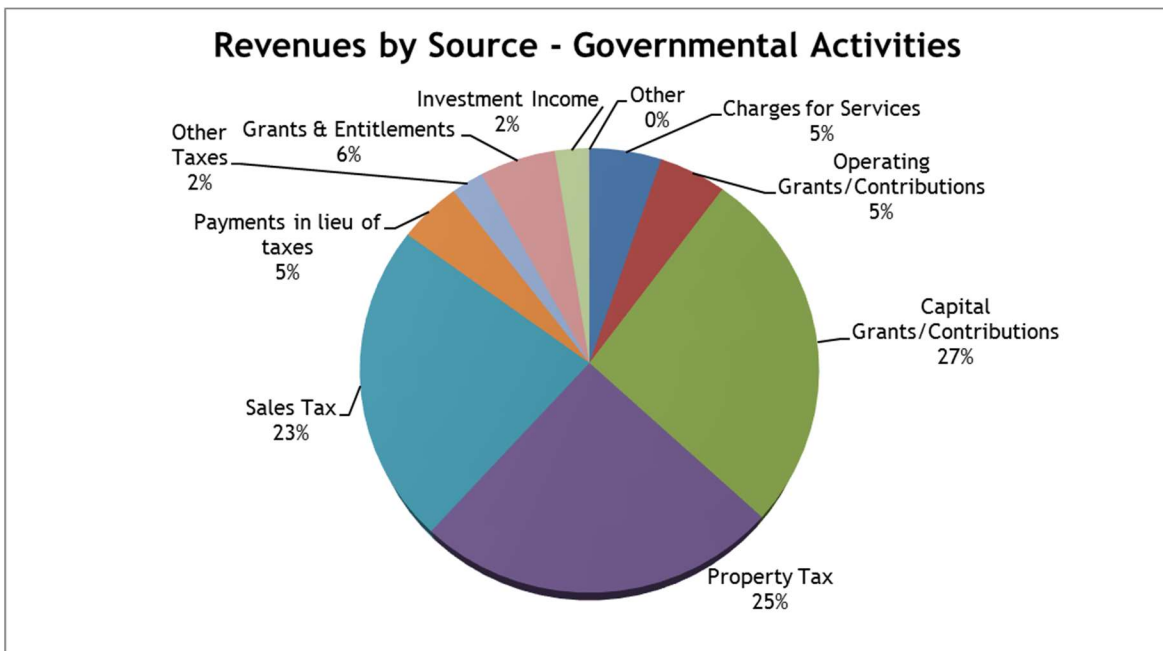


Figure 2 shows the percentages of all revenue sources for governmental activities, both program and general. In 2016, sales taxes and property tax totaled 23% and 24%, respectively, of revenues, both decreasing from the prior year's 25% and 26%. This decrease resulting from an increase in capital grants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

Figure 2



Petersburg Borough

Management's Discussion and Analysis

Business Type Activities. Net position decreased by \$1,075,998 for the Borough's business-type activities.

Figure 3 shows expenses and program revenues for all of the business-type activities, excluding capital grants and contributions. Depreciation is included in the expenses. All activities are reporting expenses in excess of revenues except the sanitation fund. It should be noted that covering depreciation of capital assets is difficult when a large portion of the Borough's infrastructure was originally paid for by capital grants or with the assistance of grants.

Figure 3

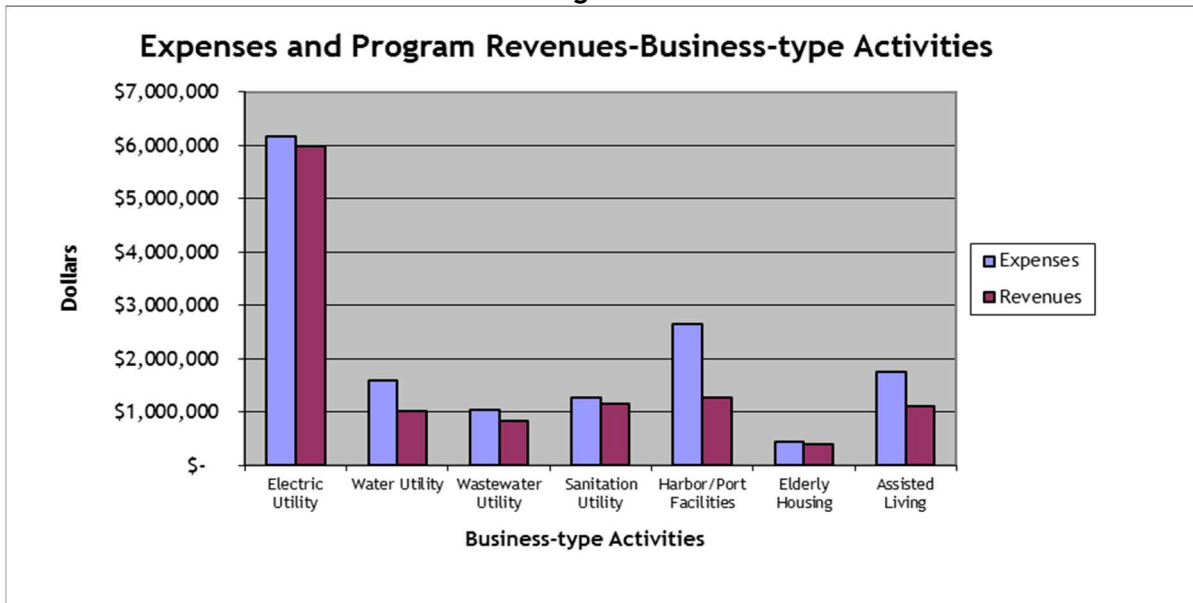
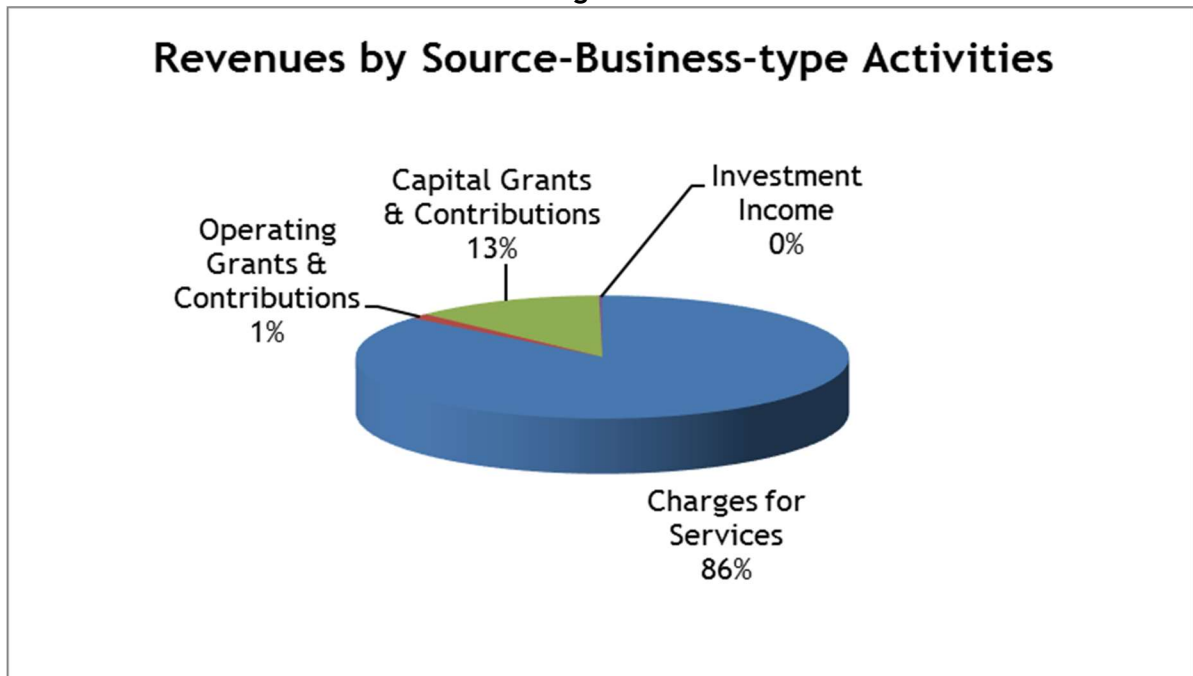


Figure 4



Petersburg Borough

Management's Discussion and Analysis

Financial Analysis

As noted earlier, the Petersburg Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Borough can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. The focus of the Petersburg Borough's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Petersburg Borough's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Petersburg Borough's governmental funds reported combined ending fund balances of \$12,275,478, a decrease of \$3,856,104 in comparison with the prior year.

The total fund balances of the governmental funds are made up of five components. \$73,607 nonspendable, which is the General Fund's prepaid health insurance, \$3,773,343 restricted (National Forest Receipts School and Public Roads funding), \$4,472,533 committed (primarily for economic development and capital projects), \$141,573 assigned (Debt Service and Borough Organizational), and \$3,814,422 unassigned.

The General Fund is the chief operating fund of the Borough. At the end of the current fiscal year, the unassigned fund balance was \$3,936,767, while total fund balance was \$4,010,374. 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 47% of total General Fund expenditures. This is a increase of 3% from the previous year. In 2016 unassigned fund balance decreased by 1%.

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

- The Electric Utility Fund's unrestricted net position was \$6,689,415, an increase of \$54,641 from the prior year.
- The Water Utility Fund's unrestricted net position was \$951,603, an increase of \$56,424.
- The Wastewater Utility Fund's unrestricted net position totaled \$854,232 at the end of the year, a decrease of \$282,508.
- The Sanitation Utility Fund is showing a large decrease in this year's unrestricted net position due to the net pension liability. Unrestricted funds were \$73,847 which is a decrease of \$571 from the prior year.
- The Harbor Fund decreased its unrestricted net position by \$226,330, for a total of \$1,938,187. The majority of this decrease is due to a smaller share of State Fisheries Business Tax payment received of \$483,270.

Petersburg Borough

Management's Discussion and Analysis

- The Elderly Housing Facility's unrestricted net position showed a decrease in fiscal year 2017 of \$42,134 for a total of \$431,324.
- The Assisted Living Fund presents a deficit net position of \$994,608 at year end. This is due to implementing the net pension liability amounting to \$1,173,005. Without this long-term liability unrestricted fund balance in FY 2017 would have been \$178,397.
- The Motor Pool Fund's unrestricted net position showed a slight decrease in fiscal year 2017 of \$653 for a total of \$4,167,492.

General Fund Budgetary Highlights

- The General Fund showed a positive net change of \$155,102 after transfers in and transfers out.
- Sales Tax had a negative variance of \$155,324 (-5%).
- The General Fund transferred out a \$80,000 subsidy to Assisted Living as well as the property tax collected for debt retirement on the Assisted Living GO bond.
- Fisheries Business tax showed a negative variance of \$263,152 from what was budgeted. The additional revenue was transferred out to the Harbor Fund which is shown in the negative variance of the same amount in transfers out.
- Tobacco tax showed revenue equaling \$242,533, a positive variance of \$16,533 from what was budgeted.

The remainder of this page intentionally left blank.

Petersburg Borough

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2017, the Borough had invested \$127.2 million in capital assets net of accumulated depreciation as presented in Table 3. This investment includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. This is a decrease from the previous year of \$4.9 million.

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

- The Municipal Building renovation saw \$3,360,465 in used grant funds toward design of the project in FY 2017.
 - \$121,335 was spent in fiscal year 2017 on the Library capital project, mainly landscaping.
 - Two Borough projects used Federal RAC grants in FY2017 to work on City Creek Repairs (\$49,429) and Hungry Point Trail (\$41,390).
- \$683,710 was spent in fiscal year 2017 on the Wastewater Pumpstation #1. \$281,742 was also spent on the Composting and Septage Receiving project.
- The Sanitation department purchased \$23,755 in new recycle and regular waste cans for the community.
- \$1,427,237 was spent on the Commercial Drive Down - Bulkhead Loading Dock Project Phase III in fiscal year 2017.
- The Elderly Housing Facility had multiple window replacements that totaled \$10,500 in fiscal year 2017. They also had a water heater conversion (\$20,368) and a fire system panel replacement (\$10,212).
- The Assisted Living Facility repaired the Portico in the amount of \$66,770.
- New motor pool vehicles purchased this year were a new SUV patrol unit for the police department (\$48,463). A pickup truck in the amount of \$26,664 for the Parks & Recreation department as well as a used van costing \$7,500. Power and Light added a compact pickup for \$32,608 and an SUV for \$31,628. The sanitation department expensed \$217,248 on a side loading garbage truck and the water utility purchased a pickup truck for \$31,826.

The remainder of this page intentionally left blank.

Petersburg Borough
Management's Discussion and Analysis

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

	Governmental activities		Business-type activities		Total activities	
	2017	2016	2017	2016	2017	2016
Land and improvements	\$ 4,066,348	\$ 3,859,126	\$ 2,399,493	\$ 2,399,493	\$ 6,465,841	\$ 6,258,619
Infrastructure	15,859,294	15,367,236	-	-	15,859,294	15,367,236
Buildings	28,641,269	21,468,018	12,090,617	12,592,027	40,731,886	34,060,045
Improvements other than buildings	79,122	91,856	53,300,663	54,124,415	53,379,785	54,216,271
Machinery and equipment	3,167,014	3,188,728	3,890,312	4,283,901	7,057,326	7,472,629
Construction in progress	888,592	2,972,248	2,798,573	1,898,311	3,687,165	4,870,559
Total Capital Assets	\$52,701,639	\$ 46,947,212	\$ 74,479,658	\$75,298,147	\$ 127,181,297	\$ 122,245,359

Additional information on the Borough's capital assets can be found in note 6 to the financial statements.

Long-term Debt. At the end of the current fiscal year, the Borough had total long-term debt outstanding of \$27.9 million. Of this amount, \$11.2 million comprises debt backed by the full faith and credit of the government (i.e., general obligation bonds), with outstanding bond premiums of \$1,072,437. \$11,522,151 is employee accrued leave and pension obligation and \$5,082,668 is water and wastewater loans from the Alaska Department of Environmental Conservation. It should be noted that the State reimburses the Borough between 60-70% for a majority of the school G.O. Bond debt service, and that the ADEC loans are at a 1.5% interest rate.

The remainder of this page intentionally left blank.

Petersburg Borough
Management's Discussion and Analysis

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

	Governmental activities		Business-type activities		Total activities	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 7,005,586	\$ 7,665,412	\$ 4,241,851	\$ 4,653,294	\$ 11,247,437	\$ 12,318,706
Accrued leave and pension obligation	6,223,257	5,189,795	5,298,894	3,834,162	11,522,151	9,023,957
Loans, long-term	-	-	5,082,668	5,330,979	5,082,668	5,330,979
Landfill closure liability	-	-	65,970	65,968	65,970	65,968
Total Long-Term Debt	\$ 13,228,843	\$ 12,855,207	\$ 14,689,383	\$ 13,884,403	\$ 27,918,226	\$ 26,739,610

The Borough's governmental activity debt increased by \$373,636 during the current year due to the pension obligation. The Borough's business-type debt increased by \$0.8 million during the current year due to the pension obligation. Additional information on the Petersburg Borough's long-term debt can be found in note 7 to the financial statements.

Economic Forecast and Rates for Next Fiscal Year

- Water (2%), Wastewater (4.5%) and Sanitation (2%) rates are set to increase on July 1, 2017.
- Construction projects scheduled for the 2018 fiscal year include the Electric department's 24.9 Rebuild project, final completion of the Library and Police/Jail/Admin Building Renovation projects, Scow Bay 1 Pump Station Upgrade, Pump Station 4 Force Main Replacement, City Creek Dam Rehabilitation, the PMPL Headquarters Building Remodel, and other smaller projects.
- Anticipating more State of Alaska cuts to funding due to large State budget deficits.

For a copy of the Fiscal Year 2018 budget go to the Borough's website at www.petersburgak.gov.

Financial Information Contact

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

This page intentionally left blank.

Basic Financial Statements

Petersburg Borough, Alaska

Statement of Net Position

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Petersburg School District	Petersburg Medical Center
<i>June 30, 2017</i>					
Assets and Deferred Outflows of Resources					
Assets					
Cash and investments	\$ 16,533,570	\$ 13,621,181	\$ 30,154,751	\$ 2,712,924	\$ 3,203,730
Receivables, net	525,774	997,226	1,523,000	356,299	4,518,970
Internal balances	(2,505,003)	2,505,003	-	-	-
Inventory	-	382,064	382,064	5,297	176,974
Prepaid items	78,340	69,742	148,082	240,863	77,613
Restricted cash and investments	-	17,486	17,486	-	3,396,480
Land and construction in progress	4,954,940	5,198,066	10,153,006	24,549	398,800
Other capital assets, net of accumulated depreciation	47,746,699	69,281,592	117,028,291	480,784	3,443,845
Total Assets	67,334,320	92,072,360	159,406,680	3,820,716	15,216,412
Deferred Outflows of Resources					
Deferred outflows of resources related to pension	1,149,795	1,015,024	2,164,819	1,392,041	2,968,009
Deferred charges on refunding	228,916	88,960	317,876	-	-
Total Deferred Outflows of Resources	1,378,711	1,103,984	2,482,695	1,392,041	2,968,009
Total Assets and Deferred Outflows of Resources	\$ 68,713,031	\$ 93,176,344	\$ 161,889,375	\$ 5,212,757	\$ 18,184,421
Liabilities, Deferred Inflows of Resources and Net Position					
Liabilities					
Accounts payable	\$ 193,772	\$ 230,808	\$ 424,580	\$ 68,443	\$ 144,038
Accrued payroll and employee benefits	239,111	226,397	465,508	137,654	333,338
Unearned revenue	67,834	100,533	168,367	-	-
Customer deposits	-	69,591	69,591	-	-
Accrued interest	83,151	110,212	193,363	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued leave	499,965	246,440	746,405	40,193	691,850
Bonds payable	590,000	395,000	985,000	-	-
Loans payable	-	396,368	396,368	-	-
Capital lease	-	-	-	-	124,290
Due in more than one year:					
Bonds payable	5,581,684	3,608,316	9,190,000	-	-
Bond premium, net	833,902	238,535	1,072,437	-	-
Loans payable	-	4,686,300	4,686,300	-	-
Capital lease	-	-	-	-	400,246
Net pension liability	5,723,292	5,052,454	10,775,746	6,784,679	12,992,572
Landfill closure liability	-	65,970	65,970	-	-
Total Liabilities	13,812,711	15,426,924	29,239,635	7,030,969	14,686,334
Deferred Inflows of Resources related to pension	63,796	56,318	120,114	82,845	144,824
Net Position					
Net investment in capital assets	45,924,969	65,244,099	111,169,068	505,333	3,318,109
Restricted:					
School support and roads	3,773,343	-	3,773,343	-	-
Scholarships	-	-	-	83,516	-
Foundation	-	-	-	-	396,147
Unrestricted	5,138,212	12,449,003	17,587,215	(2,489,906)	(360,993)
Total Net Position	54,836,524	77,693,102	132,529,626	(1,901,057)	3,353,263
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 68,713,031	\$ 93,176,344	\$ 161,889,375	\$ 5,212,757	\$ 18,184,421

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Statement of Activities

Year Ended June 30, 2017	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Petersburg School District	Petersburg Medical Center
Primary Government									
Governmental activities:									
General government	\$ 1,728,988	\$ 57,460	\$ 93,283	\$ 1,142,558	\$ (435,687)	\$ -	\$ (435,687)	\$ -	\$ -
Public safety	2,401,050	403,839	21,540	2,217,907	242,236	-	242,236	-	-
Public works	1,424,236	17,642	5,034	-	(1,401,560)	-	(1,401,560)	-	-
Community development	308,461	-	-	-	(308,461)	-	(308,461)	-	-
Community services	272,322	6,150	-	-	(266,172)	-	(266,172)	-	-
Culture and recreation	2,070,661	177,650	114,860	25,000	(1,753,151)	-	(1,753,151)	-	-
Education	2,215,509	-	387,632	-	(1,827,877)	-	(1,827,877)	-	-
Total governmental activities	10,421,227	662,741	622,349	3,385,465	(5,750,672)		(5,750,672)		
Business-type activities:									
Electric Utility	6,330,003	5,912,875	61,398	-	-	(355,730)	(355,730)	-	-
Water Utility	1,592,957	964,856	61,099	-	-	(567,002)	(567,002)	-	-
Wastewater Utility	1,031,092	823,217	5,885	470,784	-	268,794	268,794	-	-
Sanitation Utility	1,262,567	1,139,017	6,465	-	-	(117,085)	(117,085)	-	-
Harbor and Port Facilities	2,646,474	1,260,937	14,678	1,217,308	-	(153,551)	(153,551)	-	-
Elderly Housing	449,701	393,317	3,560	-	-	(52,824)	(52,824)	-	-
Assisted Living Facilities	1,751,827	1,091,511	19,936	-	-	(640,380)	(640,380)	-	-
Total business-type activities	15,064,621	11,585,730	173,021	1,688,092	-	(1,617,778)	(1,617,778)		
Total Primary Government	\$ 25,485,848	\$ 12,248,471	\$ 795,370	\$ 5,073,557	\$(5,750,672)	\$(1,617,778)	\$(7,368,450)		
Component Units									
School district - education	\$ 10,784,900	\$ 112,605	\$ 1,551,954	\$ -				\$ (9,120,341)	\$ -
Medical center	\$ 17,703,189	\$ 15,009,679	\$ 542,012	\$ -				\$ -	\$(2,151,498)
General Revenues									
Property taxes					3,151,083	-	3,151,083	-	-
Sales taxes					2,950,026	-	2,950,026	-	-
Payments in lieu of taxes					578,688	-	578,688	-	-
Other taxes					301,145	-	301,145	-	-
Contributions from primary government					-	-	-	1,800,000	-
Grants and entitlements not restricted to a specific purpose					698,998	-	698,998	6,149,124	-
Investment income					312,761	30,198	342,959	731	291,855
Other					4,586	-	4,586	177,700	79,895
Transfers					(511,582)	511,582	-	-	-
Total General Revenues and Transfers					7,485,705	541,780	8,027,485	8,127,555	371,750
Change in Net Position					1,735,033	(1,075,998)	659,035	(992,786)	(1,779,748)
Net Position, beginning of year					53,101,491	78,769,100	131,870,591	(908,271)	5,133,011
Net Position, end of year					\$54,836,524	\$77,693,102	\$ 132,529,626	\$ (1,901,057)	\$ 3,353,263

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Governmental Funds

Balance Sheet

	Major Funds			Total Govern- mental Funds
	General	Police, Jail and Administration Building Renovation Capital Project	Nonmajor Funds	
<i>June 30, 2017</i>				
Assets				
Cash and investments	\$ 3,744,468	\$ 20,573	\$ 8,405,077	\$ 12,170,118
Receivables, net of allowance for doubtful accounts:				
Property taxes	23,627	-	-	23,627
Sales and transient room taxes	349,612	-	8,316	357,928
Grants and shared revenues	-	-	35,271	35,271
Accounts	44,044	-	-	44,044
Interest	54,201	-	1,829	56,030
Prepaid insurance	73,607	-	-	73,607
Due from other funds	3,768	-	-	3,768
Total Assets	\$ 4,293,327	\$ 20,573	\$ 8,450,493	\$ 12,764,393
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 43,326	\$ 142,918	\$ 2,494	\$ 188,738
Accrued payroll and employee benefits	228,220	-	355	228,575
Unearned revenue	11,407	-	56,427	67,834
Due to other funds	-	-	3,768	3,768
Total Liabilities	282,953	142,918	63,044	488,915
Fund Balances (Deficit)				
Nonspendable	73,607	-	-	73,607
Restricted	-	-	3,773,343	3,773,343
Committed	-	-	4,472,533	4,472,533
Assigned	-	-	141,573	141,573
Unassigned (deficit)	3,936,767	(122,345)	-	3,814,422
Total Fund Balances	4,010,374	(122,345)	8,387,449	12,275,478
Total Liabilities and Fund Balances	\$ 4,293,327	\$ 20,573	\$ 8,450,493	\$ 12,764,393

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2017

Total fund balances for governmental funds		\$ 12,275,478	
Total net position reported for governmental activities in the Statement of Net Position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of:	Governmental Funds	Internal Service Fund	
Land and land improvements	\$ 4,066,348	\$ -	
Construction in progress	888,592	-	
Buildings	57,604,838	-	
Improvements other than buildings	236,859	-	
Infrastructure	17,668,075	-	
Machinery and equipment	2,113,740	7,324,996	
Accumulated depreciation	<u>(32,669,735)</u>	<u>(4,532,074)</u>	
Total capital assets	<u>49,908,717</u>	<u>2,792,922</u>	52,701,639
Long-term liabilities, including bonds payable, net pension liability and other items are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:			
General obligation bonds payable	(6,171,684)	-	
Deferred charges on refunding, net of accumulated amortization	228,916	-	
Bond premium, net of accumulated amortization	(833,902)	-	
Net pension liability	(5,511,444)	(211,848)	
Accrued interest	(83,151)	-	
Accrued leave	<u>(477,617)</u>	<u>(22,348)</u>	
Total long-term liabilities	<u>(12,848,882)</u>	<u>(234,196)</u>	(13,083,078)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.			
Deferred outflows of resources related to pension	1,107,235	42,560	
Deferred inflows of resources related to pension	<u>(61,435)</u>	<u>(2,361)</u>	
Total deferred pension items	<u>1,045,800</u>	<u>40,199</u>	1,085,999
An internal service fund is used by the Borough to charge the cost of certain activities, such as motor pool charges, to individual funds. A portion of the assets and liabilities of the internal service fund is included in the governmental activities in the Statement of Net Position. This is the residual equity not reported above.			
		<u>1,856,486</u>	
Total Net Position of Governmental Activities		<u>\$ 54,836,524</u>	

See accompanying notes to basic financial statements.

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

Year Ended June 30, 2017	Major Funds			Total Govern- mental Funds
	General	Police, Jail and Administration Building Renovation Capital Project	Nonmajor Funds	
Revenues				
Property taxes	\$ 3,151,083	\$ -	\$ -	\$ 3,151,083
Sales taxes	2,950,026	-	-	2,950,026
Other taxes	274,466	-	58,612	333,078
Intergovernmental	1,669,002	3,360,465	505,011	5,534,478
Licenses and permits	9,587	-	-	9,587
Charges for services	253,840	-	89,800	343,640
Fines and forfeitures	12,250	-	-	12,250
Overhead charges	573,072	-	-	573,072
Investment income	23,869	-	288,892	312,761
Other	5,044	-	36,663	41,707
Total Revenues	8,922,239	3,360,465	978,978	13,261,682
Expenditures				
Current:				
General government	1,639,091	119,197	84,553	1,842,841
Public safety	2,066,424	-	30,507	2,096,931
Public works	1,173,956	-	-	1,173,956
Community development	308,461	-	-	308,461
Community services	162,164	-	94,787	256,951
Culture and recreation	1,268,701	-	120,288	1,388,989
Education - contribution to school district	1,800,000	-	-	1,800,000
Debt service	-	-	857,197	857,197
Capital outlay	-	6,666,975	737,770	7,404,745
Other debt service charges	-	-	18,848	18,848
Total Expenditures	8,418,797	6,786,172	1,943,950	17,148,919
Excess (Deficiency) of Revenues Over Expenditures	503,442	(3,425,707)	(964,972)	(3,887,237)
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	756,684	756,684
Premium on refunding bonds	-	-	100,580	100,580
Payment to refunded bond escrow agent	-	-	(846,572)	(846,572)
Sale of capital assets	-	-	532,023	532,023
Transfers in	500,000	600,000	436,474	1,536,474
Transfers out	(848,340)	-	(1,199,716)	(2,048,056)
Net Other Financing Sources (Uses)	(348,340)	600,000	(220,527)	31,133
Net Change in Fund Balances (Deficit)	155,102	(2,825,707)	(1,185,499)	(3,856,104)
Fund Balances, beginning of year	3,855,272	2,703,362	9,572,948	16,131,582
Fund Balances (Deficit), end of year	\$ 4,010,374	\$ (122,345)	\$ 8,387,449	\$ 12,275,478

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ (3,856,104)

The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$7,685,624) exceeded depreciation (\$1,579,586) and loss on disposal of assets (\$406,768). 5,699,270

The issuance of long-term debt provides current financial resources while the repayment of the principal of the long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums and similar items at the time the debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Repayment of principal	\$ 575,004	
Refunding issuance of general obligation bonds	(756,684)	
Decrease in unamortized bond premium	13,154	
Decrease in deferred charges on bonds	(30,778)	
Payment to escrow agent for bond refunding	<u>846,572</u>	
		647,268

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

Increase in accrued leave	\$ (67,262)	
Decrease in accrued interest	465	
Increase in net pension liability and related accounts	<u>(720,032)</u>	
		(786,829)

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. 31,428

Change in Net Position of Governmental Activities \$ 1,735,033

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Proprietary Funds
Statement of Net Position

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<i>June 30, 2017</i>								
Assets and Deferred Outflows of Resources								
Current Assets								
Cash and investments	\$ 7,814,928	\$ 1,098,701	\$ 1,082,261	\$ 2,583,308	\$ 59,815	\$ 982,168	\$ 13,621,181	\$ 4,363,452
Receivables, net of allowance for doubtful accounts	427,007	91,719	94,605	242,472	9,440	131,983	997,226	8,874
Inventories	298,685	57,784	25,595	-	-	-	382,064	-
Prepaid expenses	19,628	1,905	7,305	16,571	17,552	6,781	69,742	4,733
Total Current Assets	8,560,248	1,250,109	1,209,766	2,842,351	86,807	1,120,932	15,070,213	4,377,059
Restricted Cash								
Security deposits	-	-	-	-	-	17,486	17,486	-
Property, Plant and Equipment								
Land and land improvements	1,848,295	-	-	360,059	-	191,139	2,399,493	-
Buildings	3,073,919	5,178,330	9,091,647	339,690	3,986,940	5,119,653	26,790,179	-
Improvements other than buildings	5,129,194	26,797,940	9,525,078	38,909,480	-	1,048,011	81,409,703	-
Machinery and equipment	16,985,357	3,000,849	414,226	552,033	89,262	478,430	21,520,157	7,324,996
Construction in progress	80,420	46,301	2,656,902	14,950	-	-	2,798,573	-
Total property, plant and equipment	27,117,185	35,023,420	21,687,853	40,176,212	4,076,202	6,837,233	134,918,105	7,324,996
Accumulated depreciation	(17,485,484)	(14,673,898)	(11,207,617)	(11,596,132)	(1,401,720)	(4,073,596)	(60,438,447)	(4,532,074)
Net Property, Plant and Equipment	9,631,701	20,349,522	10,480,236	28,580,080	2,674,482	2,763,637	74,479,658	2,792,922
Total Assets	18,191,949	21,599,631	11,690,002	31,422,431	2,761,289	3,902,055	89,567,357	7,169,981
Deferred Outflows of Resources								
Deferred outflows of resources related to pension	361,547	56,252	69,568	173,500	235,654	118,503	1,015,024	42,560
Deferred charges on refunding	-	-	-	13,135	56,869	18,956	88,960	-
Total Deferred Outflows of Resources	361,547	56,252	69,568	186,635	292,523	137,459	1,103,984	42,560
Total Assets and Deferred Outflows of Resources	\$ 18,553,496	\$ 21,655,883	\$ 11,759,570	\$ 31,609,066	\$ 3,053,812	\$ 4,039,514	\$ 90,671,341	\$ 7,212,541

See accompanying notes to basic financial statements.

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

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<i>June 30, 2017</i>								
Liabilities, Deferred Inflows of Resources and Net Position								
Liabilities								
Current Liabilities								
Accounts payable	\$ 178,986	\$ 4,754	\$ 6,879	\$ 6,540	\$ 3,863	\$ 29,786	\$ 230,808	\$ 5,034
Accrued payroll and employee benefits	83,492	10,450	18,484	42,247	48,354	23,370	226,397	10,536
Accrued leave	88,009	12,454	23,823	58,373	55,093	8,688	246,440	22,348
Prepaid moorage	-	-	-	95,972	-	-	95,972	-
Unearned revenue	-	-	-	-	3,204	1,357	4,561	-
Customer deposits	31,723	7,235	6,122	-	3,900	20,611	69,591	-
Accrued interest	30,449	36,738	19,647	1,278	16,575	5,525	110,212	-
Current portion:								
General obligation bonds	115,000	-	-	100,000	135,000	45,000	395,000	-
ADEC loans	-	306,088	90,280	-	-	-	396,368	-
Total Current Liabilities	527,659	377,719	165,235	304,410	265,989	134,337	1,775,349	37,918
Noncurrent Liabilities								
General obligation bonds	2,050,000	-	-	333,316	918,750	306,250	3,608,316	-
Bond premium, net of accumulated amortization	40,061	-	-	21,144	132,998	44,332	238,535	-
ADEC loans	-	2,520,831	2,165,469	-	-	-	4,686,300	-
Net pension liability	1,799,661	280,006	346,287	863,627	1,173,005	589,868	5,052,454	211,848
Landfill closure liability	-	-	-	-	-	65,970	65,970	-
Total Noncurrent Liabilities	3,889,722	2,800,837	2,511,756	1,218,087	2,224,753	1,006,420	13,651,575	211,848
Total Liabilities	4,417,381	3,178,556	2,676,991	1,522,497	2,490,742	1,140,757	15,426,924	249,766
Deferred Inflows of Resources, related to pension	20,060	3,121	3,860	9,627	13,075	6,575	56,318	2,361
Net Position								
Net investment in capital assets	7,426,640	17,522,603	8,224,487	28,138,755	1,544,603	2,387,011	65,244,099	2,792,922
Unrestricted (deficit)	6,689,415	951,603	854,232	1,938,187	(994,608)	505,171	9,944,000	4,167,492
Total Net Position	14,116,055	18,474,206	9,078,719	30,076,942	549,995	2,892,182	75,188,099	6,960,414
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 18,553,496	\$ 21,655,883	\$ 11,759,570	\$ 31,609,066	\$ 3,053,812	\$ 4,039,514		\$ 7,212,541
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							2,505,003	
Net Position of Business-Type Activities							\$ 77,693,102	

See accompanying notes to basic financial statements.

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

Year Ended June 30, 2017	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	\$ 5,712,868	\$ 964,856	\$ 823,217	\$ 1,260,937	\$ 1,091,511	\$ 1,532,334	\$ 11,385,723	\$ 918,588
Operating Expenses								
Salaries and benefits	1,650,811	339,986	408,629	891,821	1,313,420	646,660	5,251,327	220,708
Services, supplies, and other charges	3,678,509	277,893	155,544	281,700	227,526	520,947	5,142,119	309,862
Allocated overhead and motor pool charges	312,400	93,287	137,509	100,468	72,848	295,518	1,012,030	13,165
Depreciation	576,883	839,753	310,126	1,356,395	100,467	247,689	3,431,313	340,781
Total Operating Expenses	6,218,603	1,550,919	1,011,808	2,630,384	1,714,261	1,710,814	14,836,789	884,516
Income (Loss) from Operations	(505,735)	(586,063)	(188,591)	(1,369,447)	(622,750)	(178,480)	(3,451,066)	34,072
Nonoperating Revenues (Expenses)								
Investment income	17,388	2,401	1,927	5,752	474	2,256	30,198	-
SEAPA distribution	200,007	-	-	-	-	-	200,007	-
Interest expense	(118,297)	(43,493)	(21,544)	(17,058)	(37,887)	(12,629)	(250,908)	-
Gain on disposal of capital assets	-	-	-	-	-	-	-	16,831
Federal loan subsidy	-	56,340	-	-	-	-	56,340	-
Federal interest subsidy	30,811	-	-	-	-	-	30,811	-
State PERS relief	30,587	4,759	5,885	14,678	19,936	10,025	85,870	3,601
Net Nonoperating Revenues (Expenses)	160,496	20,007	(13,732)	3,372	(17,477)	(348)	152,318	20,432
Income (loss) before capital contributions and transfers	(345,239)	(566,056)	(202,323)	(1,366,075)	(640,227)	(178,828)	(3,298,748)	54,504
Capital contributions	-	-	470,784	1,217,308	-	-	1,688,092	-
Transfers in	-	165,000	-	86,848	259,734	-	511,582	-
Change in Net Position	(345,239)	(401,056)	268,461	(61,919)	(380,493)	(178,828)	(1,099,074)	54,504
Net Position, beginning of year	14,461,294	18,875,262	8,810,258	30,138,861	930,488	3,071,010		6,905,910
Net Position, end of year	\$ 14,116,055	\$ 18,474,206	\$ 9,078,719	\$ 30,076,942	\$ 549,995	\$ 2,892,182		\$ 6,960,414
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							23,076	
Change in Net Position of Business-Type Activities							\$ (1,075,998)	

See accompanying notes to basic financial statements.

This page intentionally left blank.

Petersburg Borough, Alaska

Proprietary Funds
Statement of Cash Flows

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
<i>Year Ended June 30, 2017</i>								
Cash Flows from (for) Operating Activities								
Receipts from customers and users	\$ 5,877,961	\$ 956,290	\$ 817,843	\$ 1,179,430	\$ 1,081,471	\$ 1,513,316	\$ 11,426,311	\$ 912,850
Payments for interfund services used	(312,400)	(93,287)	(137,509)	(100,468)	(72,848)	(295,518)	(1,012,030)	(13,165)
Payments to suppliers	(3,669,073)	(281,841)	(273,343)	(285,018)	(235,977)	(518,138)	(5,263,390)	(307,403)
Payments to employees	(1,198,174)	(282,084)	(315,515)	(683,669)	(957,086)	(521,588)	(3,958,116)	(190,220)
Net cash flows from (for) operating activities	698,314	299,078	91,476	110,275	(184,440)	178,072	1,192,775	402,062
Cash Flows from (for) Capital and Related Financing Activities								
Principal paid on long-term debt	(115,000)	(359,305)	(101,930)	(541,645)	(127,500)	(42,500)	(1,287,880)	-
Federal loan subsidy received	-	56,340	-	-	-	-	56,340	-
Interest paid on long-term debt	(124,094)	(46,948)	(22,767)	(29,457)	(52,276)	(17,425)	(292,967)	-
Proceeds from issuance of debt	-	-	212,924	459,746	-	-	672,670	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	16,831
Purchase of property, plant and equipment	(58,922)	(22,968)	(1,610,800)	(1,427,238)	(66,770)	(64,837)	(3,251,535)	(395,938)
Transfers in	-	165,000	-	86,848	259,734	-	511,582	-
Capital contributions received	-	54	1,705,122	1,217,308	-	-	2,922,484	-
Federal interest subsidy received	30,811	-	-	-	-	-	30,811	-
Net cash flows from (for) capital and related financing activities	(267,205)	(207,827)	182,549	(234,438)	13,188	(124,762)	(638,495)	(379,107)
Cash Flows from Investing Activities								
Investment income received	17,388	2,401	1,927	5,752	474	2,256	30,198	-
Net increase (decrease) in cash and investments	448,497	93,652	275,952	(118,411)	(170,778)	55,566	584,478	22,955
Cash and Investments, beginning of year	7,366,431	1,005,049	806,309	2,701,719	230,593	944,088	13,054,189	4,340,497
Cash and Investments, end of year	\$ 7,814,928	\$ 1,098,701	\$ 1,082,261	\$ 2,583,308	\$ 59,815	\$ 999,654	\$ 13,638,667	\$ 4,363,452

See accompanying notes to basic financial statements.

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

Year Ended June 30, 2017	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
Reconciliation of Income (Loss) from Operations to Net Cash								
Flows from (for) Operating Activities								
Income (loss) from operations	\$ (505,735)	\$ (586,063)	\$ (188,591)	\$ (1,369,447)	\$ (622,750)	\$ (178,480)	\$ (3,451,066)	\$ 34,072
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:								
Depreciation	576,883	839,753	310,126	1,356,395	100,467	247,689	3,431,313	340,781
PERS relief	30,587	4,759	5,885	14,678	19,936	10,025	85,870	3,601
Amortization of deferred outflows of resources for pension	(101,430)	(13,547)	(20,534)	(47,938)	(81,263)	(31,290)	(296,002)	(6,284)
Amortization of deferred inflows of resources for pension	(3,015)	(667)	(490)	(1,512)	(621)	(1,161)	(7,466)	(857)
Nonoperating revenues received	200,007	-	-	-	-	-	200,007	-
Increase (decrease) in allowance for doubtful accounts	12,159	2,007	604	(1,932)	-	1,237	14,075	-
(Increase) decrease in assets:								
Accounts receivable	(46,932)	(10,787)	(5,619)	(67,581)	(9,440)	(22,958)	(163,317)	(5,738)
Inventories	(13,075)	(6,868)	(685)	-	-	-	(20,628)	-
Prepaid expenses	(7,875)	(316)	(2,052)	(3,420)	(2,784)	347	(16,100)	(784)
Increase (decrease) in liabilities:								
Accounts payable	30,386	3,236	(115,062)	102	(5,667)	2,460	(84,545)	3,243
Accrued payroll and employee benefits	28,779	525	2,873	6,596	8,115	(811)	46,077	1,031
Accrued leave	1,438	810	4,790	1,861	10,778	(4,555)	15,122	2,921
Unearned revenue	-	-	-	-	-	105	105	-
Customer deposits	(141)	214	(359)	-	(600)	2,598	1,712	-
Prepaid moorage	-	-	-	(11,994)	-	-	(11,994)	-
Net pension liability	496,278	66,022	100,590	234,467	399,389	152,864	1,449,610	30,076
Landfill closure liability	-	-	-	-	-	2	2	-
Net Cash Flows from (for) Operating Activities	\$ 698,314	\$ 299,078	\$ 91,476	\$ 110,275	\$ (184,440)	\$ 178,072	\$ 1,192,775	\$ 402,062
Supplemental Disclosure of Cash Flow Information								
Capital assets purchased on account	\$ -	\$ -	\$ 5,785	\$ -	\$ -	\$ -	\$ 5,785	\$ -

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Notes to Basic Financial Statements
Year Ended June 30, 2017

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Petersburg (City) was incorporated in 1910 as a home rule municipality under the laws of the State of Alaska. It operated as a home rule city until January 3, 2013, at which time it was incorporated and certified as a home rule borough by the State of Alaska. On January 3, 2013, the Petersburg Borough (the Borough) was created and the City of Petersburg was dissolved. The Petersburg Borough immediately succeeded to all rights, powers, duties, assets, and liabilities of the former City of Petersburg.

The Borough operates under an assembly-manager form of government and performs municipal duties allowed by Alaska statutes and as directed by its residents.

As required by generally accepted accounting principles, these financial statements present the Petersburg Borough (the primary government) and its component units. The component units discussed below are included in the Borough's reporting entity because of the significance of their operational or financial relationships with the Borough.

The component unit columns in the financial statements include the financial data of the Borough's component units. They are discretely presented in a separate column to emphasize that they are legally separate organizations from the Borough.

Petersburg School District is responsible for elementary and secondary education within the Borough. The members of the School Board are elected by the voters; however, the School District is fiscally dependent upon the Borough because the Borough Assembly approves the total annual budget of the School District, levies and remits the local funding contribution, and issues and pays the debt for School construction.

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

Petersburg School District
P.O. Box 289
Petersburg, AK 99833

Petersburg Medical Center provides health care, including long-term care, in the Petersburg area. The voters elect the members of the hospital board, who are given the greatest possible autonomy by the Borough Assembly to operate and maintain the hospital. The hospital board approves the annual budget. The Borough Assembly and local voters approve the issuance of any bonds or long-term debt.

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

Petersburg Medical Center
PO Box 589
Petersburg, AK 99833

Petersburg Borough, Alaska

Notes to Basic Financial Statements

The accounting policies of the Borough conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Borough. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The remainder of this page intentionally left blank.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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

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

The Borough reports the following major funds:

Major governmental funds:

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

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

Major proprietary funds:

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

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

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

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

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

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the proprietary funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State of Alaska entitlement revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Central Treasury

A central treasury is used to account for cash from most funds of the Borough to maximize interest income. Investments are stated at fair value. Investment earnings are allocated to most funds based on their respective cash balances. The School District and Medical Center maintain separate cash accounts from the Borough.

Cash and Cash Equivalents

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

Inventory

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

Interfund Balances

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Grants and Other Intergovernmental Revenues

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

Property Taxes

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

Interfund Transactions

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

Compensated Absences

The Borough allows employees to accumulate earned but unused vacation and sick leave benefits. All personal leave is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

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

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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

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

Long-term Debt

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

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

Fund Balances

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

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

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

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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

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

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

Encumbrances

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

Unearned Grant Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as unearned revenue.

Pension Plan

Substantially all employees of the Borough participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

2. Stewardship, Compliance and Accountability

Budgetary Accounting

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

- A. During or prior to the sixth week preceding July 1, the Borough Manager submits to the Assembly a proposed operating budget for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and the means of financing them.
- B. Notice of public hearings is published and public hearings are conducted to obtain taxpayer comments.
- C. Prior to June 20, the budget is adopted and the Assembly, by ordinance, makes an appropriation for the monies required.
- D. Unencumbered appropriation balances may be transferred within a department by the Borough Manager at any time. At the request of the Borough Manager, or on its own initiative, the Assembly may transfer unencumbered balances from one department or fund to another.
- E. Formal budgetary integration is employed as a management control device during the year for most funds. Appropriations lapse at year-end, except for capital projects which adopt project-length budgets.
- F. Budgets for the governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts included in the financial statements are as originally adopted, or as amended by the Assembly.

Excess of Expenditures over Appropriations

The Assembly approves operating budgets and appropriations of direct costs at the department level. For the year ended June 30, 2017, expenditures exceeded appropriations in the General Government activities of the General Fund by \$308,895. Budgeted amounts do not include PERS on-behalf expenditures.

Deficit Fund Balance

As of June 30, 2017, negative unassigned fund balance was reported in the Police, Jail and Administration Building Renovation Capital Project Fund of \$122,345. The deficit is a result of expenditures exceeding available resources in the fund. The Borough is planning to transfer in funds to eliminate the deficit in fiscal year 2018.

Petersburg Borough, Alaska
Notes to Basic Financial Statements

3. Interfund Receivables, Payables, and Transfers

A schedule of interfund balances and transfers as of and for the year ended June 30, 2017, follows:

Due from Other Funds

Due to the General Fund from a nonmajor governmental fund for short-term advances to cover capital costs	\$ 3,768
--	----------

Transfers:

From General Fund to:

Police, Jail and Administration Building Renovation Capital Project Fund to cover capital costs	\$ 100,000
Harbor and Port Facilities Enterprise Fund to cover capital costs	86,848
Assisted Living Enterprise Fund for operating subsidies	259,734
Nonmajor governmental fund to cover debt service costs	401,758

Total transfers from General Fund	848,340
-----------------------------------	---------

From nonmajor governmental funds to:

General Fund to cover operating costs	\$ 500,000
Water Utility Enterprise Fund to cover capital costs	165,000
Other nonmajor governmental fund to cover capital costs	34,716
Police, Jail and Administration Building Renovation Capital Project Fund to cover capital costs	500,000

Total transfers from nonmajor governmental funds	1,199,716
--	-----------

Total Transfers to Other Funds	\$ 2,048,056
---------------------------------------	---------------------

The remainder of this page intentionally left blank.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

4. Cash and Investments

The Borough utilizes a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "Cash and investments", or in the case of "negative cash," is included in "Due to other funds."

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the Borough's deposit and investment balances to the financial statements as of June 30, 2017.

	Pooled Cash And Investments	Economic Development Fund	Totals
Bank deposits	\$ 919,838	\$ -	\$ 919,838
Investments	25,165,054	4,087,345	29,252,399
Total Cash and Investments	\$ 26,084,892	\$ 4,087,345	\$ 30,172,237

	Pooled Cash And Investments	Economic Development Fund	Totals
Cash and investments	\$ 26,067,406	\$ 4,087,345	\$ 30,154,751
Restricted cash and investments	17,486	-	17,486
Total Cash and Investments	\$ 26,084,892	\$ 4,087,345	\$ 30,172,237

Investment Policy

The Borough's general investment policy authorizes investments in:

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

In addition to the above investments, the Borough's Economic Development Fund investment policy authorizes investments in:

- A. Corporate debt obligations of U.S. domiciled corporations with a credit rating of AA- or AA3 from Standard and Poor's or Moody's;
- B. Common and preferred stock of U.S. domiciled corporations listed on a national exchange or NASDAQ with a minimum market capitalization of five hundred million dollars, with concurrence of the finance committee. Domestic stock and mutual stock fund purchases are allowed for up to 60% of the total stock investment of the Economic Development Fund. Except in mutual funds, no individual stock may have a total cost that exceeds 5% of the total stock investment of the fund. However, market value of a stock, not in a mutual fund, may exceed 5% of the total stock investment of the fund;
- C. Equity/stock mutual funds listed on a national exchange with concurrence of the finance committee; and
- D. Bond mutual funds investing in high grade corporate government bonds with a minimum of a five-year track record and at least five hundred million dollars in asset value.

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

Interest Rate Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To limit its exposure to custodial credit risk, Borough policy requires that all deposits and investments be fully insured or collateralized.

The remainder of this page intentionally left blank.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Investment maturities in general investments at June 30, 2017 are as follows:

	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1-5	Greater Than 5
Investment type:				
Money market funds	\$ 54,339	\$ 54,339	\$ -	\$ -
U.S. government agencies	1,519,062	-	1,122,081	396,981
Municipal bonds	841,368	125,011	716,357	-
Certificates of deposit	22,220,630	5,483,594	16,737,036	-
Pooled investments	529,655	529,655	-	-
Total Investments	\$ 25,165,054	\$ 6,192,599	\$ 18,575,474	\$ 396,981

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Borough's policy does limit investments to specified ratings based on instrument type as defined on the prior page. The Borough's U.S. government agency investments of \$1,519,062 were rated as follows by Standard and Poor's: \$396,981 rated AA+; \$287,784 rated AA-; and \$834,297 unrated. The Borough's municipal bonds of \$841,368 were rated as follows by Moody's: \$125,011 rated A1; \$299,113 rated Aa3; and \$417,244 rate Aa1.

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

Concentration of Credit Risk

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

The remainder of this page intentionally left blank.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Investment maturities in the Economic Fund investments at June 30, 2017 are as follows:

	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
Investment type:			
Certificates of deposit	\$ 100,344	\$ 100,344	\$ -
Money market funds	1,557,210	297,212	1,259,998
Total subject to interest rate risk	1,657,554	\$ 397,556	\$ 1,259,998
International equity securities	333,044		
U.S. equity securities	2,053,554		
Real estate investment trust	43,193		
Total Investments	\$ 4,087,345		

Fair Value Measurement

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

The Borough has the following recurring fair value measurements as of June 30, 2017:

- U.S. government agency securities of \$1,519,062 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs).
- Municipal bonds of \$841,368 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs).
- International and U.S. equities of \$2,386,598 are valued using quoted market prices (Level 1 inputs).
- Real estate investment trust funds of \$43,193 are valued using quoted market prices (Level 1 inputs).

The Borough has investments in money market funds and certificates of deposits totaling \$23,932,523 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2017. The Borough's investment in AMLIP of \$529,655 is measured at net asset value, as of June 30, 2017. Management believes that these values approximate fair value.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

5. Accounts Receivable and Valuation Allowances

The Borough maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At June 30, 2017, receivables for the Borough's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Governmental Funds	Electric Utility Enterprise Fund	Water Utility Enterprise Fund
Grants, loans and shared revenues	\$ -	\$ 35,271	\$ -	\$ 127
Property, sales and transient room taxes	373,239	8,316	-	-
Accounts	44,044	-	442,223	94,194
Interest	54,201	1,829	-	-
Total receivables	471,484	45,416	442,223	94,321
Less allowance for doubtful accounts	-	-	(15,216)	(2,602)
Net Receivables	\$ 471,484	\$ 45,416	\$ 427,007	\$ 91,719

	Wastewater Utility Enterprise Fund	Harbor and Port Facilities Enterprise Fund	Assisted Living Enterprise Fund	Nonmajor Enterprise and Internal Service Funds	Total
Grants, loans and shared revenues	\$ 17,408	\$ -	\$ -	\$ -	\$ 52,806
Property, sales and transient room taxes	-	-	-	-	381,555
Accounts	78,500	265,030	9,440	142,624	1,076,055
Interest	-	-	-	-	56,030
Total receivables	95,908	265,030	9,440	142,624	1,566,446
Less allowance for doubtful accounts	(1,303)	(22,558)	-	(1,767)	(43,446)
Net Receivables	\$ 94,605	\$ 242,472	\$ 9,440	\$ 140,857	\$ 1,523,000

Petersburg Borough, Alaska

Notes to Basic Financial Statements

6. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

Governmental Activities	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,859,126	\$ 207,222	\$ -	\$ 4,066,348
Construction in progress	2,972,248	6,786,172	(8,869,828)	888,592
Total assets not being depreciated	6,831,374	6,993,394	(8,869,828)	4,954,940
<i>Capital assets being depreciated:</i>				
Buildings	49,348,633	8,875,677	(619,472)	57,604,838
Improvements other than buildings	236,859	-	-	236,859
Machinery and equipment*	9,041,353	464,865	(67,482)	9,438,736
Infrastructure	17,050,621	617,454	-	17,668,075
Total assets being depreciated	75,677,466	9,957,996	(686,954)	84,948,508
<i>Less accumulated depreciation for:</i>				
Buildings	27,880,615	1,295,658	(212,704)	28,963,569
Improvements other than buildings	145,003	12,734	-	157,737
Machinery and equipment*	5,852,625	486,579	(67,482)	6,271,722
Infrastructure	1,683,385	125,396	-	1,808,781
Total accumulated depreciation	35,561,628	1,920,367	(280,186)	37,201,809
Total capital assets being depreciated, net	40,115,838	8,037,629	(406,768)	47,746,699
Governmental Activities				
Capital Assets, net	\$ 46,947,212	\$ 15,031,023	\$ (9,276,596)	\$ 52,701,639

* The ending balances include \$7,324,996 and \$4,532,074 of equipment cost and accumulated depreciation, respectively, related to the Motor Pool Internal Service Fund.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,399,493	\$ -	\$ -	\$ 2,399,493
Construction in progress	1,898,311	2,454,582	(1,554,320)	2,798,573
Total assets not being depreciated	4,297,804	2,454,582	(1,554,320)	5,198,066
<i>Capital assets being depreciated:</i>				
Buildings	26,712,909	77,270	-	26,790,179
Improvements other than buildings	79,837,584	1,572,119	-	81,409,703
Machinery and equipment	21,460,874	63,173	(3,890)	21,520,157
Total assets being depreciated	128,011,367	1,712,562	(3,890)	129,720,039
<i>Less accumulated depreciation for:</i>				
Buildings	14,120,882	578,680	-	14,699,562
Improvements other than buildings	25,713,169	2,395,871	-	28,109,040
Machinery and equipment	17,176,973	456,762	(3,890)	17,629,845
Total accumulated depreciation	57,011,024	3,431,313	(3,890)	60,438,447
Total capital assets being depreciated, net	71,000,343	(1,718,751)	-	69,281,592
Business-Type Activities				
Capital Assets, net	\$ 75,298,147	\$ 735,831	\$ (1,554,320)	\$ 74,479,658

The remainder of this page intentionally left blank.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Depreciation expense was charged to the functions as follows:

Governmental Activities	Depreciation Excluding Internal Service Fund	Internal Service Fund Allocation	Total Depreciation
General government	\$ 26,048	\$ 153,351	\$ 179,399
Public safety	326,549	92,011	418,560
Public works	269,713	92,011	361,724
Culture and recreation	676,851	3,408	680,259
Education	280,425	-	280,425
Total Governmental Activities	\$ 1,579,586	\$ 340,781	\$ 1,920,367
Business-Type Activities			Depreciation
Electric utility			\$ 576,883
Water utility			839,753
Wastewater utility			310,126
Sanitation utility			150,213
Harbor and port facilities			1,356,395
Elderly housing			97,476
Assisted living			100,467
Total Business-Type Activities			\$ 3,431,313

The remainder of this page intentionally left blank.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

7. Long-term Debt

Bonds and notes payable at June 30, 2017, are comprised of the following:

Governmental Activities	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
<i>General Obligation Bonds:</i>					
\$1,205,000 2007 general obligation pool bonds, paid and refunded in full in 2017	\$ 795,000	-	\$ 795,000	-	-
\$197,540 2007 general obligation pool refunding bonds, paid and refunded in full in 2017	108,356	-	108,356	-	-
\$756,684 2016 general obligation pool refunding bonds, due in annual installments of \$75,000 to \$88,350 through 2027, plus interest at 2.0% to 5.0%	-	756,684	5,000	751,684	75,000
\$2,010,000 2012 general obligation refunding school bonds, due in annual installments of \$180,000 to \$240,000 through 2025, plus interest at 4.0% to 5.0%	1,835,000	-	170,000	1,665,000	180,000
\$1,150,000 2012 Series 3 general obligation library bonds, due in annual installments of \$70,000 to \$100,000 through 2028, plus interest at 4.0% to 5.0%	915,000	-	65,000	850,000	70,000
\$3,165,000 2014 Series 3 general obligation refunding school bonds, due in annual installments of \$265,000 to \$390,000 through 2025, plus interest of 4.0% to 5.0%	3,165,000	-	260,000	2,905,000	265,000
Accrued leave (net)	429,782	217,354	147,171	499,965	499,965*
Total Governmental Activities	\$ 7,248,138	\$ 974,038	\$ 1,550,527	6,671,649	\$ 1,089,965
Unamortized bond premium				833,902	
				\$ 7,505,551	

* The ending balance includes \$22,348 of accrued leave related to the Motor Pool Internal Service Fund.

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
<i>General Obligation Bonds:</i>					
\$987,460 2007 general obligation harbor refunding bonds, paid and refunded in full in 2017	\$ 541,645	\$ -	\$ 541,645	\$ -	-
\$1,910,000 2012 general obligation elderly housing and assisted living refunding bonds, due in annual installments of \$180,000 to \$220,000 through 2024, plus interest at 4.0% to 5.0%	1,575,000	-	170,000	1,405,000	180,000
\$2,800,000 2010 general obligation electric bonds, due in annual installments of \$115,000 to \$200,000 through 2031, plus interest at 2.0% to 6.34% with partial rebate subsidy of interest	2,280,000	-	115,000	2,165,000	115,000
\$433,316 2016 series general obligation harbor/port bonds, due in annual installments of \$100,000 to \$116,650 through 2021, plus interest at 2.0% to 4.0%	-	433,316	-	433,316	100,000
<i>Notes Payable:</i>					
\$1,900,000 Water Utility note, due in annual installments of \$94,766 through 2020, plus interest at 1.5% (loan number 685021)	379,064	-	94,766	284,298	94,766
\$1,989,840 Water Utility note, due in annual installments of \$108,585 to \$120,508 through 2025, including interest at 1.5% (loan number 685041)	1,022,655	-	106,980	915,675	108,585
\$643,823 Wastewater Utility note, due in annual installments of \$34,703 to \$38,515 through 2025, including interest at 1.5% (loan number 685011)	326,836	-	34,189	292,647	34,703
\$1,317,577 Water Utility note, due in annual installments of \$64,187 to \$75,609 through 2029, including interest at 1.5% (loan number 685051)	900,316	-	63,239	837,077	64,187

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
<i>Notes Payable, continued:</i>					
\$600,000 (maximum) Water Utility note, due in annual installments of \$9,927 to \$16,165 through 2034, including interest at 1.5% (loan number 685241)	\$ 269,513	\$ -	\$ 66,120	203,393	\$ 9,927
\$642,460 Water Utility note, due in annual installments of \$28,623 to \$36,868 through 2035; interest at 1.5% (loan number 685251)	614,676	-	28,200	586,476	28,623
\$629,191 Wastewater Utility note, due in annual installments of \$24,354 to \$31,368 through 2035; interest at 1.5% (loan number 685211)	522,991	-	23,994	498,997	24,354
\$728,000 (maximum) Wastewater Utility note, due in annual installments of \$31,223 to \$39,622 through 2035; interest at 1.5% (loan number 685221)	667,946	-	30,761	637,185	31,223
\$828,702 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685261)	595,592	212,924	-	808,516	-
\$400,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685271)	31,390	-	12,986	18,404	-
Accrued leave (net)	231,318	153,377	138,255	246,440	246,440
Total Business-Type Activities	\$ 9,958,942	\$ 799,617	\$ 1,426,135	9,332,424	\$ 1,037,808
Unamortized bond premium				238,535	
				\$ 9,570,959	

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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

Governmental Activities

<i>Year Ending June 30,</i>	General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 590,000	\$ 275,417	\$ 865,417
2019	611,667	252,083	863,750
2020	641,667	223,867	865,534
2021	678,350	191,817	870,167
2022	680,000	159,675	839,675
2023-2027	2,970,000	298,625	3,268,625
	\$ 6,171,684	\$ 1,401,484	\$ 7,573,168

Business-Type Activities

<i>Year Ending June 30,</i>	General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 395,000	\$ 196,527	\$ 591,527
2019	413,333	180,436	593,769
2020	423,333	161,828	585,161
2021	446,650	142,447	589,097
2022	355,000	124,744	749,744
2023-2027	1,220,000	383,583	1,603,583
2028-2031	750,000	976,521	847,652
	\$ 4,003,316	\$ 1,287,217	\$ 5,290,533

<i>Year Ending June 30,</i>	Notes Payable		
	Principal	Interest	Total
2018	\$ 396,368	\$ 63,836	\$ 460,204
2019	400,893	57,890	458,783
2020	405,484	51,877	457,361
2021	315,379	45,795	361,174
2022	320,110	41,064	361,174
2023-2027	1,348,779	134,263	1,483,042
2028-2032	712,927	55,650	768,577
2033-2037	355,808	10,689	366,497
	\$ 4,255,748	\$ 461,064	\$ 4,716,812

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Refunded Bond Issues

In 2017, the Borough issued \$1,190,000 in 2016 series general obligation refunding bonds. Proceeds of \$1,297,891 were used to advance refund a total of \$1,270,000 principal from the 2007 general obligation pool and harbor refunding bonds. The refunding resulted in a cash flow savings of \$106,241 and an economic gain of \$110,405. However, for accounting purposes, the transaction resulted in a deferred charge of \$21,270. The amount has been reported as a deferred outflow of resources and will be amortized to interest expense over the life of the debt.

Defeasance of Debt

The Borough defeased the 2007 general obligation bonds by placing the proceeds of new bonds and other available resources in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for defeased bonds are not included in the Borough's financial statements. At June 30, 2017, the defeased balance of general obligation bonds remaining to be paid by the escrow agent was \$0, as all bonds were called during fiscal year 2017.

Component Units

The following is a summary of long-term debt transactions for the Borough's discretely presented component units for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Petersburg School District					
Accrued leave	\$ 47,838	\$ 40,193	\$ (47,838)	\$ 40,193	\$ 40,193
Petersburg Medical Center					
Accrued leave	\$ 609,851	\$ 691,850	\$ (609,851)	\$ 691,850	\$ 691,850
Loans payable	128,626	-	(128,626)	-	-
Capital leases	323,243	313,015	(111,722)	524,536	124,290
Total	\$ 1,061,720	\$ 1,004,865	\$ (850,199)	\$ 1,216,386	\$ 816,140

The remainder of this page intentionally left blank.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

8. Fund Balances (Deficit)

Fund balances and deficits reported at June 30, 2017 for the Borough's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	Major Funds			
	General	Police, Jail and Administration Building Renovation Capital Project	Total Nonmajor Funds	Totals
Nonspendable - prepaid insurance	\$ 73,607	-	\$ -	\$ 73,607
Restricted:				
School support	-	-	3,729,287	3,729,287
Streets and roads	-	-	44,056	44,056
Total restricted	-	-	3,773,343	3,773,343
Committed:				
Economic development	-	-	4,089,174	4,089,174
Public works	-	-	125,606	125,606
Public safety	-	-	111,021	111,021
Capital projects	-	-	115,835	115,835
Tourism	-	-	30,897	30,897
Total committed	-	-	4,472,533	4,472,533
Assigned:				
General government	-	-	71,872	71,872
Debt service	-	-	65,831	65,831
Subsequent year's expenditures	-	-	3,870	3,870
Total assigned	-	-	141,573	141,573
Unassigned (deficit)	3,936,767	(122,345)	-	3,814,422
Total Fund Balances (Deficit)	\$ 4,010,374	(122,345)	\$ 8,387,449	\$ 12,275,478

Petersburg Borough, Alaska

Notes to Basic Financial Statements

9. Municipal Landfill Closure and Postclosure Liability

On March 16, 1998, the Borough entered into an agreement with Regional Disposal Company to transport and dispose of municipal solid waste. As a result, the Borough is no longer using the landfill for solid waste. The Borough has no intentions of closing the landfill in case it is needed again in the future. State and federal laws and regulations require the Borough to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for 30 years after closure. In 2016, the Borough conducted an analysis of the closure liability and recommended that the liability be reduced to better reflect the anticipated costs.

The Borough believes the cost to close the landfill will be \$65,970. This liability is based on what it would cost to perform all closure and post-closure care in 2017. Actual costs may be higher due to inflation, changes in technology or changes in regulations. At June 30, 2017, the Borough has not committed or assigned any fund balance to fund the cost of closure and post-closure monitoring, nor have any assets been restricted for this purpose.

10. Defined Benefit (DB) Pension Plan

General Information About the Plan

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

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/dr/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and post-employment health care benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against *all*

Petersburg Borough, Alaska

Notes to Basic Financial Statements

PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis.

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

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

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Police and firefighters are required to contribute 7.50% of their annual covered salary.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on *all* PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This change results in lower ARM Board Rates than previously adopted.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY17, the rate uses an 8% pension discount rate and a 4.55% healthcare discount rate.

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

Contribution rates for the year ended June 30, 2017 were determined in the June 30, 2014 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	14.96%	20.34%	4.14 %	24.49%
Postemployment healthcare (see Note 12)	7.04%	5.80%	- %	56.64%
Total Contribution Rates	22.00%	26.14%	4.14 %	81.13%

In 2017, the Borough was credited with the following contributions to the pension plan.

	Measurement Period	
	Borough FY16	Borough FY17
Employer contributions (including DBUL)	\$ 498,118	\$ 567,503
Nonemployer contributions (on-behalf)	199,169	223,357
Total Contributions	\$ 697,287	\$ 790,860

In addition, employee contributions to the Plan totaled \$174,177 during the Borough fiscal year.

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

At June 30, 2017, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

	2017
Borough proportionate share of NPL	\$ 10,775,746
State's proportionate share of NPL associated with the Borough	1,355,716
Total Net Pension Liability	\$ 12,131,462

Petersburg Borough, Alaska

Notes to Basic Financial Statements

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2017, the Borough's proportion was .19278% percent, which was an increase of .02035% from its proportion measured as of the prior measurement date.

For the year ended June 30, 2017, the Borough recognized pension expense of \$2,456,613 and on-behalf revenue of \$182,752 for support provided by the State. At June 30, 2017, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 991	\$ (120,114)
Changes in assumptions	49,700	-
Net difference between projected and actual earnings on pension plan investments	1,059,204	-
Changes in proportion and differences between Borough contributions and proportionate share of contributions	487,420	-
Borough contributions subsequent to the measurement date	567,504	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ 2,164,819	\$ (120,114)

The \$567,504 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2018	\$	563,197
2019		201,392
2020		433,006
2021		279,606

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2016 (Borough fiscal year 2017) was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2016. The actuarial assumptions used in the June 30, 2014 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Actuarial Cost Method	Entry Age Normal - Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	<p>Amounts for FY14 and FY13 were allocated to employers based on actual contributions made in FY14 and FY13, respectively.</p> <p>Amounts for FY15 were allocated to employers based on the projected present value of contributions for FY2017-FY2039. The liability is expected to go to zero at 2039.</p>
Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	<p>Inflation - 3.12% per year</p> <p>Productivity - 0.50% per year</p> <p>Peace Officer/Firefighter - graded by years of service from 9.66% to 4.92%</p> <p>All others - graded by age and years of service from 7.91% to 4.34%</p>
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 3.12% annually.
Mortality	<p>Pre-termination - Based on the 2010-2013 actual mortality experience</p> <p>Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB</p>

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	Long-term Expected Real Rate of Return
Domestic equity	5.35%
Global equity (non-US)	5.55%
Private equity	6.25%
Fixed income	0.80%
Real estate	3.65%
Alternative equity	4.70%

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Borough's proportionate share of the net pension liability	\$ 13,878,615	\$ 10,775,746	\$ 8,158,619

Pension Plan Fiduciary Net Position

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

11. Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Borough contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2017, the Borough was required to contribute 5% of covered salary into the Plan. In addition, during 2017, the State on-behalf contribution rate for OPEB was 1.56%.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2017 were \$121,233 and \$193,973, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

12. Other Post-Employment Benefit (OPEB) Plans

As part of its participation in the PERS DB Plan (Tiers I, II, III), the Borough participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

Employer Contribution Rate

The Borough is required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015 and 2017 there were no on-behalf contributions to the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2016 were \$85,893.

<i>Year Ended June 30,</i>	<i>Annual OPEB Costs</i>	<i>Borough Contributions</i>	<i>% of Costs Contributed</i>
2017	\$ 267,066	\$ 267,066	100 %
2016	\$ 328,942	\$ 328,942	100 %
2015	\$ 355,307	\$ 355,307	100 %

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Defined Contribution OPEB

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment health care benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2017 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.18%	1.18%
Occupational death and disability benefits	0.17%	0.49%
Total Contribution Rates	1.35%	1.67%

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2016, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,049 per year for each full-time employee, and \$1.31 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2017, the Borough contributed \$128,935 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

13. Deferred Compensation Plan

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with the Internal Revenue Code, all assets and income of the Plan are held in trust for the exclusive benefit of participants and their beneficiaries.

14. Risk Management

The Borough faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs and certain other coverages. The Borough is a member of Alaska Public Entity Insurance (APEI), a governmental insurance pool. APEI provides

Petersburg Borough, Alaska

Notes to Basic Financial Statements

insurance coverage for property and contents damage, torts, general and automobile liability, public officials and employees' liability, law enforcement professional liability and workers' compensation. The Borough has no coverage for potential losses from environmental damages. APEI is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2017.

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

15. Contingencies

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

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

16. New Accounting Pronouncements

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

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Effective for year-end June 30, 2018, with earlier application encouraged - This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

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

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

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

GASB 85 - *Omnibus* - Effective for year-end June 30, 2018, with earlier application encouraged - This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. Issues covered include blending of component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB 86 - *Certain Debt Extinguishment Issues* - Effective for year-end June 30, 2018, with earlier application encouraged - This statement addresses accounting and financial reporting for in-substance defeasance of debt when only existing resources are used, as well as accounting and financial reporting for prepaid insurance on extinguished debt.

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

Required Supplementary Information

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

<i>Year Ended June 30, 2017</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 3,518,000	\$ 3,518,000	\$ 3,151,083	\$ (366,917)
Sales taxes	3,105,350	3,105,350	2,950,026	(155,324)
Other taxes	260,000	260,000	274,466	14,466
Intergovernmental	2,182,433	2,182,433	1,669,002	(513,431)
Licenses and permits	10,500	10,500	9,587	(913)
Charges for services	334,591	334,591	253,840	(80,751)
Fines and forfeitures	17,000	17,000	12,250	(4,750)
Overhead charges	573,072	573,072	573,072	-
Investment income	80,000	80,000	23,869	(56,131)
Other revenues	8,746	8,746	5,044	(3,702)
Total Revenues	10,089,692	10,089,692	8,922,239	(1,167,453)
Expenditures				
General government	1,984,004	1,984,004	1,639,091	344,913
Public safety	2,233,566	2,233,566	2,066,424	167,142
Public works	1,197,157	1,197,157	1,173,956	23,201
Community development	320,819	320,819	308,461	12,358
Community services	162,500	162,500	162,164	336
Culture and recreation	1,376,945	1,376,945	1,268,701	108,244
Education - contribution to school district	1,800,000	1,800,000	1,800,000	-
Total Expenditures	9,074,991	9,074,991	8,418,797	656,194
Excess of Revenues Over Expenditures	1,014,701	1,014,701	503,442	(511,259)
Other Financing Sources (Uses)				
Transfers in	500,000	500,000	500,000	-
Transfers out	(1,491,644)	(1,491,644)	(848,340)	643,304
Net Other Financing Sources (Uses)	(991,644)	(991,644)	(348,340)	643,304
Net Change in Fund Balance	\$ 23,057	\$ 23,057	155,102	\$ 132,045
Fund Balance, beginning of year			3,855,272	
Fund Balance, end of year			\$ 4,010,374	

See accompanying notes to Required Supplementary Information.

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

<i>Year Ended June 30,</i>	Borough's Proportion of the Net Pension Liability	Borough's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Borough's Covered Payroll	Borough's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.19278%	\$ 10,775,746	\$ 1,355,716	\$ 12,131,462	\$ 4,932,921	218.45%	59.55%
2016	0.17243%	\$ 8,362,857	\$ 2,239,001	\$ 10,601,858	\$ 4,803,880	174.09%	63.96%
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*
2008	*	*	*	*	*	*	*

*Information for these years is not available

See accompanying notes to Required Supplementary Information.

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

<i>Year Ended June 30,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Borough's Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 567,503	\$ 567,503	\$ -	\$ 4,930,589	11.51%
2016	\$ 498,118	\$ 498,118	\$ -	\$ 4,932,921	10.10%
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*
2008	*	*	*	*	*

*Information for these years is not available

See accompanying notes to Required Supplementary Information.

Petersburg Borough, Alaska

Notes to Required Supplementary Information Year Ended June 30, 2017

1. Budgetary Comparison Schedule

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

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

This table is presented based on the Plan measurement date. For June 30, 2017, the Plan measurement date is June 30, 2016.

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

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

There were no changes in the allocation methodology.

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

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

This page intentionally left blank.

Supplementary Information

Petersburg Borough, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue Funds							Capital Project Funds					Total Nonmajor Governmental Funds
	Miscellaneous Grants	National Forest Receipts - School	National Forest Receipts - Streets and Roads	Property Development	E911 Surcharge	Borough Organizational	Transient Room Tax	Debt Service Fund	Library Construction	Fishing Park	Economic Development	Homeland Security	
<i>June 30, 2017</i>													
Assets													
Cash and investments	\$ 57,845	\$ 3,729,287	\$ 44,056	\$ 125,606	\$ 111,021	\$ 71,872	\$ 22,581	\$ 37,129	\$ 18,408	\$ 99,927	\$ 4,087,345	\$ -	\$ 8,405,077
Receivables:													
Grants and shared revenues	2,801	-	-	-	-	-	-	28,702	-	-	-	3,768	35,271
Transient room taxes	-	-	-	-	-	-	8,316	-	-	-	-	-	8,316
Interest	-	-	-	-	-	-	-	-	-	-	1,829	-	1,829
Total Assets	\$ 60,646	\$ 3,729,287	\$ 44,056	\$ 125,606	\$ 111,021	\$ 71,872	\$ 30,897	\$ 65,831	\$ 18,408	\$ 99,927	\$ 4,089,174	\$ 3,768	\$ 8,450,493
Liabilities and Fund Balances													
Liabilities													
Accounts payable	\$ 2,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,494
Unearned revenue	53,927	-	-	-	-	-	-	-	2,500	-	-	-	56,427
Accrued payroll and employee benefits	355	-	-	-	-	-	-	-	-	-	-	-	355
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	3,768	3,768
Total Liabilities	56,776	-	-	-	-	-	-	-	2,500	-	-	3,768	63,044
Fund Balances													
Restricted:													
Streets and roads	-	-	44,056	-	-	-	-	-	-	-	-	-	44,056
School support	-	3,729,287	-	-	-	-	-	-	-	-	-	-	3,729,287
Committed:													
Economic development	-	-	-	-	-	-	-	-	-	-	4,089,174	-	4,089,174
Public works	-	-	-	125,606	-	-	-	-	-	-	-	-	125,606
Public safety	-	-	-	-	111,021	-	-	-	-	-	-	-	111,021
Capital projects	-	-	-	-	-	-	-	-	15,908	99,927	-	-	115,835
Tourism	-	-	-	-	-	-	30,897	-	-	-	-	-	30,897
Assigned:													
General government	-	-	-	-	-	71,872	-	-	-	-	-	-	71,872
Debt service	-	-	-	-	-	-	-	65,831	-	-	-	-	65,831
Subsequent year's expenditures	3,870	-	-	-	-	-	-	-	-	-	-	-	3,870
Total Fund Balances	3,870	3,729,287	44,056	125,606	111,021	71,872	30,897	65,831	15,908	99,927	4,089,174	-	8,387,449
Total Liabilities and Fund Balances	\$ 60,646	\$ 3,729,287	\$ 44,056	\$ 125,606	\$ 111,021	\$ 71,872	\$ 30,897	\$ 65,831	\$ 18,408	\$ 99,927	\$ 4,089,174	\$ 3,768	\$ 8,450,493

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

Year Ended June 30, 2017	Special Revenue Funds							Capital Project Funds							Total Nonmajor Governmental Funds
	Miscellaneous Grants	National Forest Receipts - School	National Forest Receipts - Streets and Roads	Property Development	E911 Surcharge	Borough Organizational	Transient Room Tax	Debt Service Fund	Library Construction	Fishing Park	Birch Street Rebuild	Rasmus Enge Bridge Rehab	Economic Development	Homeland Security	
Revenues															
Transient taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Intergovernmental	125,274	10,412	-	-	-	-	-	365,557	-	-	-	-	-	3,768	
Charges for services	3,568	-	-	100	86,132	-	-	-	-	-	-	-	-	-	
Investment income	-	8,472	259	250	-	-	-	-	-	-	-	279,911	-	-	
Donations	-	-	-	-	-	-	-	-	25,000	-	-	-	-	-	
Other	-	-	-	-	-	-	-	11,663	-	-	-	-	-	-	
Total Revenues	128,842	18,884	259	350	86,132	-	58,612	377,220	25,000	-	-	-	279,911	3,768	978,978
Expenditures															
General government	-	-	-	9,278	-	19,775	55,500	-	-	-	-	-	-	-	84,553
Public safety	17,772	-	-	-	12,735	-	-	-	-	-	-	-	-	-	30,507
Community services	-	-	-	-	-	-	-	-	4,787	-	-	90,000	-	-	94,787
Culture and recreation	120,288	-	-	-	-	-	-	-	-	-	-	-	-	-	120,288
Debt service:															
Principal	-	-	-	-	-	-	-	575,004	-	-	-	-	-	-	575,004
Interest	-	-	-	-	-	-	-	282,193	-	-	-	-	-	-	282,193
Capital outlay	-	-	617,454	-	-	-	-	-	116,548	-	-	-	-	3,768	737,770
Other debt service charges	-	-	-	-	-	-	-	18,848	-	-	-	-	-	-	18,848
Total Expenditures	138,060	-	617,454	9,278	12,735	19,775	55,500	876,045	121,335	-	-	-	90,000	3,768	1,943,950
Excess (Deficiency) of Revenues Over Expenditures	(9,218)	18,884	(617,195)	(8,928)	73,397	(19,775)	3,112	(498,825)	(96,335)	-	-	-	189,911	-	(964,972)
Other Financing Sources (Uses)															
Refunding bonds issued	-	-	-	-	-	-	-	756,684	-	-	-	-	-	-	756,684
Premium on refunding	-	-	-	-	-	-	-	100,580	-	-	-	-	-	-	100,580
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(846,572)	-	-	-	-	-	-	(846,572)
Sale of capital assets	-	-	-	532,023	-	-	-	-	-	-	-	-	-	-	532,023
Transfers in	-	-	34,716	-	-	-	-	401,758	-	-	-	-	-	-	436,474
Transfers out	-	(500,000)	-	(500,000)	-	-	-	-	-	-	(23,708)	(11,008)	(165,000)	-	(1,199,716)
Net Other Financing Sources (Uses)	-	(500,000)	34,716	32,023	-	-	-	412,450	-	-	(23,708)	(11,008)	(165,000)	-	(220,527)
Net Change in Fund Balances	(9,218)	(481,116)	(582,479)	23,095	73,397	(19,775)	3,112	(86,375)	(96,335)	-	(23,708)	(11,008)	24,911	-	(1,185,499)
Fund Balances, beginning of year	13,088	4,210,403	626,535	102,511	37,624	91,647	27,785	152,206	112,243	99,927	23,708	11,008	4,064,263	-	9,572,948
Fund Balances, end of year	\$ 3,870	\$ 3,729,287	\$ 44,056	\$ 125,606	\$ 111,021	\$ 71,872	\$ 30,897	\$ 65,831	\$ 15,908	\$ 99,927	\$ -	\$ -	\$ 4,089,174	\$ -	\$ 8,387,449

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

June 30, 2017	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and investments	\$ 372,871	\$ 609,297	\$ 982,168
Receivables, net of allowance for doubtful accounts	131,983	-	131,983
Prepaid expenses	3,867	2,914	6,781
Total Current Assets	508,721	612,211	1,120,932
Restricted Cash - security deposits	-	17,486	17,486
Property, Plant and Equipment			
Land and land improvements	63,720	127,419	191,139
Buildings	2,211,180	2,908,473	5,119,653
Improvements other than buildings	807,695	240,316	1,048,011
Machinery and equipment	334,108	144,322	478,430
Total property, plant and equipment	3,416,703	3,420,530	6,837,233
Accumulated depreciation	(1,545,148)	(2,528,448)	(4,073,596)
Net Property, Plant and Equipment	1,871,555	892,082	2,763,637
Total Assets	2,380,276	1,521,779	3,902,055
Deferred Outflows of Resources			
Deferred outflows of resources related to pension	76,421	42,082	118,503
Deferred charges on refunding	-	18,956	18,956
Total Deferred Outflows of Resources	76,421	61,038	137,459
Total Assets and Deferred Outflows of Resources	\$ 2,456,697	\$ 1,582,817	\$ 4,039,514
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current Liabilities			
Accounts payable	\$ 28,885	\$ 901	\$ 29,786
Accrued payroll and employee benefits	15,486	7,884	23,370
Accrued leave	5,744	2,944	8,688
Unearned revenue	-	1,357	1,357
Customer deposits	10,574	10,037	20,611
Accrued interest	-	5,525	5,525
Current portion of general obligation bonds	-	45,000	45,000
Total Current Liabilities	60,689	73,648	134,337
Noncurrent Liabilities			
General obligation bonds	-	306,250	306,250
Bond premium, net of accumulated amortization	-	44,332	44,332
Net pension liability	380,396	209,472	589,868
Landfill closure liability	65,970	-	65,970
Total Noncurrent Liabilities	446,366	560,054	1,006,420
Total Liabilities	507,055	633,702	1,140,757
Deferred Inflows of Resources related to pension	4,240	2,335	6,575
Net Position			
Net investment in capital assets	1,871,555	515,456	2,387,011
Unrestricted	73,847	431,324	505,171
Total Net Position	1,945,402	946,780	2,892,182
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,456,697	\$ 1,582,817	\$ 4,039,514

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

<i>Year Ended June 30, 2017</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
Operating Revenues	\$ 1,139,017	\$ 393,317	\$ 1,532,334
Operating Expenses			
Salaries and benefits	452,481	194,179	646,660
Services, supplies, and other charges	406,626	114,321	520,947
Allocated overhead and motor pool charges	264,101	31,417	295,518
Depreciation	150,213	97,476	247,689
Total Operating Expenses	1,273,421	437,393	1,710,814
Loss from Operations	(134,404)	(44,076)	(178,480)
Nonoperating Revenues (Expenses)			
Investment income	911	1,345	2,256
Interest expense	-	(12,629)	(12,629)
State PERS relief	6,465	3,560	10,025
Net Nonoperating Revenues (Expenses)	7,376	(7,724)	(348)
Change in Net Position	(127,028)	(51,800)	(178,828)
Net Position, beginning of year	2,072,430	998,580	3,071,010
Net Position, end of year	\$ 1,945,402	\$ 946,780	\$ 2,892,182

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

<i>Year Ended June 30, 2017</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,119,229	\$ 394,087	\$ 1,513,316
Payments for interfund services used	(264,101)	(31,417)	(295,518)
Payments to suppliers	(402,230)	(115,908)	(518,138)
Payments to employees	(372,682)	(148,906)	(521,588)
Net cash flows from operating activities	80,216	97,856	178,072
Cash Flows for Capital and Related Financing Activities			
Principal paid on long-term debt	-	(42,500)	(42,500)
Interest paid on long-term debt	-	(17,425)	(17,425)
Purchase of property, plant and equipment	(23,756)	(41,081)	(64,837)
Net cash flows for capital and related financing activities	(23,756)	(101,006)	(124,762)
Cash Flows from Investing Activities			
Investment income received	911	1,345	2,256
Net increase (decrease) in cash and investments	57,371	(1,805)	55,566
Cash and Investments, beginning of year	315,500	628,588	944,088
Cash and Investments, end of year	\$ 372,871	\$ 626,783	\$ 999,654
Cash and Investments at End of Year			
Cash and investments	\$ 372,871	\$ 609,297	\$ 982,168
Restricted cash	-	17,486	17,486
Total Cash and Investments	\$ 372,871	\$ 626,783	\$ 999,654
Reconciliation of Loss from Operations to Net Cash			
Flows from Operating Activities			
Loss from operations	\$ (134,404)	\$ (44,076)	\$ (178,480)
Adjustments to reconcile loss from operations to net cash flows from operating activities:			
Noncash expenses:			
Depreciation	150,213	97,476	247,689
PERS relief	6,465	3,560	10,025
Amortization of deferred outflows of resources for pension	(20,742)	(10,548)	(31,290)
Amortization of deferred inflows of resources for pension	(699)	(462)	(1,161)
Increase in allowance for doubtful accounts	1,237	-	1,237
(Increase) decrease in assets:			
Accounts receivable	(22,958)	-	(22,958)
Prepaid expenses	829	(482)	347
Increase (decrease) in liabilities:			
Accounts payable	3,565	(1,105)	2,460
Accrued payroll and employee benefits	(1,148)	337	(811)
Accrued leave	(5,478)	923	(4,555)
Unearned revenue	-	105	105
Customer deposits	1,933	665	2,598
Net pension liability	101,401	51,463	152,864
Landfill closure liability	2	-	2
Net Cash Flows from Operating Activities	\$ 80,216	\$ 97,856	\$ 178,072

General Fund

The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the Borough such as public safety, public works, recreation, library, community development, administrative services, etc. Appropriations are made from the General Fund annually.

Revenue is recorded by source, i.e., taxes, charges for services, intergovernmental, etc. Expenditures are recorded first by function, then by activity and object of expenditure.

Petersburg Borough, Alaska

General Fund
Balance Sheet

<i>June 30,</i>	2017	2016
Assets		
Cash and investments	\$ 3,744,468	\$ 3,578,484
Receivables:		
Property taxes	23,627	34,865
Sales taxes	349,612	325,273
Accounts	44,044	34,843
Interest	54,201	57,550
Total receivables	471,484	452,531
Prepaid insurance	73,607	68,407
Due from other funds	3,768	66,715
Total Assets	\$ 4,293,327	\$ 4,166,137
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 43,326	\$ 68,229
Accrued payroll and employee benefits	228,220	232,692
Unearned revenue	11,407	9,944
Total Liabilities	282,953	310,865
Fund Balance		
Nonspendable - prepaid insurance	73,607	68,407
Unassigned	3,936,767	3,786,865
Total Fund Balance	4,010,374	3,855,272
Total Liabilities and Fund Balance	\$ 4,293,327	\$ 4,166,137

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

<i>Years Ended June 30,</i>	2017			2016
	Budget	Actual	Variance with Budget	Actual
Revenues				
Taxes:				
Property taxes	\$ 3,518,000	\$ 3,151,083	\$ (366,917)	\$ 3,168,103
Sales taxes	3,105,350	2,950,026	(155,324)	2,945,432
Motor vehicle registration	34,000	31,933	(2,067)	35,611
Tobacco taxes	226,000	242,533	16,533	248,023
Total taxes	6,883,350	6,375,575	(507,775)	6,397,169
Intergovernmental:				
Payments in lieu of taxes	550,000	578,688	28,688	615,402
Library grants	6,650	6,900	250	6,650
Fisheries business tax	600,000	336,848	(263,152)	820,118
Shared fisheries business tax and landing tax	20,000	14,709	(5,291)	14,377
Liquor licenses	7,000	7,000	-	8,600
Jail and special services contract	173,626	178,626	5,000	178,626
State PERS relief	393,153	114,051	(279,102)	156,057
9th officer position	91,739	91,739	-	91,739
State revenue sharing	340,265	340,441	176	511,894
Total intergovernmental	2,182,433	1,669,002	(513,431)	2,403,463
Licenses and permits	10,500	9,587	(913)	8,530
Charges for services:				
Police and public safety	2,800	1,500	(1,300)	2,962
Ambulance fees	37,000	33,592	(3,408)	34,129
Public works	5,000	17,642	12,642	28,484
SEACAD reimbursement	69,251	5,034	(64,217)	53,516
Recreation activity fees	200,000	170,217	(29,783)	179,922
Park charges	-	-	-	1,500
Cemetery charges	3,000	3,295	295	1,880

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

<i>Years Ended June 30,</i>	2017			2016
	Budget	Actual	Variance with Budget	Actual
Revenues, continued				
Charges for services, continued:				
Library charges	\$ 4,000	\$ 4,138	\$ 138	\$ 4,633
Cemetery plot sales	1,000	6,150	5,150	6,385
Passport services	2,500	2,766	266	2,375
Other charges for services	10,040	9,506	(534)	8,435
Total charges for services	334,591	253,840	(80,751)	324,221
Fines and forfeitures	17,000	12,250	(4,750)	17,311
Overhead charges	573,072	573,072	-	568,128
Investment income	80,000	23,869	(56,131)	198,951
Other revenues:				
Lease income	7,746	4,586	(3,160)	6,997
Library donations	1,000	458	(542)	1,428
Total other revenues	8,746	5,044	(3,702)	8,425
Total Revenues	10,089,692	8,922,239	(1,167,453)	9,926,198
Expenditures				
General government:				
Borough assembly	138,233	134,627	3,606	126,280
Borough manager	387,007	380,131	6,876	366,923
Borough attorney	55,000	68,940	(13,940)	43,313
Information systems	114,000	108,414	5,586	84,942
Finance	635,956	629,048	6,908	605,758
Nondepartmental PERS on-behalf	393,153	114,051	279,102	156,057
Other	260,655	203,880	56,775	185,591
Total general government	1,984,004	1,639,091	344,913	1,568,864

Petersburg Borough, Alaska

General Fund

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

Years Ended June 30,	2017			2016
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued				
Public safety:				
Police department	\$ 1,314,749	\$ 1,219,960	\$ 94,789	\$ 1,305,756
Jail	381,255	335,977	45,278	352,017
Fire department	537,562	510,487	27,075	531,270
Total public safety	2,233,566	2,066,424	167,142	2,189,043
Public works	1,197,157	1,173,956	23,201	1,182,086
Community development	320,819	308,461	12,358	311,071
Community services	162,500	162,164	336	151,117
Culture and recreation:				
Library	415,210	418,625	(3,415)	418,555
Parks and recreation	961,735	850,076	111,659	963,241
Total culture and recreation	1,376,945	1,268,701	108,244	1,381,796
Education - contribution to school district	1,800,000	1,800,000	-	1,800,000
Total Expenditures	9,074,991	8,418,797	656,194	8,583,977
Excess of Revenues Over Expenditures	1,014,701	503,442	(511,259)	1,342,221
Other Financing Sources (Uses)				
Transfers in	500,000	500,000	-	600,000
Transfers out	(1,491,644)	(848,340)	643,304	(2,547,539)
Net Other Financing Sources (Uses)	(991,644)	(348,340)	643,304	(1,947,539)
Net Change in Fund Balance	\$ 23,057	155,102	\$ 132,045	(605,318)
Fund Balance, beginning of year		3,855,272		4,460,590
Fund Balance, end of year		\$ 4,010,374		\$ 3,855,272

This page intentionally left blank.

Special Revenue Funds

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

Miscellaneous Grants

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

National Forest Receipts - School

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

National Forest Receipts - Streets and Roads

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

Property Development

This fund is used to account for activity relating to the sale and/or purchase of Borough owned real property.

E911 Surcharge

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

Borough Organizational

This fund accounts for three years of revenues received from the State of Alaska and the associated expenditures to transition to a borough.

Transient Room Tax

This fund accounts for revenues received from the Borough-levied transient room tax.

Petersburg Borough, Alaska
Miscellaneous Grants Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2017	2016
Assets		
Cash and investments	\$ 57,845	\$ 5,306
Receivables - grants	2,801	26,429
Total Assets	\$ 60,646	\$ 31,735
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 2,494	\$ 6,340
Accrued payroll and employee benefits	355	-
Unearned revenue	53,927	12,307
Total Liabilities	56,776	18,647
Fund Balance		
Assigned for subsequent year's expenditures	3,870	13,088
Total Liabilities and Fund Balance	\$ 60,646	\$ 31,735

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

<i>Years Ended June 30,</i>	2017			2016
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 122,721	\$ 125,274	\$ 2,553	\$ 215,436
Charges for services	-	3,568	3,568	12,318
Total Revenues	122,721	128,842	6,121	227,754
Expenditures				
Public safety:				
Police department	-	8,703	(8,703)	11,867
Local emergency planning committee	9,509	9,069	440	6,873
Community service - cemetery	-	-	-	64,599
Culture and recreation:				
Hazard mitigation	5,000	-	5,000	-
Library	33,000	3,237	29,763	22,449
Campgrounds	6,242	8,114	(1,872)	6,280
IMLS library	7,000	6,000	1,000	6,000
City Creek repairs	20,000	49,429	(29,429)	8,047
Hungry Point Trail	41,390	41,390	-	-
Wilson Creek repairs	-	-	-	17,550
Greens Camp	-	-	-	439
Sandy Beach shelter	2,190	-	2,190	2,251
Sandy Beach bathroom	13,390	5,849	7,541	7,596
Sons of Norway	5,000	6,269	(1,269)	66,256
Total Expenditures	142,721	138,060	4,661	220,207
Excess (Deficiency) of Revenues Over Expenditures	(20,000)	(9,218)	10,782	7,547
Other Financing Sources				
Transfers in	-	-	-	5,235
Net Change in Fund Balance	<u>\$ (20,000)</u>	<u>(9,218)</u>	<u>\$ 10,782</u>	12,782
Fund Balance, beginning of year		<u>13,088</u>		<u>306</u>
Fund Balance, end of year		<u>\$ 3,870</u>		<u>\$ 13,088</u>

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

<i>June 30,</i>	2017	2016
Assets		
Cash and investments	\$ 3,729,287	\$ 4,210,403
Fund Balance		
Restricted for school support	\$ 3,729,287	\$ 4,210,403

Petersburg Borough, Alaska
National Forest Receipts - School Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	2017			2016
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ -	\$ 10,412	\$ 10,412	\$ 491,081
Investment income	10,000	8,472	(1,528)	64,518
Total Revenues	10,000	18,884	8,884	555,599
Other Financing Uses				
Transfers out	(575,000)	(500,000)	75,000	(600,000)
Net Change in Fund Balance	<u>\$ (565,000)</u>	(481,116)	<u>\$ 83,884</u>	(44,401)
Fund Balance, beginning of year		<u>4,210,403</u>		<u>4,254,804</u>
Fund Balance, end of year		<u>\$ 3,729,287</u>		<u>\$ 4,210,403</u>

Petersburg Borough, Alaska

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

<i>June 30,</i>	2017	2016
Assets		
Cash and investments	\$ 44,056	\$ 626,535
Fund Balance		
Restricted for streets and roads	\$ 44,056	\$ 626,535

Petersburg Borough, Alaska

National Forest Receipts - Streets and Roads Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual

Years Ended June 30,	2017			2016
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ 86,661
Investment income	-	259	259	7,789
Total Revenues	-	259	259	94,450
Expenditures				
Capital outlay - paving	618,085	617,454	631	-
Excess (Deficiency) of Revenues Over Expenditures	(618,085)	(617,195)	890	94,450
Other Financing Sources				
Transfer in	-	34,716	34,716	167,486
Net Change in Fund Balance	<u>\$ (618,085)</u>	(582,479)	<u>\$ 35,606</u>	261,936
Fund Balance, beginning of year		<u>626,535</u>		<u>364,599</u>
Fund Balance, end of year		<u>\$ 44,056</u>		<u>\$ 626,535</u>

Petersburg Borough, Alaska
Property Development Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2017	2016
Assets		
Cash and investments	\$ 125,606	\$ 102,511
Fund Balance		
Committed for public works	\$ 125,606	\$ 102,511

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

<i>Years Ended June 30,</i>	2017			2016
	Budget	Actual	Variance with Budget	Actual
Revenues				
Charges for services/rock sales	\$ -	\$ 100	\$ 100	\$ 3,605
Investment income	-	250	250	5,687
Total Revenues	-	350	350	9,292
Expenditures				
General government - professional services	10,000	9,278	722	6,960
Excess (Deficiency) of Revenues Over Expenditures	(10,000)	(8,928)	1,072	2,332
Other Financing Sources (Uses)				
Sale of capital assets	500,000	532,023	32,023	-
Transfers out	(500,000)	(500,000)	-	(1,350,730)
Net Other Financing Sources (Uses)	-	32,023	32,023	(1,350,730)
Net Change in Fund Balance	<u>\$ (10,000)</u>	23,095	<u>\$ 33,095</u>	(1,348,398)
Fund Balance, beginning of year		<u>102,511</u>		<u>1,450,909</u>
Fund Balance, end of year		<u>\$ 125,606</u>		<u>\$ 102,511</u>

Petersburg Borough, Alaska
E911 Surcharge Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2017	2016
Assets		
Cash and investments	\$ 111,021	\$ 37,624
Fund Balance		
Committed for public safety	\$ 111,021	\$ 37,624

Petersburg Borough, Alaska
E911 Surcharge Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	2017			2016
	Budget	Actual	Variance with Budget	Actual
Revenues				
Charges for services	\$ 71,000	\$ 86,132	\$ 15,132	\$ 80,459
Expenditures				
Public safety	16,250	12,735	3,515	8,921
Excess of Revenues Over Expenditures	54,750	73,397	18,647	71,538
Other Financing Uses				
Transfers out	-	-	-	(125,000)
Net Change in Fund Balance	<u>\$ 54,750</u>	73,397	<u>\$ 18,647</u>	(53,462)
Fund Balance, beginning of year		<u>37,624</u>		<u>91,086</u>
Fund Balance, end of year		<u>\$ 111,021</u>		<u>\$ 37,624</u>

Petersburg Borough, Alaska
Borough Organizational Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2017	2016
Assets		
Cash and investments	\$ 71,872	\$ 91,647
Fund Balance		
Assigned for general government	\$ 71,872	\$ 91,647

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

<i>Years Ended June 30,</i>	2017			2016
	Budget	Actual	Variance with Budget	Actual
Expenditures				
General government:				
Assessment services	\$ 10,000	\$ 6,000	\$ 4,000	\$ 5,000
Comprehensive plan/zoning/mapping	50,000	13,775	36,225	17,173
Total Expenditures	60,000	19,775	40,225	22,173
Net Change in Fund Balance	<u>\$ (60,000)</u>	(19,775)	<u>\$ 40,225</u>	(22,173)
Fund Balance, beginning of year		<u>91,647</u>		<u>113,820</u>
Fund Balance, end of year		<u>\$ 71,872</u>		<u>\$ 91,647</u>

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

<i>June 30,</i>	2017	2016
Assets		
Cash and investments	\$ 22,581	\$ 18,950
Receivables - transient room taxes	8,316	8,835
Total Assets	\$ 30,897	\$ 27,785
Fund Balance		
Committed for tourism	\$ 30,897	\$ 27,785

Petersburg Borough, Alaska

Transient Room Tax Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	2017			2016
	Budget	Actual	Variance with Budget	Actual
Revenues				
Transient taxes	\$ 55,000	\$ 58,612	\$ 3,612	\$ 55,461
Expenditures				
General government - miscellaneous	55,500	55,500	-	42,651
Net Change in Fund Balance	<u>\$ (500)</u>	3,112	<u>\$ 3,612</u>	12,810
Fund Balance, beginning of year		<u>27,785</u>		<u>14,975</u>
Fund Balance, end of year		<u>\$ 30,897</u>		<u>\$ 27,785</u>

This page intentionally left blank.

Debt Service Fund

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

Petersburg Borough, Alaska

Debt Service Fund
Balance Sheet

<i>June 30,</i>	2017	2016
Assets		
Cash and investments	\$ 37,129	\$ 147,324
Receivables - grants and shared revenues	28,702	4,882
Total Assets	\$ 65,831	\$ 152,206
Fund Balance		
Assigned for debt service	\$ 65,831	\$ 152,206

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

<i>Years Ended June 30,</i>	2017			2016
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 351,160	\$ 365,557	\$ 14,397	\$ 488,264
Other	-	11,663	11,663	-
Total Revenues	351,160	377,220	26,060	488,264
Expenditures				
Debt service:				
2007 general obligation aquatic center refunding bonds:				
Principal	55,000	60,000	(5,000)	55,000
Interest	33,544	18,196	15,348	36,431
2007 general obligation pool refunding bonds:				
Principal	20,004	20,004	-	18,337
Interest	4,321	2,272	2,049	5,325
2012 (Series 2) general obligation refunding school bonds:				
Principal	170,000	170,000	-	165,000
Interest	80,900	80,900	-	87,600
2012 (Series 3) general obligation library bonds:				
Principal	65,000	65,000	-	65,000
Interest	39,838	39,350	488	40,325
2014 general obligation aquatic center/voc.ed refunding bonds:				
Principal	260,000	260,000	-	280,000
Interest	141,475	141,475	-	150,100
Other debt service charges	-	18,848	(18,848)	-
Total Expenditures	870,082	876,045	(5,963)	903,118
Deficiency of Revenues Over Expenditures	(518,922)	(498,825)	20,097	(414,854)
Other Financing Sources (Uses)				
Transfers in	401,869	401,758	(111)	416,136
Refunding bonds issued	-	756,684	756,684	-
Premium on refunding	-	100,580	100,580	-
Payment to refunded bond escrow agent	-	(846,572)	(846,572)	-
Net Other Financing Sources (Uses)	401,869	412,450	10,581	416,136
Net Change in Fund Balance	<u>\$(117,053)</u>	(86,375)	<u>\$ 30,678</u>	1,282
Fund Balance, beginning of year		<u>152,206</u>		<u>150,924</u>
Fund Balance, end of year		<u>\$ 65,831</u>		<u>\$ 152,206</u>

This page intentionally left blank.

Capital Project Funds

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

Police, Jail and Administration Building Renovation

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

Library Construction

This fund accounts for the library project.

Fishing Park

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

Birch Street Rebuild

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

Rasmus Enge Bridge Reconstruction

This fund accounts for reconstruction of the historic Rasmus Enge Bridge to ensure safe travel for vehicles and pedestrians.

Economic Development

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

Homeland Security

This fund accounts for funding received under the Homeland Security Grants Program to be used for public safety equipment.

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

<i>June 30,</i>	2017	2016
Assets		
Cash and investments	\$ 20,573	\$ 2,280,682
Receivables - grants	-	947,172
Total Assets	\$ 20,573	\$ 3,227,854
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 142,918	\$ 521,492
Unearned revenue	-	3,000
Total Liabilities	142,918	524,492
Fund Balance (Deficit)		
Committed for capital projects	-	2,703,362
Unassigned (deficit)	(122,345)	-
Total Liabilities and Fund Balance (Deficit)	\$ 20,573	\$ 3,227,854

Petersburg Borough, Alaska
Police, Jail, and Administration Building Renovation Capital Project Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance (Deficit)

<i>Years Ended June 30,</i>	2017	2016
Revenues		
Intergovernmental	\$ 3,360,465	\$ 1,756,621
Donations	-	250
Total Revenues	3,360,465	1,756,871
Expenditures		
Capital projects and improvements:		
Professional services	290,045	491,757
Construction	5,755,225	860,293
Public safety	242,272	223,189
Materials and supplies	379,433	206,242
Other	119,197	72,758
Total Expenditures	6,786,172	1,854,239
Deficiency of Revenues Over Expenditures	(3,425,707)	(97,368)
Other Financing Sources		
Transfers in	600,000	2,800,730
Net Change in Fund Balance (Deficit)	(2,825,707)	2,703,362
Fund Balance, beginning of year	2,703,362	-
Fund Balance (Deficit), end of year	\$ (122,345)	\$ 2,703,362

Petersburg Borough, Alaska
Nonmajor Capital Project Funds
Combining Balance Sheet

<i>June 30, 2017</i>	Library Construc- tion	Fishing Park	Economic Development	Homeland Security	Totals
Assets					
Cash and investments	\$ 18,408	\$ 99,927	\$ 4,087,345	\$ -	\$ 4,205,680
Grant receivables	-	-	-	3,768	3,768
Interest receivable	-	-	1,829	-	1,829
Total Assets	\$ 18,408	\$ 99,927	\$ 4,089,174	\$ 3,768	\$ 4,211,277
Liabilities and Fund Balances					
Liabilities					
Unearned revenue	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Due to other funds	-	-	-	3,768	3,768
Total Liabilities	2,500	-	-	3,768	6,268
Fund Balances					
Committed:					
Economic development	-	-	4,089,174	-	4,089,174
Capital projects	15,908	99,927	-	-	115,835
Total Fund Balances	15,908	99,927	4,089,174	-	4,205,009
Total Liabilities and Fund Balances	\$ 18,408	\$ 99,927	\$ 4,089,174	\$ 3,768	\$ 4,211,277

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

<i>Year Ended June 30, 2017</i>	Library Construc- tion	Fishing Park	Birch Street Rebuild	Rasmus Enge Bridge Reconstruction	Economic Development	Homeland Security	Totals
Revenues							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,768	\$ 3,768
Investment income	-	-	-	-	279,911	-	279,911
Donations	25,000	-	-	-	-	-	25,000
Total Revenues	25,000	-	-	-	279,911	3,768	308,679
Expenditures							
Capital projects and improvements:							
Professional services	116,548	-	-	-	-	-	125,385
Materials and supplies	4,787	-	-	-	-	3,768	8,555
Community services - contributions	-	-	-	-	90,000	-	90,000
Total Expenditures	121,335	-	-	-	90,000	3,768	223,940
Excess (Deficiency) of Revenues Over Expenditures	(96,335)	-	-	-	189,911	-	93,576
Other Financing Uses							
Transfers out	-	-	(23,708)	(11,008)	(165,000)	-	(199,716)
Net Change in Fund Balances	(96,335)	-	(23,708)	(11,008)	24,911	-	(106,140)
Fund Balances, beginning of year	112,243	99,927	23,708	11,008	4,064,263	-	4,311,149
Fund Balances, end of year	\$ 15,908	\$ 99,927	\$ -	\$ -	\$ 4,089,174	\$ -	\$ 4,205,009

This page intentionally left blank.

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's assembly is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's assembly has decided that periodic determination of net income is appropriate for accountability purposes.

Electric Utility

This fund is used to account for the operations of the electric utility.

Water Utility

This fund is used to account for the operations of the Borough water system.

Wastewater Utility

This fund is used to account for the operations of the wastewater utility.

Sanitation Utility

This fund is used to account for the Borough landfill and refuse collection activities.

Harbor and Port Facilities

This fund is used to account for the operations of the harbors and port.

Elderly Housing

This fund is used to account for the operations of the elderly housing rental units.

Assisted Living

This fund is used to account for the operations of the assisted living facility.

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

<i>June 30,</i>	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 7,814,928	\$ 7,366,431
Accounts receivable	442,223	395,291
Allowance for doubtful accounts	(15,216)	(3,057)
Inventories	298,685	285,610
Prepaid expenses	19,628	11,753
Total Current Assets	8,560,248	8,056,028
Property, Plant and Equipment		
Land and land improvements	1,848,295	1,848,295
Buildings	3,073,919	3,073,919
Improvements other than buildings	5,129,194	5,129,194
Machinery and equipment	16,985,357	16,980,411
Construction in progress	80,420	30,334
Total property, plant and equipment	27,117,185	27,062,153
Accumulated depreciation	(17,485,484)	(16,912,491)
Net Property, Plant and Equipment	9,631,701	10,149,662
Total Assets	18,191,949	18,205,690
Deferred Outflows of Resources related to pension	361,547	260,117
Total Assets and Deferred Outflows of Resources	\$ 18,553,496	\$ 18,465,807
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 178,986	\$ 148,600
Accrued payroll and employee benefits	83,492	54,713
Accrued leave	88,009	86,571
Accrued interest	30,449	33,165
Customer deposits	31,723	31,864
Current portion of general obligation bonds	115,000	115,000
Total Current Liabilities	527,659	469,913
Noncurrent Liabilities		
General obligation bonds	2,050,000	2,165,000
Bond premium, net of accumulated amortization	40,061	43,142
Net pension liability	1,799,661	1,303,383
Total Noncurrent Liabilities	3,889,722	3,511,525
Total Liabilities	4,417,381	3,981,438
Deferred Inflows of Resources related to pension	20,060	23,075
Net Position		
Net investment in capital assets	7,426,640	7,826,520
Unrestricted	6,689,415	6,634,774
Total Net Position	14,116,055	14,461,294
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 18,553,496	\$ 18,465,807

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

<i>Years Ended June 30,</i>	2017	2016
Operating Revenues		
Residential electric	\$ 2,169,771	\$ 1,970,473
Large commercial	2,174,377	2,258,359
General	929,525	817,080
Street and highway lighting	76,536	83,441
Harbor electric	252,735	232,957
Municipal sales	25,421	-
Pole rental	52,540	52,540
Other	31,963	32,171
Total Operating Revenues	5,712,868	5,447,021
Operating Expenses		
Power production:		
Salaries	56,638	77,715
Employee benefits	63,257	44,069
Materials and supplies	35,479	104,513
Services and charges	70,341	79,110
SEAPA power purchase costs	3,213,401	2,773,025
Total power production	3,439,116	3,078,432
Distribution:		
Salaries	407,171	393,094
Employee benefits	452,853	218,341
Materials and supplies	18,066	10,292
Services and charges	14,895	40,898
Total distribution	892,985	662,625
General and administrative:		
Salaries	360,065	349,164
Employee benefits	310,827	266,808
Materials and supplies	139,353	87,249
Services and charges	186,974	192,656
Allocated overhead	195,670	179,156
Motor pool charges:		
Operation and maintenance	69,654	65,054
Equipment replacement	47,076	46,149
Total general and administrative	1,309,619	1,186,236

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

<i>Years Ended June 30,</i>	2017	2016
Operating Expenses, continued		
Depreciation	\$ 576,883	\$ 599,436
Total Operating Expenses	6,218,603	5,526,729
Loss from Operations	(505,735)	(79,708)
Nonoperating Revenues (Expenses)		
Investment income	17,388	116,822
SEAPA distribution	200,007	372,344
Interest expense	(118,297)	(124,138)
Gain on disposal of capital assets	-	12,150
Federal interest subsidy	30,811	30,969
State PERS relief	30,587	61,577
Net Nonoperating Revenues (Expenses)	160,496	469,724
Change in Net Position	(345,239)	390,016
Net Position, beginning of year	14,461,294	14,071,278
Net Position, end of year	\$ 14,116,055	\$ 14,461,294

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

<i>Years Ended June 30,</i>	2017	2016
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 5,877,961	\$ 5,836,397
Payments for interfund services used	(312,400)	(290,359)
Payments to suppliers	(3,669,073)	(3,329,126)
Payments to employees	(1,198,174)	(1,186,142)
Net cash flows from operating activities	698,314	1,030,770
Cash Flows for Capital and Related Financing Activities		
Purchase of property, plant and equipment	(58,922)	(105,697)
Proceeds from sale of capital assets	-	12,150
Principal paid on long-term debt	(115,000)	(110,000)
Interest paid on long-term debt	(124,094)	(128,048)
Federal interest subsidy received	30,811	30,969
Net cash flows for capital and related financing activities	(267,205)	(300,626)
Cash Flows from Investing Activities		
Investment income received	17,388	116,822
Net increase in cash and investments	448,497	846,966
Cash and Investments, beginning of year	7,366,431	6,519,465
Cash and Investments, end of year	\$ 7,814,928	\$ 7,366,431
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (505,735)	\$ (79,708)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	576,883	599,436
PERS relief	30,587	61,577
Amortization of deferred outflows of resources for pension	(101,430)	(154,287)
Amortization of deferred inflows of resources for pension	(3,015)	(87,197)
Nonoperating revenues received	200,007	372,344
Increase in allowance for doubtful accounts	12,159	1,385
(Increase) decrease in assets:		
Accounts receivable	(46,932)	16,552
Inventories	(13,075)	27,883
Prepaid expenses	(7,875)	234
Increase (decrease) in liabilities:		
Accounts payable	30,386	(69,500)
Accrued payroll and employee benefits	28,779	(2,524)
Accrued leave	1,438	(3,448)
Customer deposits	(141)	(905)
Net pension liability	496,278	348,928
Net Cash Flows from Operating Activities	\$ 698,314	\$ 1,030,770

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

<i>Year Ended June 30, 2017</i>	24.9 Rebuild	Hydro Station Upgrade	Hydro Penstock Clearing	PMPL Headquarters Building Remodel	Generator Set Replacement	Totals
Funding Sources						
Electric utility	\$ 8,837	\$ 1,285	\$ 18,396	\$ 5,472	\$ 24,932	\$ 58,922
Expenditures						
Professional services	\$ -		\$ -	\$ 977	\$ 24,872	\$ 25,849
Construction and contractors	-	824	8,000	2,800	-	11,624
Other	8,837	461	10,396	1,695	60	21,449
Total Expenditures	\$ 8,837	\$ 1,285	\$ 18,396	\$ 5,472	\$ 24,932	\$ 58,922

Petersburg Borough, Alaska

Water Utility Enterprise Fund
Statement of Net Position

June 30,	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,098,701	\$ 1,005,049
Receivables:		
Grants and loans	127	181
Accounts	94,194	83,407
Allowance for doubtful accounts	(2,602)	(595)
Inventories	57,784	50,916
Prepaid expenses	1,905	1,589
Total Current Assets	1,250,109	1,140,547
Property, Plant and Equipment		
Buildings	5,178,330	5,178,330
Improvements other than buildings	26,797,940	26,797,940
Machinery and equipment	3,000,849	3,000,849
Construction in progress	46,301	23,333
Total property, plant and equipment	35,023,420	35,000,452
Accumulated depreciation	(14,673,898)	(13,834,145)
Net Property, Plant and Equipment	20,349,522	21,166,307
Total Assets	21,599,631	22,306,854
Deferred Outflows of Resources related to pension	56,252	42,705
Total Assets and Deferred Outflows of Resources	\$ 21,655,883	\$ 22,349,559
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 4,754	\$ 1,518
Accrued payroll and employee benefits	10,450	9,925
Accrued leave	12,454	11,644
Customer deposits	7,235	7,021
Accrued interest	36,738	40,193
Current portion - ADEC loans	306,088	305,550
Total Current Liabilities	377,719	375,851
Noncurrent Liabilities		
ADEC loans	2,520,831	2,880,674
Net pension liability	280,006	213,984
Total Noncurrent Liabilities	2,800,837	3,094,658
Total Liabilities	3,178,556	3,470,509
Deferred Inflows of Resources related to pension	3,121	3,788
Net Position		
Net investment in capital assets	17,522,603	17,980,083
Unrestricted	951,603	895,179
Total Net Position	18,474,206	18,875,262
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 21,655,883	\$ 22,349,559

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

<i>Years Ended June 30,</i>	2017	2016
Operating Revenues		
Residential water	\$ 536,942	\$ 523,359
Commercial water	401,035	475,543
Water delivery	11,715	8,509
Other	15,164	6,152
Total Operating Revenues	964,856	1,013,563
Operating Expenses		
Salaries	194,493	185,091
Employee benefits	145,493	171,474
Materials and supplies	134,390	201,526
Services and charges	143,503	128,825
Allocated overhead	68,554	75,162
Motor pool charges:		
Operation and maintenance	12,071	4,789
Equipment replacement	12,662	10,731
Depreciation	839,753	839,753
Total Operating Expenses	1,550,919	1,617,351
Loss from Operations	(586,063)	(603,788)
Nonoperating Revenues (Expenses)		
Investment income	2,401	15,108
Interest expense	(43,493)	(77,475)
Federal loan subsidy	56,340	-
State PERS relief	4,759	10,110
Net Nonoperating Revenues (Expenses)	20,007	(52,257)
Loss before transfers	(566,056)	(656,045)
Transfers in	165,000	165,000
Change in Net Position	(401,056)	(491,045)
Net Position, beginning of year	18,875,262	19,366,307
Net Position, end of year	\$ 18,474,206	\$ 18,875,262

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

<i>Years Ended June 30,</i>	2017	2016
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 956,290	\$ 1,014,852
Payments for interfund services used	(93,287)	(90,682)
Payments to suppliers	(281,841)	(307,241)
Payments to employees	(282,084)	(261,643)
Net cash flows from operating activities	299,078	355,286
Cash Flows for Capital and Related Financing Activities		
Principal paid on long-term debt	(359,305)	(302,435)
Federal loan subsidy received	56,340	-
Interest paid on long-term debt	(46,948)	(74,687)
Purchase of property, plant and equipment	(22,968)	(23,333)
Transfers in	165,000	165,000
Capital contributions received	54	2,204
Net cash flows for capital and related financing activities	(207,827)	(233,251)
Cash Flows from Investing Activities		
Investment income received	2,401	15,108
Net increase in cash and investments	93,652	137,143
Cash and Investments, beginning of year	1,005,049	867,906
Cash and Investments, end of year	\$ 1,098,701	\$ 1,005,049
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (586,063)	\$ (603,788)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	839,753	839,753
PERS relief	4,759	10,110
Amortization of deferred outflows of resources for pension	(13,547)	(32,694)
Amortization of deferred inflows of resources for pension	(667)	(6,643)
Increase in allowance for doubtful accounts	2,007	406
(Increase) decrease in assets:		
Accounts receivable	(10,787)	1,638
Inventories	(6,868)	23,815
Prepaid expenses	(316)	(71)
Increase (decrease) in liabilities:		
Accounts payable	3,236	(634)
Accrued payroll and employee benefits	525	(1,096)
Accrued leave	810	1,545
Customer deposits	214	(755)
Net pension liability	66,022	123,700
Net Cash Flows from Operating Activities	\$ 299,078	\$ 355,286

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

<i>June 30,</i>	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,082,261	\$ 806,309
Receivables:		
Grants and loan	17,408	1,251,746
Accounts	78,500	72,881
Allowance for doubtful accounts	(1,303)	(699)
Inventories	25,595	24,910
Prepaid expenses	7,305	5,253
Total Current Assets	1,209,766	2,160,400
Property, Plant and Equipment		
Buildings	9,091,647	9,091,647
Improvements other than buildings	9,525,078	9,507,240
Machinery and equipment	414,226	414,226
Construction in progress	2,656,902	1,702,651
Total property, plant and equipment	21,687,853	20,715,764
Accumulated depreciation	(11,207,617)	(10,897,491)
Net Property, Plant and Equipment	10,480,236	9,818,273
Total Assets	11,690,002	11,978,673
Deferred Outflows of Resources related to pension	69,568	49,034
Total Assets and Deferred Outflows of Resources	\$ 11,759,570	\$ 12,027,707
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable - operations	\$ 1,094	\$ 116,156
Accounts payable - capital	5,785	644,496
Accrued payroll and employee benefits	18,484	15,611
Accrued leave	23,823	19,033
Customer deposits	6,122	6,481
Accrued interest	19,647	20,870
Current portion of ADEC loans	90,280	88,945
Total Current Liabilities	165,235	911,592
Noncurrent Liabilities		
ADEC loans	2,165,469	2,055,810
Net pension liability	346,287	245,697
Total Noncurrent Liabilities	2,511,756	2,301,507
Total Liabilities	2,676,991	3,213,099
Deferred Inflows of Resources related to pension	3,860	4,350
Net Position		
Net investment in capital assets	8,224,487	7,673,518
Unrestricted	854,232	1,136,740
Total Net Position	9,078,719	8,810,258
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 11,759,570	\$ 12,027,707

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

<i>Years Ended June 30,</i>	2017	2016
Operating Revenues		
Residential sewer	\$ 586,610	\$ 559,639
Commercial sewer	219,524	205,154
Other	17,083	17,517
Total Operating Revenues	823,217	782,310
Operating Expenses		
Salaries	210,248	192,345
Employee benefits	198,381	115,524
Materials and supplies	41,028	38,057
Services and charges	114,516	108,262
Allocated overhead	53,345	54,080
Motor pool charges:		
Operation and maintenance	20,624	19,686
Equipment replacement	63,540	50,084
Depreciation	310,126	329,268
Total Operating Expenses	1,011,808	907,306
Loss from Operations	(188,591)	(124,996)
Nonoperating Revenues (Expenses)		
Investment income	1,927	20,876
Interest expense	(21,544)	(59,013)
State PERS relief	5,885	11,608
Net Nonoperating Revenues (Expenses)	(13,732)	(26,529)
Loss before capital contributions	(202,323)	(151,525)
Capital contributions	470,784	995,927
Change in Net Position	268,461	844,402
Net Position, beginning of year	8,810,258	7,965,856
Net Position, end of year	\$ 9,078,719	\$ 8,810,258

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

<i>Years Ended June 30,</i>	2017	2016
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 817,843	\$ 778,960
Payments for interfund services used	(137,509)	(123,850)
Payments to suppliers	(273,343)	(68,721)
Payments to employees	(315,515)	(288,502)
Net cash flows from operating activities	91,476	297,887
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(101,930)	(87,603)
Interest paid on long-term debt	(22,767)	(44,014)
Purchase of property, plant and equipment	(1,610,800)	(938,091)
Proceeds from issuance of debt	212,924	28,842
Capital contributions received	1,705,122	200,521
Net cash flows from (for) capital and related financing activities	182,549	(840,345)
Cash Flows from Investing Activities		
Investment income received	1,927	20,876
Net increase (decrease) in cash and investments	275,952	(521,582)
Cash and Investments, beginning of year	806,309	1,327,891
Cash and Investments, end of year	\$ 1,082,261	\$ 806,309
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (188,591)	\$ (124,996)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	310,126	329,268
PERS relief	5,885	11,608
Amortization of deferred outflows of resources for pensions	(20,534)	(27,403)
Amortization of deferred inflows of resources for pensions	(490)	(18,189)
Increase in allowance for doubtful accounts	604	340
(Increase) decrease in assets:		
Accounts receivable	(5,619)	(3,506)
Inventories	(685)	(2,160)
Prepaid expenses	(2,052)	(880)
Increase (decrease) in liabilities:		
Accounts payable	(115,062)	80,638
Accrued payroll and employee benefits	2,873	2,565
Accrued leave	4,790	172
Customer deposits	(359)	(184)
Net pension liability	100,590	50,614
Net Cash Flows from Operating Activities	\$ 91,476	\$ 297,887
Supplemental Disclosure of Cash Flow Information		
Capital assets purchased on account	\$ 5,785	\$ 644,496

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

<i>Year Ended June 30, 2017</i>	Pumpstation #1 Upgrade	Composting and Septage Receiving	Totals
Funding Sources			
Intergovernmental	\$ 470,784	\$ -	\$ 470,784
Wastewater Utility	212,926	281,742	494,668
Total Funding Sources	\$ 683,710	\$ 281,742	\$ 965,452
Expenditures			
Contractor	\$ 602,686	\$ 269,652	\$ 872,338
Professional services	81,024	12,090	93,114
Total Expenditures	\$ 683,710	\$ 281,742	\$ 965,452

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

<i>June 30,</i>	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 372,871	\$ 315,500
Accounts receivable	133,750	110,792
Allowance for doubtful accounts	(1,767)	(530)
Prepaid expenses	3,867	4,696
Total Current Assets	508,721	430,458
Property, Plant and Equipment		
Land and land improvements	63,720	63,720
Buildings	2,211,180	2,211,180
Improvements other than buildings	807,695	807,695
Machinery and equipment	334,108	310,352
Total property, plant and equipment	3,416,703	3,392,947
Accumulated depreciation	(1,545,148)	(1,394,935)
Net Property, Plant and Equipment	1,871,555	1,998,012
Total Assets	2,380,276	2,428,470
Deferred Outflows of Resources related to pension	76,421	55,679
Total Assets and Deferred Outflows of Resources	\$ 2,456,697	\$ 2,484,149
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 28,885	\$ 25,320
Accrued payroll and employee benefits	15,486	16,634
Accrued leave	5,744	11,222
Customer deposits	10,574	8,641
Total Current Liabilities	60,689	61,817
Noncurrent Liabilities		
Net pension liability	380,396	278,995
Estimated landfill closure liability	65,970	65,968
Total Noncurrent Liabilities	446,366	344,963
Total Liabilities	507,055	406,780
Deferred Inflows of Resources related to pension	4,240	4,939
Net Position		
Net investment in capital assets	1,871,555	1,998,012
Unrestricted	73,847	74,418
Total Net Position	1,945,402	2,072,430
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,456,697	\$ 2,484,149

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

<i>Years Ended June 30,</i>	2017	2016
Operating Revenues		
Refuse collection	\$ 840,681	\$ 806,773
Landfill charges	295,676	332,116
Other	2,660	5,975
Total Operating Revenues	1,139,017	1,144,864
Operating Expenses		
Salaries	241,475	243,455
Employee benefits	211,006	221,571
Materials and supplies	43,603	41,476
Services and charges	127,428	134,088
Bale disposal	235,595	234,143
Allocated overhead	80,419	85,573
Motor pool charges:		
Operation and maintenance	104,974	102,172
Equipment replacement	78,708	97,853
Depreciation	150,213	139,325
Total Operating Expenses	1,273,421	1,299,656
Loss from Operations	(134,404)	(154,792)
Nonoperating Revenues		
Investment income	911	6,095
State PERS relief	6,465	13,181
Total Nonoperating Revenues	7,376	19,276
Change in Net Position	(127,028)	(135,516)
Net Position, beginning of year	2,072,430	2,207,946
Net Position, end of year	\$ 1,945,402	\$ 2,072,430

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

<i>Years Ended June 30,</i>	2017	2016
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,119,229	\$ 1,128,627
Payments for interfund services used	(264,101)	(285,598)
Payments to suppliers	(402,230)	(449,202)
Payments to employees	(372,682)	(358,859)
Net cash flows from operating activities	80,216	34,968
Cash Flows for Capital and Related Financing Activities		
Purchase of property, plant and equipment	(23,756)	(119,748)
Cash Flows from Investing Activities		
Investment income received	911	6,095
Net increase (decrease) in cash and investments	57,371	(78,685)
Cash and Investments, beginning of year	315,500	394,185
Cash and Investments, end of year	\$ 372,871	\$ 315,500
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (134,404)	\$ (154,792)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	150,213	139,325
PERS relief	6,465	13,181
Amortization of deferred outflows of resources for pension	(20,742)	(40,693)
Amortization of deferred inflows or resources for pension	(699)	(10,676)
Increase in allowance for doubtful accounts	1,237	76
(Increase) decrease in assets:		
Accounts receivable	(22,958)	(16,623)
Prepaid expenses	829	(209)
Increase (decrease) in liabilities:		
Accounts payable	3,565	(3,924)
Accrued payroll and employee benefits	(1,148)	836
Accrued leave	(5,478)	(325)
Customer deposits	1,933	310
Net pension liability	101,401	143,844
Landfill closure liability	2	(35,362)
Net Cash Flows from Operating Activities	\$ 80,216	\$ 34,968

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

<i>June 30,</i>	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 2,583,308	\$ 2,701,719
Accounts receivable	265,030	197,449
Allowance for doubtful accounts	(22,558)	(24,490)
Prepaid expenses	16,571	13,151
Total Current Assets	2,842,351	2,887,829
Property, Plant and Equipment		
Land and land improvements	360,059	360,059
Buildings	339,690	339,690
Improvements other than buildings	38,909,480	37,335,199
Machinery and equipment	552,033	552,033
Construction in progress	14,950	141,993
Total property, plant and equipment	40,176,212	38,748,974
Accumulated depreciation	(11,596,132)	(10,239,737)
Net Property, Plant and Equipment	28,580,080	28,509,237
Total Assets	31,422,431	31,397,066
Deferred Outflows of Resources		
Deferred outflows of resources related to pension	173,500	125,562
Deferred charges on refunding	13,135	13,373
Total Deferred Outflows of Resources	186,635	138,935
Total Assets and Deferred Outflows of Resources	\$ 31,609,066	\$ 31,536,001
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 6,540	\$ 6,438
Accrued payroll and employee benefits	42,247	35,651
Accrued leave	58,373	56,512
Prepaid moorage	95,972	107,966
Accrued interest	1,278	2,008
Current portion of general obligation bonds	100,000	99,996
Total Current Liabilities	304,410	308,571
Noncurrent Liabilities		
General obligation bonds	333,316	441,649
Bond premium, net of accumulated amortization	21,144	6,621
Net pension liability	863,627	629,160
Total Noncurrent Liabilities	1,218,087	1,077,430
Total Liabilities	1,522,497	1,386,001
Deferred Inflows of Resources related to pension	9,627	11,139
Net Position		
Net investment in capital assets	28,138,755	27,974,344
Unrestricted	1,938,187	2,164,517
Total Net Position	30,076,942	30,138,861
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 31,609,066	\$ 31,536,001

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

<i>Years Ended June 30,</i>	2017	2016
Operating Revenues		
Harbor charges	\$ 1,068,374	\$ 1,049,805
Port charges and leases	180,294	169,865
Other	12,269	5,248
Total Operating Revenues	1,260,937	1,224,918
Operating Expenses		
Salaries	436,672	407,578
Employee benefits	455,149	411,003
Materials and supplies	36,827	48,723
Services and charges	244,873	241,169
Allocated overhead	81,269	77,183
Motor pool charges:		
Operation and maintenance	13,342	15,843
Equipment replacement	5,857	3,879
Depreciation	1,356,395	1,362,976
Total Operating Expenses	2,630,384	2,568,354
Loss from Operations	(1,369,447)	(1,343,436)
Nonoperating Revenues (Expenses)		
Investment income	5,752	39,560
Interest expense	(17,058)	(26,849)
State PERS relief	14,678	29,724
Net Nonoperating Revenues (Expenses)	3,372	42,435
Loss before capital contributions and transfers	(1,366,075)	(1,301,001)
Capital contributions	1,217,308	127,043
Transfers in	86,848	570,118
Change in Net Position	(61,919)	(603,840)
Net Position, beginning of year	30,138,861	30,742,701
Net Position, end of year	\$ 30,076,942	\$ 30,138,861

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

<i>Years Ended June 30,</i>	2017	2016
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,179,430	\$ 1,200,047
Payments for interfund services used	(100,468)	(96,905)
Payments to suppliers	(285,018)	(338,799)
Payments to employees	(683,669)	(636,103)
Net cash flows from operating activities	110,275	128,240
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(541,645)	(91,663)
Interest paid on long-term debt	(29,457)	(26,621)
Proceeds from issuance of long-term debt	459,746	-
Purchase of property, plant and equipment	(1,427,238)	(147,295)
Transfers in	86,848	570,118
Capital contributions received	1,217,308	380,554
Net cash flows from (for) capital and related financing activities	(234,438)	685,093
Cash Flows from Investing Activities		
Investment income received	5,752	39,560
Net increase (decrease) in cash and investments	(118,411)	852,893
Cash and Investments, beginning of year	2,701,719	1,848,826
Cash and Investments, end of year	\$ 2,583,308	\$ 2,701,719
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (1,369,447)	\$ (1,343,436)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	1,356,395	1,362,976
PERS relief	14,678	29,724
Amortization of deferred outflows of resources for pension	(47,938)	(86,187)
Amortization of deferred inflows of resources for pension	(1,512)	(29,888)
Increase (decrease) in allowance for doubtful accounts	(1,932)	11,289
(Increase) decrease in assets:		
Accounts receivable	(67,581)	(18,443)
Prepaid expenses	(3,420)	(587)
Increase (decrease) in liabilities:		
Accounts payable	102	(48,320)
Accrued payroll and employee benefits	6,596	1,921
Accrued leave	1,861	(7,140)
Prepaid moorage	(11,994)	(17,717)
Net pension liability	234,467	274,048
Net Cash Flows from Operating Activities	\$ 110,275	\$ 128,240

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

<i>Year Ended June 30, 2017</i>	Commercial Dock Drive
Funding Sources	
Intergovernmental	\$ 1,217,308
Commercial Dock Drive Down	209,930
Total Funding Sources	\$ 1,427,238
Expenditures	
Professional services	\$ 23,350
Construction and contractors	1,307,759
Other	96,129
Total Expenditures	\$ 1,427,238

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

<i>June 30,</i>	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 609,297	\$ 611,108
Prepaid expenses	2,914	2,432
Total Current Assets	612,211	613,540
Restricted Cash - security deposits	17,486	17,480
Property, Plant and Equipment		
Land and land improvements	127,419	127,419
Buildings	2,908,473	2,897,973
Improvements other than buildings	240,316	240,316
Machinery and equipment	144,322	113,741
Total property, plant and equipment	3,420,530	3,379,449
Accumulated depreciation	(2,528,448)	(2,430,972)
Net Property, Plant and Equipment	892,082	948,477
Total Assets	1,521,779	1,579,497
Deferred Outflows of Resources		
Deferred outflows of resources related to pension	42,082	31,534
Deferred charges on refunding	18,956	22,116
Total Deferred Outflows of Resources	61,038	53,650
Total Assets and Deferred Outflows of Resources	\$ 1,582,817	\$ 1,633,147
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 901	\$ 2,006
Accrued payroll and employee benefits	7,884	7,547
Accrued leave	2,944	2,021
Unearned revenue	1,357	1,252
Customer deposits	10,037	9,372
Accrued interest	5,525	6,092
Current portion of general obligation bonds	45,000	42,500
Total Current Liabilities	73,648	70,790
Noncurrent Liabilities		
General obligation bonds	306,250	351,250
Bond premium, net of accumulated amortization	44,332	51,721
Net pension liability	209,472	158,009
Total Noncurrent Liabilities	560,054	560,980
Total Liabilities	633,702	631,770
Deferred Inflows of Resources related to pension	2,335	2,797
Net Position		
Net investment in capital assets	515,456	525,122
Unrestricted	431,324	473,458
Total Net Position	946,780	998,580
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,582,817	\$ 1,633,147

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

<i>Years Ended June 30,</i>	2017	2016
Operating Revenues		
Federal government - rental subsidies	\$ 273,808	\$ 261,443
Rental income	119,509	117,499
Total Operating Revenues	393,317	378,942
Operating Expenses		
Salaries	99,600	96,496
Employee benefits	94,579	131,038
Materials and supplies	7,971	8,408
Services and charges	106,350	114,795
Allocated overhead	26,192	26,794
Motor pool charges:		
Operation and maintenance	2,031	3,083
Equipment replacement	3,194	3,194
Depreciation	97,476	96,455
Total Operating Expenses	437,393	480,263
Loss from Operations	(44,076)	(101,321)
Nonoperating Revenues (Expenses)		
Investment income	1,345	9,940
Interest expense	(12,629)	(13,544)
State PERS relief	3,560	7,465
Net Nonoperating Revenues (Expenses)	(7,724)	3,861
Change in Net Position	(51,800)	(97,460)
Net Position, beginning of year	998,580	1,096,040
Net Position, end of year	\$ 946,780	\$ 998,580

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

<i>Years Ended June 30,</i>	2017	2016
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 394,087	\$ 378,695
Payments for interfund services used	(31,417)	(33,071)
Payments to suppliers	(115,908)	(123,198)
Payments to employees	(148,906)	(142,547)
Net cash flows from operating activities	97,856	79,879
Cash Flows for Capital and Related Financing Activities		
Principal paid on long-term debt	(42,500)	(41,250)
Interest paid on long-term debt	(17,425)	(19,099)
Purchase of property, plant and equipment	(41,081)	(10,210)
Net cash flows for capital and related financing activities	(101,006)	(70,559)
Cash Flows from Investing Activities		
Investment income received	1,345	9,940
Net increase (decrease) in cash and investments	(1,805)	19,260
Cash and Investments, beginning of year	628,588	609,328
Cash and Investments, end of year	\$ 626,783	\$ 628,588
Cash and Investments at End of Year		
Cash and investments	\$ 609,297	\$ 611,108
Restricted cash	17,486	17,480
Total Cash and Investments	\$ 626,783	\$ 628,588
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (44,076)	\$ (101,321)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	97,476	96,455
PERS relief	3,560	7,465
Amortization of deferred outflows of resources for pension	(10,548)	(25,721)
Amortization of deferred inflows of resources for pension	(462)	(3,260)
Increase in assets - prepaid expenses	(482)	(109)
Increase (decrease) in liabilities:		
Accounts payable	(1,105)	114
Accrued payroll and employee benefits	337	279
Accrued leave	923	645
Unearned revenue	105	(55)
Customer deposits	665	(192)
Net pension liability	51,463	105,579
Net Cash Flows from Operating Activities	\$ 97,856	\$ 79,879

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

<i>June 30,</i>	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 59,815	\$ 230,593
Accounts receivable	9,440	-
Prepaid expenses	17,552	14,768
Total Current Assets	86,807	245,361
Property, Plant and Equipment		
Buildings	3,986,940	3,920,170
Machinery and equipment	89,262	89,262
Total property, plant and equipment	4,076,202	4,009,432
Accumulated depreciation	(1,401,720)	(1,301,253)
Net Property, Plant and Equipment	2,674,482	2,708,179
Total Assets	2,761,289	2,953,540
Deferred Outflows of Resources		
Deferred outflows of resources related to pension	235,654	154,391
Deferred charges on refunding	56,869	66,347
Total Deferred Outflows of Resources	292,523	220,738
Total Assets and Deferred Outflows of Resources	\$ 3,053,812	\$ 3,174,278
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 3,863	\$ 9,530
Accrued payroll and employee benefits	48,354	40,239
Accrued leave	55,093	44,315
Unearned revenue	3,204	3,204
Customer deposits	3,900	4,500
Accrued interest	16,575	18,275
Current portion of general obligation bonds	135,000	127,500
Total Current Liabilities	265,989	247,563
Noncurrent Liabilities		
General obligation bonds	918,750	1,053,750
Bond premium, net of accumulated amortization	132,998	155,165
Net pension liability	1,173,005	773,616
Total Noncurrent Liabilities	2,224,753	1,982,531
Total Liabilities	2,490,742	2,230,094
Deferred Inflows of Resources related to pension	13,075	13,696
Net Position		
Net investment in capital assets	1,544,603	1,438,111
Deficit	(994,608)	(507,623)
Total Net Position	549,995	930,488
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 3,053,812	\$ 3,174,278

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

<i>Years Ended June 30,</i>	2017	2016
Operating Revenues		
Rents and royalties	\$ 245,213	\$ 253,841
Fees for services	429,110	412,770
Medicaid services	377,188	353,543
General relief for services	28,936	22,145
Transportation	8,233	4,938
Other revenues	2,831	3,485
Total Operating Revenues	1,091,511	1,050,722
Operating Expenses		
Salaries	653,264	565,315
Employee benefits	660,156	506,529
Materials and supplies	98,910	98,444
Services and charges	128,616	104,566
Allocated overhead	67,623	70,200
Motor pool charges:		
Operation and maintenance	2,031	3,083
Equipment replacement	3,194	3,194
Depreciation	100,467	100,467
Total Operating Expenses	1,714,261	1,451,798
Loss from Operations	(622,750)	(401,076)
Nonoperating Revenues (Expenses)		
Interest expense	(37,887)	(40,637)
Investment income	474	4,521
State PERS relief	19,936	36,548
Net Nonoperating Revenues (Expenses)	(17,477)	432
Loss before transfers	(640,227)	(400,644)
Transfers in	259,734	231,050
Change in Net Position	(380,493)	(169,594)
Net Position, beginning of year	930,488	1,100,082
Net Position, end of year	\$ 549,995	\$ 930,488

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

<i>Years Ended June 30,</i>	2017	2016
Cash Flows for Operating Activities		
Receipts from customers and users	\$ 1,081,471	\$ 1,050,922
Payments for interfund services used	(72,848)	(76,477)
Payments to suppliers	(235,977)	(195,313)
Payments to employees	(957,086)	(839,146)
Net cash flows for operating activities	(184,440)	(60,014)
Cash Flows from Capital and Related Financing Activities		
Purchase of property, plant and equipment	(66,770)	-
Principal paid on long term debt	(127,500)	(123,750)
Interest paid on long term debt	(52,276)	(57,299)
Transfers in	259,734	231,050
Net cash flows from capital and related financing activities	13,188	50,001
Cash Flows from Investing Activities		
Investment income received	474	4,521
Net decrease in cash and investments	(170,778)	(5,492)
Cash and Investments, beginning of year	230,593	236,085
Cash and Investments, end of year	\$ 59,815	\$ 230,593
Reconciliation of Loss from Operations to Net Cash Flows for Operating Activities		
Loss from operations	\$ (622,750)	\$ (401,076)
Adjustments to reconcile loss from operations to net cash flows for operating activities:		
Noncash expenses:		
Depreciation	100,467	100,467
PERS relief	19,936	36,548
Amortization of deferred outflows of resources for pension	(81,263)	(105,471)
Amortization of deferred inflows of resources for pension	(621)	(37,277)
(Increase) decrease in assets:		
Accounts receivable	(9,440)	-
Prepaid expenses	(2,784)	452
Increase (decrease) in liabilities:		
Accounts payable	(5,667)	7,245
Accrued payroll and employee benefits	8,115	794
Accrued leave	10,778	5,680
Unearned revenue	-	200
Customer deposits	(600)	-
Net pension liability	399,389	332,424
Net Cash Flows for Operating Activities	\$ (184,440)	\$ (60,014)

Internal Service Fund

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

Motor Pool

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

Petersburg Borough, Alaska
Motor Pool Internal Service Fund
Statement of Net Position

<i>June 30,</i>	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 4,363,452	\$ 4,340,497
Receivables - other	8,874	3,136
Prepaid expenses	4,733	3,949
Total Current Assets	4,377,059	4,347,582
Equipment	7,324,996	6,996,540
Accumulated depreciation	(4,532,074)	(4,258,775)
Net Equipment	2,792,922	2,737,765
Total Assets	7,169,981	7,085,347
Deferred Outflows of Resources related to pension	42,560	36,276
Total Assets and Deferred Outflows of Resources	\$ 7,212,541	\$ 7,121,623
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 5,034	\$ 1,791
Accrued payroll and employee benefits	10,536	9,505
Accrued leave	22,348	19,427
Total Current Liabilities	37,918	30,723
Noncurrent Liabilities - net pension liability	211,848	181,772
Total Liabilities	249,766	212,495
Deferred Inflows of Resources related to pension	2,361	3,218
Net Position		
Net investment in capital assets	2,792,922	2,737,765
Unrestricted	4,167,492	4,168,145
Total Net Position	6,960,414	6,905,910
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 7,212,541	\$ 7,121,623

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

<i>Years Ended June 30,</i>	2017	2016
Operating Revenues		
Operation and maintenance charges	\$ 521,891	\$ 427,337
Replacement reserve charges	396,697	428,021
Other	-	121
Total Operating Revenues	918,588	855,479
Operating Expenses		
Salaries	123,618	115,410
Employee benefits	97,090	74,876
Materials and supplies	252,185	180,725
Services and charges	57,677	59,579
Motor pool charges:		
Operation and maintenance	13,028	7,960
Equipment replacement	137	137
Depreciation	340,781	274,359
Total Operating Expenses	884,516	713,046
Income from Operations	34,072	142,433
Nonoperating Revenues		
Gain on sale of capital assets	16,831	-
State PERS relief	3,601	8,587
Total Nonoperating Revenues	20,432	8,587
Change in Net Position	54,504	151,020
Net Position, beginning of year	6,905,910	6,754,890
Net Position, end of year	\$ 6,960,414	\$ 6,905,910

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

<i>Years Ended June 30,</i>	2017	2016
Cash Flows from Operating Activities		
Receipts from interfund services provided	\$ 912,850	\$ 856,322
Payments for interfund services used	(13,165)	(8,097)
Payments to suppliers	(307,403)	(250,927)
Payments to employees	(190,220)	(177,161)
Net cash flows from operating activities	402,062	420,137
Cash Flows for Capital and Related Financing Activities		
Proceeds from sale of equipment	16,831	-
Purchase of equipment	(395,938)	(822,105)
Net cash flows for capital and related financing activities	(379,107)	(822,105)
Net increase (decrease) in cash and investments	22,955	(401,968)
Cash and Investments, beginning of year	4,340,497	4,742,465
Cash and Investments, end of year	\$ 4,363,452	\$ 4,340,497
Reconciliation of Income from Operations to Net Cash		
Flows from Operating Activities		
Income from operations	\$ 34,072	\$ 142,433
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	340,781	274,359
PERS relief	3,601	8,587
Amortization of deferred outflows of resources for pension	(6,284)	(21,011)
Amortization of deferred inflows of resources for pension	(857)	(12,688)
(Increase) decrease in assets:		
Accounts receivable - other	(5,738)	843
Prepaid expenses	(784)	(981)
Increase (decrease) in liabilities:		
Accounts payable	3,243	(9,642)
Accrued payroll and employee benefits	1,031	229
Accrued leave	2,921	(6,090)
Net pension liability	30,076	44,098
Net Cash Flows from Operating Activities	\$ 402,062	\$ 420,137

Petersburg Borough, Alaska
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Passed Through Entity Identifying Number	Total Grant Award	Passed Through to Subrecipients	Total Federal Expend- itures
Department of Agriculture					
Forest Service Schools and Roads Cluster - USDA Project: City Creek Trail	10.665		\$60,000	\$ -	\$ 49,429
Department of Justice					
Public Safety Partnership and Community Policing Grants - 2016 Bullet Proof Vest Program	16.710		2,040	-	497
Environmental Protection Agency					
Passed through the State of Alaska Department of Environmental Conservation:					
Alaska Clean Water Fund Loan - Clean Water State Revolving Fund Cluster:					
ACWF Pumpstation 1, Upgrade Loan	66.458	685261	828,702	-	465,277
ACWF Pumpstation 1, Upgrade Loan Subsidy	66.458	685261	828,702	-	3,684
Total Clean Water State Revolving Fund Cluster				-	468,961
Total Environmental Protection Agency				-	468,961
Department of Homeland Security					
Passed through the State of Alaska Department of Military and Veteran Affairs:					
2016 Homeland Security Grant Program	97.067	20SHSP-GY16	260,594	-	111,594
2015 Homeland Security Grant Program	97.067	20SHSP-GY15	58,700	-	3,768
Total Department of Homeland Security				-	115,362
Department of the Interior					
Passed through the State of Alaska Department of Commerce, Community and Economic Development -					
Payment in Lieu of Tax	15.226		567,532	-	567,532
Department of Transportation					
Passed through the State of Alaska Department of Transportation and Public Facilities -					
Highway Planning and Construction Cluster - Hungry Point Trail Extension	20.219	1079541	41,390	-	41,390
Total Expenditures of Federal Awards				\$ -	\$1,243,171

The accompanying notes are an integral part of this schedule.

Petersburg Borough, Alaska
Schedule of State Financial Assistance
Year Ended June 30, 2017

Name of Award	Grant Number	Total Grant Award	State Share of Expend- itures
Department of Commerce, Community and Economic Development			
Sons of Norway Hall Renovation/Improvements	13-DC-300	\$ 250,000	\$ 6,269
Sandy Beach Bathroom Remodel	13-DM-093	25,000	5,849
*Police Station and Jail Facility	14-DC-128	2,500,000	1,260,964
*Police Station and Jail Facility	14-RR-053	1,362,703	1,362,703
*PD/Jail/Admin/Finance Facility	15-DC-136	1,007,500	622,205
*Fish Resource Landing Tax	2016	336,848	336,848
*Commercial Dock/Vehicle Drive Down Design/Construction	13-DC-595	5,600,000	1,217,308
Shared Fisheries Business Tax	2017	14,709	14,709
Total Department of Commerce, Community and Economic Development			<u>4,826,855</u>
Department of Education and Early Development			
*Debt Retirement Program	2017	365,557	365,557
Public Library Assistance Grant	PLA-17-761-01B	6,900	6,900
Total Department of Education and Early Development			<u>372,457</u>
Department of Natural Resources			
E. Haugen Public Use Area Maintenance	2016	6,242	4,578
E. Haugen Public Use Area Maintenance	2017	6,242	3,536
Total Department of Natural Resources			<u>8,114</u>
Department of Environmental Conservation			
*Pump Station 1 Upgrades	MMG 68535	1,714,125	470,784

The accompanying notes are an integral part of this schedule.

Petersburg Borough, Alaska
Schedule of State Financial Assistance, continued
Year Ended June 30, 2017

Name of Award	Grant Number	Total Grant Award	State Share of Expend- itures
Department of Military and Veteran's Affairs			
Local Emergency Planning Committee	20 LEPC-GY17	\$ 9,070	<u>\$ 9,070</u>
Department of Revenue			
*Revenue Sharing	2017	340,441	340,441
Liquor Licenses	2016	7,000	<u>7,000</u>
Total Department of Revenue			<u>347,441</u>
Department of Administration			
*PERS Relief	N/A	223,357	<u>223,357</u>
Total State Financial Assistance			<u>\$ 6,258,078</u>

* Major Program

The accompanying notes are an integral part of this schedule.

Petersburg Borough, Alaska

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance For the Year Ended June 30, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and the schedule of state financial assistance (the "Schedules") include the federal and state award activity of Petersburg Borough (the Borough) excluding its component units, Petersburg School District and Petersburg Medical Center, under programs of the federal and state governments for the year ended June 30, 2017. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the schedules presents only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in net position, or cash flows of the Borough.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

4. PERS On-Behalf

The Borough has recorded \$223,357 in PERS On-Behalf payments in the Schedule of State Financial Assistance. This represents the PERS relief payment appropriated and transferred into the plan during Fiscal Year 2017.

In the governmental fund financial statements, on-behalf revenue and expenditures have been recognized in the year appropriated and transferred to the plan. However, in the full accrual financial statements, GASB 68 provisions prescribe that on-behalf pension contributions in a special funding situation may only be recognized during the measurement period in which the plan recognizes the contributions. This creates a significant timing difference between the cash contribution and revenue and expense recognition by the Borough.

As a result of these perspective and timing differences, amounts reported in the financial statements do not agree to the amounts reported on the Schedule of State Financial Assistance.

Single Audit Section



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and Borough Assembly
Petersburg Borough, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Petersburg Borough as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Petersburg Borough's basic financial statements and have issued our report thereon dated January 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Petersburg Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Petersburg Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of Petersburg Borough's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
January 24, 2018



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and Borough Assembly
Petersburg Borough, Alaska

Report on Compliance for Each Major Federal Program

We have audited Petersburg Borough's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Petersburg Borough's major federal programs for the year ended June 30, 2017. Petersburg Borough's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Petersburg Borough's basic financial statements include the operations of the Petersburg School District. Our audit, described below, did not include the operations of the Petersburg School District because it was subjected to a separate audit; however it did not meet the threshold for an audit in accordance with the Uniform Guidance. In addition, Petersburg Borough's basic financial statements also include the operations of Petersburg Medical Center. Our audit, described below, did not include the operations of the Petersburg Medical Center because it was subjected to a separate audit; however it did not meet the threshold for an audit in accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Petersburg Borough's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Petersburg Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Petersburg Borough's compliance.

Opinion on Each Major Federal Program

In our opinion, Petersburg Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Petersburg Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Petersburg Borough's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Petersburg Borough's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
January 24, 2018



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and Borough Assembly
Petersburg Borough, Alaska

Report on Compliance for Each Major State Program

We have audited Petersburg Borough's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of Petersburg Borough's major state programs for the year ended June 30, 2017. Petersburg Borough's major state programs are identified in the accompanying schedule of state financial assistance.

Petersburg Borough's basic financial statements include the operations of the Petersburg School District which received \$6,834,995 in state awards which is not included in Petersburg Borough's schedule of state financial assistance during the year ended June 30, 2017. Our audit, described below, did not include the operations of the Petersburg School District because it was subjected to a separate audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. In addition, Petersburg Borough's basic financial statements also include the operations of Petersburg Medical Center. Our audit, described below, did not include the operations of the Petersburg Medical Center because it was subjected to a separate audit; however it did not meet the threshold for an audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Petersburg Borough's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Petersburg Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Petersburg Borough's compliance.

Opinion on Each Major State Program

In our opinion, Petersburg Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Petersburg Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Petersburg Borough's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program, and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Petersburg Borough's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
January 24, 2018

Petersburg Borough, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

Section I - Summary of Auditors' Results
Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
15.226	Payment in Lieu of Tax	Department of the Interior

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

Auditee qualified as low-risk auditee? X yes no

State Financial Assistance

Internal control over major state programs:

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

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

Dollar threshold used to distinguish a State major program: \$ 100,000

Petersburg Borough, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2017

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.

Section IV - State Financial Assistance Findings and Questioned Costs

There were no findings and questioned costs for State financial assistance (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.