



Petersburg Borough, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, and Single Audit Reports
Year Ended June 30, 2019

Petersburg Borough, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and Single Audit Reports
Year Ended June 30, 2019

Petersburg Borough, Alaska

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Financial Section

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Independent Auditor's Report

Honorable Mayor and Borough Assembly
Petersburg Borough, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Petersburg Borough, Alaska (the "Borough"), as of and for the year ended June 30, 2019, 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 did not audit the financial statements of Petersburg Medical Center, a discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Petersburg Medical Center, is based solely on the reports of other auditors. 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.

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Opinions

In our opinion, based on our audit and the report of other auditors, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, amounts reported for Petersburg Medical Center have been restated to correct for an accounting error. As mentioned earlier, the financial statements of Petersburg Medical Center were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Petersburg Medical Center, is based solely on the reports of other auditors.

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 budgetary comparison information on page 72, and other required supplementary information on pages 73 through 75, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Petersburg Borough's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The accompanying Schedule of Expenditures of Federal Awards and combining and individual fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Petersburg Borough as of and for the year ended June 30, 2018 (not presented herein), and have issued our report thereon dated February 8, 2019 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, 2018 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, 2018 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 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, 2019.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2019, on our consideration of Petersburg Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Petersburg Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Petersburg Borough's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
December 31, 2019

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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, 2019. 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 \$129.2 million (net position). Of this amount, \$106.5 million was invested in capital assets, \$4 million restricted in school support and a roads special revenue fund, and \$18.5 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 \$4.4 million which is an increase of \$718,126. This is due to an increase in FY19 sales tax revenue and increase in investment income. The unassigned fund balance for the General Fund represented 50% 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, community services, culture and recreation, and education services. The business-type activities of the Borough include the electric, water, wastewater and sanitation utilities; the port and harbors; elderly housing and assisted living facilities; and the motor pool operations.

Petersburg Borough

Management's Discussion and Analysis

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

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

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

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

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

Notes to the Financial Statements. The notes to the financial statements begin on page 34. The notes provide information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements.

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

Petersburg Borough

Management's Discussion and Analysis

Government Wide Financial Statements

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

In the case of the Petersburg Borough, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$129,189,561 at the close of the most recent fiscal year. This was a net decrease of \$519,643 from the previous year.

The largest portion of the Borough's net position, 82%, 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	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 15,881,813	\$ 14,763,531	\$ 18,578,610	\$ 17,504,093	\$ 34,460,423	\$ 32,267,624
Restricted cash and investments		-	11,639	17,486	11,639	17,486
Capital assets, net of depreciation	49,660,071	51,568,335	69,768,656	72,479,880	119,428,727	124,048,215
Deferred outflows of resources	1,182,242	796,613	1,010,648	631,723	2,192,890	1,428,336
Total Assets and Deferred Outflows of Resources	66,724,126	67,128,479	89,369,553	90,633,182	156,093,679	157,761,661
Liabilities						
Long-term liabilities	11,730,460	11,852,714	13,112,744	13,452,528	24,843,204	25,305,242
Other liabilities	445,703	446,151	681,890	697,850	1,127,593	1,144,001
Deferred Inflows of resources	529,820	873,670	403,501	729,544	933,321	1,603,214
Total Liabilities and Deferred Inflows of Resourc	12,705,983	13,172,535	14,198,135	14,879,922	26,904,118	28,052,457
Net Position						
Net investment in capital assets	44,250,978	45,464,620	62,254,826	64,042,162	106,505,804	109,506,782
Restricted	4,186,672	3,921,265	-	-	4,186,672	3,921,265
Unrestricted	5,580,493	4,570,059	12,916,592	11,711,098	18,497,085	16,281,157
Total Net Position	\$ 54,018,143	\$ 53,955,944	\$ 75,171,418	\$ 75,753,260	\$ 129,189,561	\$ 129,709,204

Petersburg Borough

Management's Discussion and Analysis

Statement of Activities

The Borough's total revenues and expenses for governmental and business-type activities are reflected in the following table.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Activities	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 721,279	\$ 625,511	\$ 12,619,684	\$ 12,032,970	\$ 13,340,963	\$ 12,658,481
Operating grants and contributions	1,104,751	1,323,597	251,975	143,298	1,356,726	1,466,895
Capital grants and contributions	163,605	166,801	-	2,742	163,605	169,543
General Revenues:						
Property Tax	3,347,614	3,356,815	-	-	3,347,614	3,356,815
Sales Tax	3,192,022	2,961,386	-	-	3,192,022	2,961,386
Payment in lieu of taxes	611,636	585,888	-	-	611,636	585,888
Other taxes	298,129	318,571	-	-	298,129	318,571
Grants and entitlements not restricted to a specific purpose	1,275,344	1,280,039	-	-	1,275,344	1,280,039
Investment Income	778,765	335,962	434,903	57,092	1,213,668	393,054
Other	5,298	6,856	-	-	5,298	6,856
Total revenues	11,498,443	10,961,426	13,306,562	12,236,102	24,805,005	23,197,528
Expenses						
General Government	1,280,801	1,167,960	-	-	1,280,801	1,167,960
Public Safety	2,589,336	2,557,871	-	-	2,589,336	2,557,871
Public Works	1,475,976	1,473,877	-	-	1,475,976	1,473,877
Community Development	328,459	311,940	-	-	328,459	311,940
Community Services	164,526	138,404	-	-	164,526	138,404
Culture & Recreation	2,041,774	1,943,474	-	-	2,041,774	1,943,474
Education	2,200,303	2,221,728	-	-	2,200,303	2,221,728
Electric utility	-	-	6,447,771	6,032,668	6,447,771	6,032,668
Water utility	-	-	1,631,853	1,566,826	1,631,853	1,566,826
Wastewater utility	-	-	1,101,061	928,997	1,101,061	928,997
Sanitation utility	-	-	1,206,581	1,108,016	1,206,581	1,108,016
Harbor/Port Facilities	-	-	2,641,897	2,847,546	2,641,897	2,847,546
Elderly Housing	-	-	440,476	418,702	440,476	418,702
Assisted Living	-	-	1,618,423	1,398,344	1,618,423	1,398,344
Total expenses	10,081,175	9,815,254	15,088,062	14,301,099	25,169,237	24,116,353
Increase (decrease) in net position before transfers	1,417,268	1,146,172	(1,781,500)	(2,064,997)	(364,232)	(918,825)
Transfers	(1,285,454)	(511,582)	1,285,454	511,582	-	-
Increase (decrease) in net position	131,814	634,590	(496,046)	(1,553,415)	(364,232)	(918,825)
Beginning net position, as restated	53,955,944	53,101,491	75,753,260	78,769,100	129,709,204	131,870,591
Ending net position	\$ 54,087,758	\$ 53,736,081	\$ 75,257,214	\$ 77,215,685	\$ 129,344,972	\$ 130,951,766

Petersburg Borough

Management's Discussion and Analysis

Governmental Activities

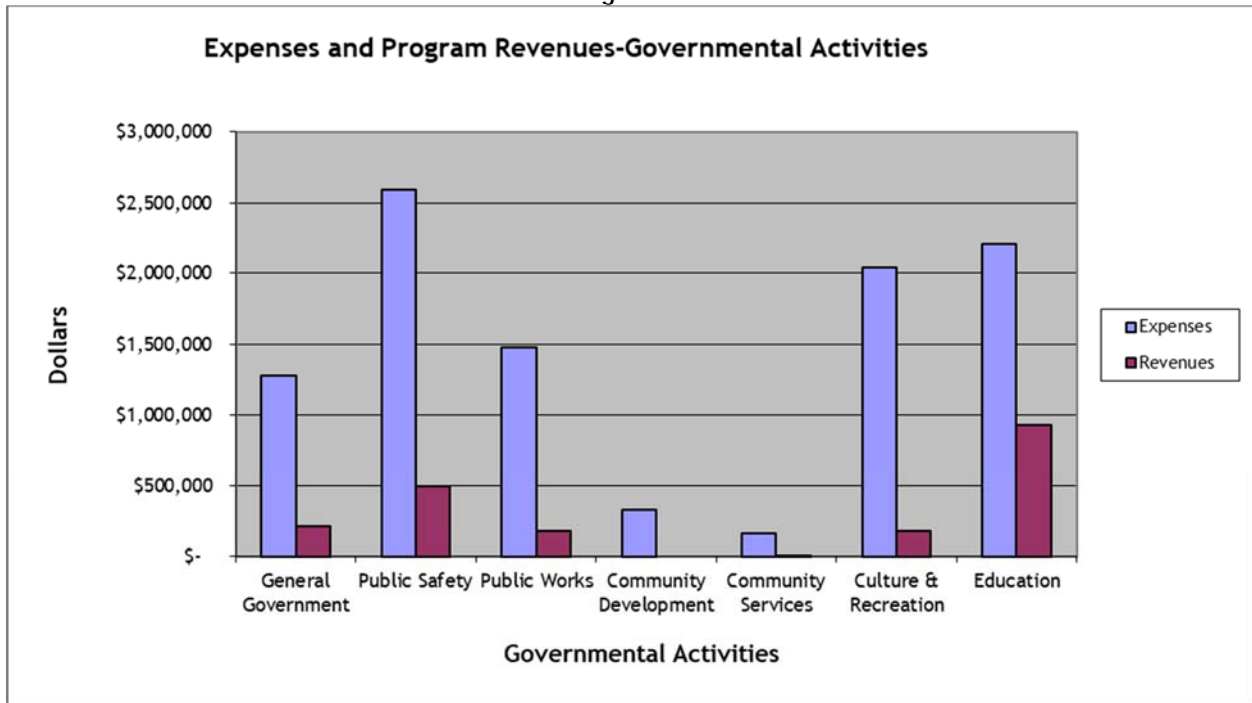
Governmental activities change in net position for 2019 was an increase of \$62,199. Key elements of this follows:

- \$3.19 million in sales tax revenues, this is a \$230,636 (8%) increase from the prior year.
- Grants and entitlements revenue not restricted to specific purpose of \$1.28 million.

The net position for the Borough's governmental activities is \$54.1 million. A substantial portion (82%) 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 \$5.58 million as of June 30, 2019.

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

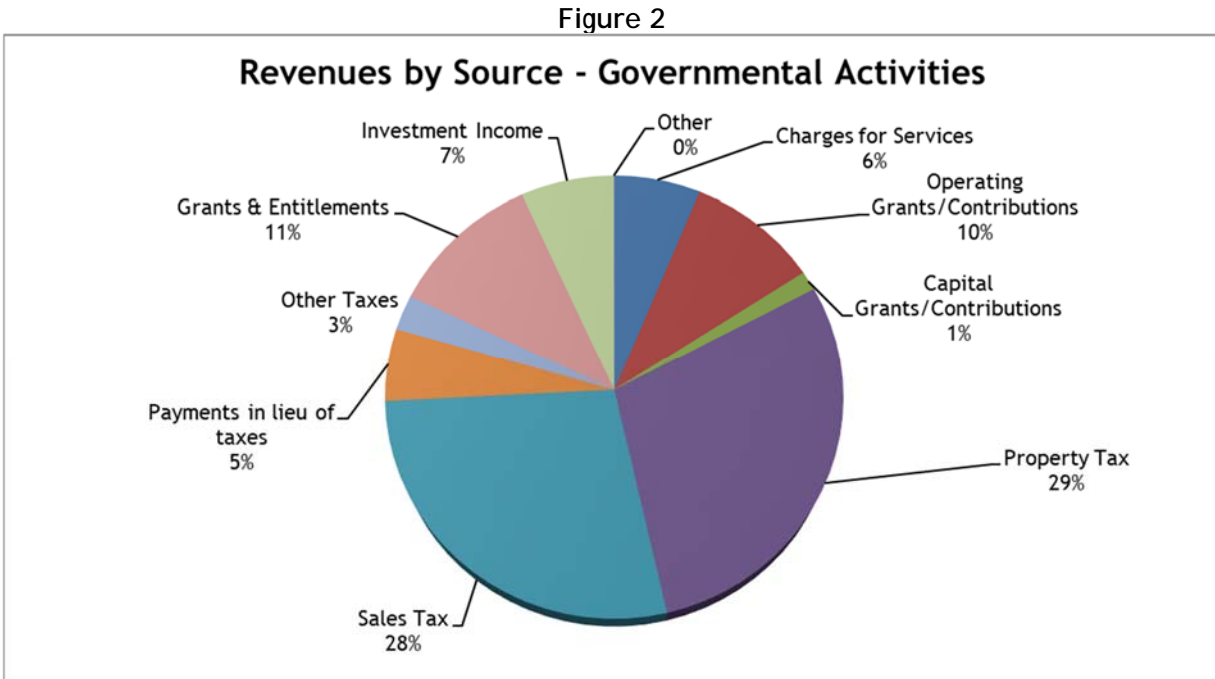
Figure 1



Petersburg Borough

Management's Discussion and Analysis

Figure 2 shows the percentages of all revenue sources for governmental activities, both program and general. In 2019, sales taxes and property tax totaled 28% and 29%, respectively, of revenues, with sales tax increasing from the prior year's 27% and property tax decreasing from 31%.



Business-type Activities

The net position for the Borough's business-type activities is \$75.2 million, a decrease of \$581,842. 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 \$12.9 million as of June 30, 2019. This is an increase in unrestricted net position of \$1,205,498.

Figure 3 shows expenses and program revenues for the business-type activities, excluding capital grants and contributions. Depreciation is included in the expenses. All activities are reporting expenses in excess of revenues. 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.

The pie chart of Figure 4 shows that the majority of all revenues are collected from service charges (95%) with less than 5% of revenues coming from investment income or grants for business type activities.

Petersburg Borough

Management's Discussion and Analysis

Figure 3

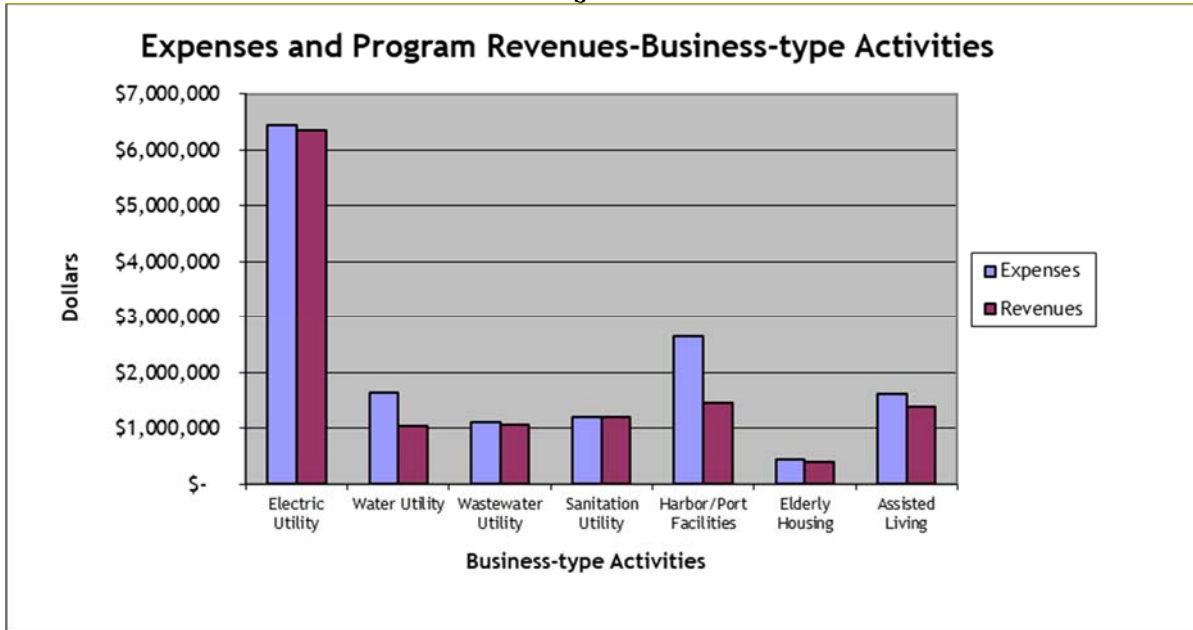
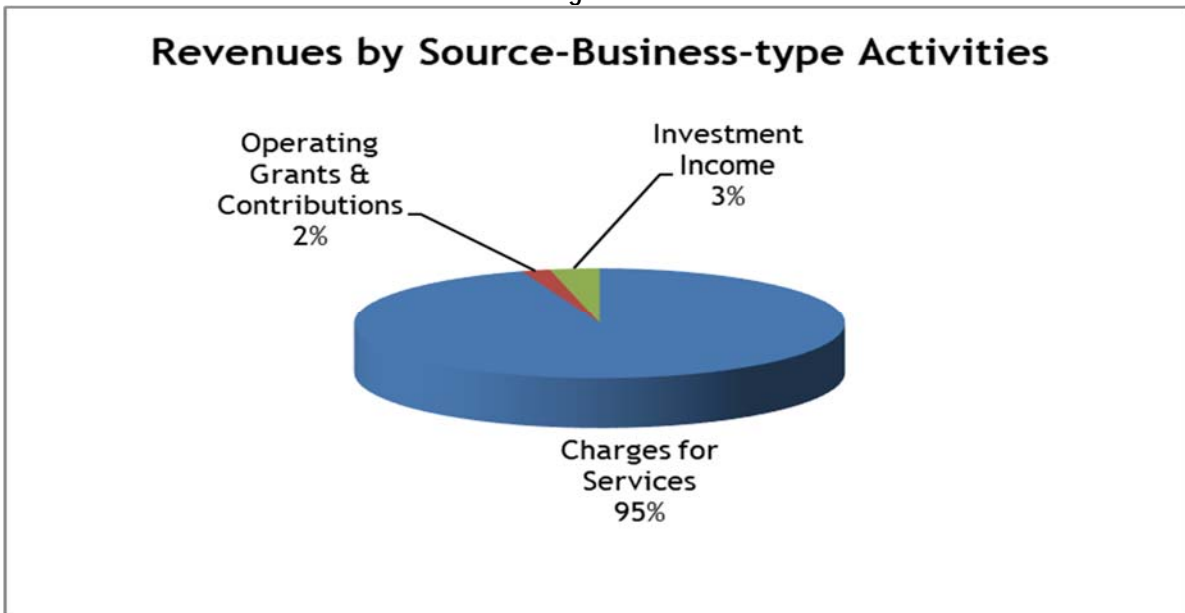


Figure 4



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 \$13,686,502, an increase of \$1,202,588 in comparison with the prior year.

The total fund balances of the governmental funds are made up of four components. \$4,186,672 restricted (National Forest Receipts School and Public Roads funding), \$4,849,106 committed (Economic development, Public Works, Public Safety, Capital projects, and Tourism), \$251,026 assigned (Debt Service and Borough Organizational), and \$4,399,698 unassigned.

General Fund

The General Fund is the chief operating fund of the Borough. At the end of the current fiscal year, the unassigned and total fund balance was \$4,399,698. 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 51% of total General Fund expenditures. This is an increase of 10% from the previous year. In 2018 unassigned fund balance decreased by 6%.

General Fund Budgetary Highlights

- General Fund revenues exceeds expenditures by \$1,707,224, which was a positive variance of \$990,810 over what was budgeted. This was due to revenue actuals of investment income having a positive variance of \$268,237, fisheries business tax variance of \$289,855, and positive sales tax variance of \$176,022. Total expenditures came in lower than budgeted by \$269,468.
- Total tax revenue recognized equaled \$6,810,424, a positive variance of \$177,424 from what was budgeted. This was mostly due to sales tax revenue exceeding what was budgeted by \$176,022.
- Intergovernmental revenue recognized was \$2,213,811, a positive variance of \$291,996 from what was budgeted. This is due to revenue from state fisheries business tax revenues exceeding what was budgeted by \$289,855.
- The General Fund had unbudgeted transfers out of \$293,087, due chiefly to a transfer of out of \$589,855 to the Harbor Fund which was \$239,855 more than what the General Fund had originally budgeted to transfer out.

Petersburg Borough

Management's Discussion and Analysis

Special Revenue Funds

Special Revenue funds experienced an overall increase in fund balance of \$389,509 for a total of \$4,759,167. Miscellaneous Grants Fund balance at year end was \$4,003, National Forest Receipts - School Fund \$4,019,589, National Forest Receipts - Roads Fund \$167,083, the Property Development Fund \$214,480, E911 Surcharge \$253,098, Borough Organizational Fund \$61,128, Transient Room Tax \$31,451 and the new Marine Passenger Fee ending the fiscal year at \$8,335 in fund balance.

Nonmajor Capital Project Funds

Two governmental Capital Project Funds (Library Construction \$33,968, Fishing Park \$99,927) had no activity throughout the year and therefore the fund balance did not change. The other two nonmajor capital funds, Economic Fund and Homeland Security Fund, ended the year with a \$4,207,847 and zero Fund balance, respectively.

Proprietary Funds. The Borough's proprietary funds provide the same type of information found in the government-wide financial statements, but individual fund statements are presented with more detail. The Petersburg Borough maintains two types of proprietary funds; enterprise funds and an internal service fund (Motor Pool).

Enterprise Funds reported total net position of \$72.7 million with \$62.3 million invested in capital assets net of related debt leaving unrestricted net position of approximately \$10.4 million.

- The Electric Utility Fund's unrestricted net position was \$6,419,375, an increase of \$366,409 from the prior year.
- The Water Utility Fund's unrestricted net position was \$841,785, an increase of \$20,302.
- The Wastewater Utility Fund's unrestricted net position was \$995,182 at the end of the year, an increase of \$95,653.
- The Sanitation Utility Fund is showing a large increase in this year's unrestricted net position due to net income from operations and a decrease in the net pension liability. Unrestricted net position was \$436,535 which is an increase of \$217,710 from the prior year.
- The Harbor Fund increased its unrestricted net position by \$543,220, to end the year at \$2,670,042. The majority of this increase is due to the State Fisheries Business Tax payment, the harbor fund receiving \$589,855 of the \$889,855 State payment.

Petersburg Borough

Management's Discussion and Analysis

- The Elderly Housing Fund's unrestricted net position showed an increase in fiscal year 2019 of \$20,443 to end the year at \$389,249.
- The Assisted Living Fund presents a deficit of unrestricted net position of \$1,242,600 at year end. This is due to the net pension and net other postemployment benefit liabilities, and related deferred outflows and inflows of resources amounting to \$1,076,158. Without these long-term liabilities and related deferred outflows and inflows of resources the deficit net position in FY 2019 would have been \$166,442.

Internal Service Fund

The Borough maintains an internal service fund which is the Motor Pool Fund. The Motor Pool Internal Service Fund accumulates cash for replacement of Borough vehicles and pay into the motor pool to forward-fund vehicle replacement. This funding mechanism spreads the vehicle costs over the life of the vehicle in each department's annual budget, rather than incur one-time expenses in the year of vehicle/equipment purchases. The Motor Pool Fund's unrestricted net position at fiscal year end showed a decrease in fiscal year 2019 from the prior year of \$169,191 for a total of \$4,016,710.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2019, the Borough had invested \$119 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 \$4.6 million.

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

- \$218,190 on the Electric Utility Generator Set Replacement project.
- \$393,682 to complete construction for the City Creek Dam Rehabilitation project.
- \$309,678 to finish construction of the Composting and Septage Receiving project.
- \$88,926 Wastewater expenses for Scow Bay 1 Pump Station Upgrade.
- The Sanitation department began the process of replacing the Solid Waste Baler. They have spent \$6,044 on a 10,000lb floor scale, \$28,503 on a wire tie unit, and \$132,046 on the first phase of the baler replacement equipment.
- \$202,595 was spent on the North Harbor Bulkhead Approach in FY2019.
- New motor pool vehicles purchased this year included a Caterpillar 320 Excavator for the Public Works Department (\$179,615) and a Ford F150 pickup for the Harbor Department (\$30,487).

Petersburg Borough

Management's Discussion and Analysis

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

	Governmental activities		Business-type activities		Total activities	
	2019	2018	2019	2018	2019	2018
Land and improvements	\$ 4,076,919	\$ 4,076,919	\$ 2,399,493	\$ 2,399,493	\$ 6,476,412	\$ 6,476,412
Infrastructure	15,542,371	15,721,932	-	-	15,542,371	15,721,932
Buildings	26,022,535	27,548,487	11,616,482	12,238,539	37,639,017	39,787,026
Improvements other than buildings	59,228	72,581	51,531,798	53,410,032	51,591,026	53,482,613
Machinery and equipment	3,078,473	3,267,871	3,778,026	3,535,644	6,856,499	6,803,515
Construction in progress	880,545	880,545	442,857	896,172	1,323,402	1,776,717
Total Capital Assets	\$ 49,660,071	\$ 51,568,335	\$ 69,768,656	\$ 72,479,880	\$ 119,428,727	\$ 124,048,215

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

Long-term Debt. At the end of the current fiscal year, the Borough had total long-term debt outstanding of \$24.8 million. Of this amount, \$8.9 million comprises debt backed by the full faith and credit of the government (i.e., general obligation bonds), with outstanding unamortized bond premiums of \$769,126. \$684,590 is employee accrued leave. \$9,084,797 represents the Borough's net pension liability associated with membership in the State of Alaska Public Employees' Retirement System (PERS). \$1,858,496 is due to the Borough's net other postemployment benefits (OPEB) liability, also related to membership in PERS. \$4,215,225 is water and wastewater loans from the Alaska Department of Environmental Conservation. It should be noted that the State has historically reimbursed the Borough between 60-70% for a majority of the school G.O. Bond debt service, although that may not be the case in future years and that the ADEC loans are at a 1.5% interest rate.

Table 4
Borough of Petersburg Outstanding Debt

	Governmental activities		Business-type activities		Total activities	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 5,576,451	\$ 6,301,852	\$ 3,357,675	\$ 3,808,934	\$ 8,934,126	\$ 10,110,786
Accrued Leave	379,649	409,518	304,941	305,150	684,590	714,668
Net pension liability	4,776,286	4,406,244	4,308,511	3,957,632	9,084,797	8,363,876
Net OPEB liability	998,074	735,100	860,422	611,067	1,858,496	1,346,167
Loans, long-term	-	-	4,215,225	4,703,775	4,215,225	4,703,775
Landfill closure liability	-	-	65,970	65,970	65,970	65,970
Total Long-Term Debt	\$ 11,730,460	\$ 11,852,714	\$ 13,112,744	\$ 13,452,528	\$ 24,843,204	\$ 25,305,242

Petersburg Borough

Management's Discussion and Analysis

The Borough's governmental activities debt decreased by \$122,254 due to a decrease of accrued leave and continued repayment and amortization of outstanding general obligation bonds and premiums of \$725,401, being offset by the increase of the net pension liability of \$370,042 and the net OPEB liability of \$262,974. The Borough's business-type activities debt decreased by \$339,784, due to the continued repayment of general obligation bonds and ADEC loans of \$939,809, offset by the increase of the net pension liability and the net OPEB liability of \$600,234.

Additional information on the Petersburg Borough's long-term debt can be found in note 7 to the financial statements.

Economic Factors and Rates for Next Fiscal Year

- This past year the Borough's general fund saw an increase in sales tax and investment income but it is uncertain if this will be an ongoing trend. The Borough will be joining an AML group in fiscal year 2020 to create a unified Alaska Remote Seller Sales Tax Commission for the purpose of collecting sales tax from remote sellers.
- There are no rate increases scheduled for fiscal year 2020 but the Electric, Water, Wastewater and Sanitation department are all undergoing rate studies in FY2020.
- The Borough Assembly implemented a new Marine Passenger Fee at the beginning of calendar year 2019, which resulted in approximately \$8,000 in fiscal year 2019 and \$50,000 total for calendar year 2019. Readers will see most of this revenue in FY2020's financial statements. These funds will be used for supporting the tourism industry.
- Construction projects scheduled for the 2020 fiscal year include the Electric department's 24.9 Rebuild project, Wastewater's Scow Bay 1 Pump Station Upgrade, Pump Station 4 Force Main Replacement, Kisenno Street Sewer Main Replacement, the PMPL Auto Meter Reading in the Harbor, Downtown Street Lighting Project and Blind Slough Hydro System Upgrade. The Sanitation department will be replacing their Solid Waste Baler.
- The State of Alaska is facing fiscal uncertainty and the State's budgeting pressures are passing costs on to local governments. Our Borough has undergone cuts in State support to our Community Jails Program, Revenue Sharing and a new reduction of the School debt service bond reimbursement program by 50% in FY2020, this is equivalent to a \$230,000 decrease to the Borough annually. This has forced the property tax mill rate to increase to 12.3 mills within Service Area 1, up from the prior year of 11.38 mills, to pay for school construction debt. It remains likely that State budget cuts will continue to adversely impact local governments.

For a copy of the Fiscal Year 2020 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.

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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, 2019</i>					
Assets and Deferred Outflows of Resources					
Assets					
Cash and investments	\$ 17,712,725	\$ 14,217,448	\$ 31,930,173	\$ 3,101,273	\$ 5,044,238
Receivables, net	576,723	1,536,568	2,113,291	141,491	2,180,442
Internal balances	(2,407,635)	2,407,635	-	-	-
Inventories	-	416,959	416,959	13,560	225,007
Prepaid items	-	-	-	277,728	80,543
Restricted cash and investments	-	11,639	11,639	-	3,403,734
Land and construction in progress	4,957,464	2,842,350	7,799,814	800,580	-
Other capital assets, net of accumulated depreciation	44,702,607	66,926,306	111,628,913	573,695	4,254,575
Total Assets	65,541,884	88,358,905	153,900,789	4,908,327	15,188,539
Deferred Outflows of Resources					
Related to pension	636,191	606,911	1,243,102	525,134	1,750,010
Related to other postemployment benefits	378,693	344,667	723,360	456,881	1,133,754
Deferred charges on refunding	167,358	59,070	226,428	-	-
Total Deferred Outflows of Resources	1,182,242	1,010,648	2,192,890	982,015	2,883,764
Total Assets and Deferred Outflows of Resources	\$ 66,724,126	\$ 89,369,553	\$ 156,093,679	\$ 5,890,342	\$ 18,072,303

Petersburg Borough, Alaska
Statement of Net Position, continued

<i>June 30, 2019</i>	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Petersburg School District	Petersburg Medical Center
Liabilities, Deferred Inflows of Resources and Net Position					
Liabilities					
Accounts payable	\$ 110,189	\$ 256,918	\$ 367,107	\$ 359,337	\$ 679,006
Accrued payroll and employee benefits	218,798	210,330	429,128	9,158	419,293
Unearned revenue	51,053	42,387	93,440	70,875	-
Due to third party payors	-	-	-	-	528,080
Customer deposits	-	64,754	64,754	-	-
Accrued interest	65,663	107,501	173,164	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued leave	379,649	304,941	684,590	53,193	719,578
Bonds payable	641,667	423,333	1,065,000	-	-
Loans payable	-	433,975	433,975	-	-
Capital lease	-	-	-	-	124,896
Due in more than one year:					
Bonds payable	4,328,350	2,771,650	7,100,000	-	-
Bond premium, net	606,434	162,692	769,126	-	-
Loans payable	-	3,781,250	3,781,250	-	-
Capital lease	-	-	-	-	155,373
Net pension liability	4,776,286	4,308,511	9,084,797	5,199,551	11,593,911
Net other postemployment benefits liability	998,074	860,422	1,858,496	900,771	2,366,512
Landfill closure liability	-	65,970	65,970	-	-
Total Liabilities	12,176,163	13,794,634	25,970,797	6,592,885	16,586,649
Deferred Inflows of Resources					
Related to pension	144,895	83,116	228,011	140,627	290,984
Related to other postemployment benefits	384,925	320,385	705,310	377,918	894,499
Total Deferred Inflows of Resources	529,820	403,501	933,321	518,545	1,185,483
Net Position					
Net investment in capital assets	44,250,978	62,254,826	106,505,804	1,374,275	3,974,306
Restricted:					
School support and roads	4,186,672	-	4,186,672	-	-
Scholarships	-	-	-	78,256	-
Foundation	-	-	-	-	400,058
Unrestricted	5,580,493	12,916,592	18,497,085	(2,673,619)	(4,074,193)
Total Net Position	54,018,143	75,171,418	129,189,561	(1,221,088)	300,171
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 66,724,126	\$ 89,369,553	\$ 156,093,679	\$ 5,890,342	\$ 18,072,303

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Statement of Activities

Year Ended June 30, 2019	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Primary Government		Total	Component Units	
					Govern- mental Activities	Business- type Activities		Peters- burg School District	Peters- burg Medical Center
Primary Government									
Governmental activities:									
General government	\$ 1,281,167	\$ 148,327	\$ 60,395	\$ -	\$ (1,072,445)	\$ -	\$ (1,072,445)	\$ -	\$ -
Public safety	2,624,835	313,361	14,797	163,605	(2,133,072)	-	(2,133,072)	-	-
Public works	1,509,675	94,459	82,062	-	(1,333,154)	-	(1,333,154)	-	-
Community development	328,459	-	-	-	(328,459)	-	(328,459)	-	-
Community services	164,526	4,640	-	-	(159,886)	-	(159,886)	-	-
Culture and recreation	2,041,825	160,492	17,095	-	(1,864,238)	-	(1,864,238)	-	-
Education	2,200,303	-	930,402	-	(1,269,901)	-	(1,269,901)	-	-
Total governmental activities	10,150,790	721,279	1,104,751	163,605	(8,161,155)	-	(8,161,155)		
Business-type activities:									
Electric utility	5,990,083	5,801,574	52,959	-	-	(135,550)	(135,550)	-	-
Water utility	1,636,183	1,040,074	3,217	-	-	(592,892)	(592,892)	-	-
Wastewater utility	1,110,727	898,637	165,307	-	-	(46,783)	(46,783)	-	-
Sanitation utility	1,212,128	1,197,791	5,019	-	-	(9,318)	(9,318)	-	-
Harbor and port facilities	2,658,537	1,436,577	8,351	-	-	(1,213,609)	(1,213,609)	-	-
Elderly housing	441,505	394,857	1,529	-	-	(45,119)	(45,119)	-	-
Assisted living facilities	1,641,465	1,366,944	15,593	-	-	(258,928)	(258,928)	-	-
Total business-type activities	14,690,628	12,136,454	251,975	-	-	(2,302,199)	(2,302,199)		

Petersburg Borough, Alaska
Statement of Activities, continued

Year Ended June 30, 2019	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Primary Government		Component Units		
					Govern- mental Activities	Business- type Activities	Peters- burg School District	Peters- burg Medical Center	
Total Primary Government	\$ 24,841,418	\$ 12,857,733	\$ 1,356,726	\$ 163,605	\$ (8,161,155)	\$ (2,302,199)	\$ (10,463,354)	\$ -	\$ -
Component Units School District - education	\$ 8,792,683	\$ 118,814	\$ 1,282,971	\$ 660,301				\$ (6,730,597)	\$ -
Medical center	\$ 16,911,942	\$ 15,166,223	\$ 1,213,969	\$ -				\$ -	\$ (531,750)
General Revenues									
Property taxes					3,347,614	-	3,347,614	-	-
Sales taxes					3,192,022	-	3,192,022	-	-
Payments in lieu of taxes					611,636	-	611,636	-	-
Other taxes					298,129	-	298,129	-	-
Contributions from primary government					-	-	-	1,800,000	-
Grants and entitlements not restricted to a specific purpose					1,275,344	-	1,275,344	5,998,803	-
Investment income					778,765	434,903	1,213,668	734	173,979
Other					5,298	-	5,298	257,356	107,899
Transfers					(1,285,454)	1,285,454	-	-	-
Total General Revenues and Transfers					8,223,354	1,720,357	9,943,711	8,056,893	281,878
Change in Net Position					62,199	(581,842)	(519,643)	1,326,296	(249,872)
Net Position, beginning of year, as restated (Note 16)					53,955,944	75,753,260	129,709,204	(2,547,384)	550,043
Net Position, end of year					\$ 54,018,143	\$ 75,171,418	\$ 129,189,561	\$ (1,221,088)	\$ 300,171

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Governmental Funds

Balance Sheet

<i>June 30, 2019</i>	<u>Major Fund</u> General	Nonmajor Funds	Total Govern- mental Funds
Assets			
Cash and investments	\$ 4,161,326	\$ 9,297,239	\$ 13,458,565
Receivables, net of allowance for doubtful accounts:			
Property taxes	32,559	-	32,559
Sales, tobacco and transient room taxes	390,807	12,517	403,324
Grants and shared revenues	-	12,433	12,433
Accounts	45,421	5,275	50,696
Interest	70,328	4,862	75,190
Due from other funds	15,831	-	15,831
Total Assets	\$ 4,716,272	\$ 9,332,326	\$ 14,048,598
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 100,310	\$ 3,768	\$ 104,078
Accrued payroll and employee benefits	206,610	355	206,965
Unearned revenue	9,654	41,399	51,053
Total Liabilities	316,574	45,522	362,096
Fund Balances			
Restricted	-	4,186,672	4,186,672
Committed	-	4,849,106	4,849,106
Assigned	-	251,026	251,026
Unassigned	4,399,698	-	4,399,698
Total Fund Balances	4,399,698	9,286,804	13,686,502
Total Liabilities and Fund Balances	\$ 4,716,272	\$ 9,332,326	\$ 14,048,598

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2019

Total fund balances for governmental funds		\$ 13,686,502	
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	\$ 4,076,919	\$ -	
Construction in progress	880,545	-	
Buildings	58,048,340	-	
Improvements other than buildings	243,052	-	
Infrastructure	17,710,274	-	
Machinery and equipment	2,384,920	7,675,139	
Accumulated depreciation	<u>(36,227,670)</u>	<u>(5,131,448)</u>	
Total capital assets	<u>47,116,380</u>	<u>2,543,691</u>	49,660,071
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	(4,970,017)	-	
Deferred charges on refunding, net of accumulated amortization	167,358	-	
Bond premium, net of accumulated amortization	(606,434)	-	
Net pension liability	(4,603,107)	(173,179)	
Net other postemployment benefits liability	(954,945)	(43,129)	
Accrued interest	(65,663)	-	
Accrued leave	<u>(356,360)</u>	<u>(23,289)</u>	
Total long-term liabilities	<u>(11,389,168)</u>	<u>(239,597)</u>	(11,628,765)
Certain changes in net pension and other postemployment benefits liabilities are deferred rather than recognized immediately.			
These items are amortized over time:			
Deferred outflows of resources related to pension	614,747	21,444	
Deferred outflows of resources related to other postemployment benefits	361,764	16,929	
Deferred inflows of resources related to pension	(140,370)	(4,525)	
Deferred inflows of resources related to other postemployment benefits	<u>(368,647)</u>	<u>(16,278)</u>	
Total deferred pension and other postemployment benefits items	<u>467,494</u>	<u>17,570</u>	485,064
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>1,815,271</u>	
Total Net Position of Governmental Activities		\$ 54,018,143	

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year Ended June 30, 2019</i>	General	Nonmajor Funds	Total Govern- mental Funds
Revenues			
Property taxes	\$ 3,347,614	\$ -	\$ 3,347,614
Sales taxes	3,192,022	-	3,192,022
Other taxes	270,788	91,581	362,369
Intergovernmental	2,213,811	1,200,866	3,414,677
Licenses and permits	12,831	-	12,831
Charges for services	368,590	92,721	461,311
Fines and forfeitures	9,271	-	9,271
Overhead charges	639,710	-	639,710
Investment income	307,682	471,083	778,765
Other	5,393	-	5,393
Total Revenues	10,367,712	1,856,251	12,223,963
Expenditures			
Current:			
General government	1,784,202	47,880	1,832,082
Public safety	2,156,051	29,598	2,185,649
Public works	1,241,640	-	1,241,640
Community development	343,263	-	343,263
Community services	88,511	90,000	178,511
Culture and recreation	1,313,221	13,645	1,326,866
Education - contribution to school district	1,800,000	-	1,800,000
Debt service	-	864,305	864,305
Capital outlay	-	163,605	163,605
Total Expenditures	8,726,888	1,209,033	9,935,921
Excess of Revenues Over Expenditures	1,640,824	647,218	2,288,042
Other Financing Sources (Uses)			
Transfers in	400,000	402,244	802,244
Transfers out	(1,322,698)	(565,000)	(1,887,698)
Net Other Financing Sources (Uses)	(922,698)	(162,756)	(1,085,454)
Net Change in Fund Balances	718,126	484,462	1,202,588
Fund Balances, beginning of year	3,681,572	8,802,342	12,483,914
Fund Balances, end of year	\$ 4,399,698	\$ 9,286,804	\$ 13,686,502

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, 2019

Net change in fund balances - total governmental funds \$ 1,202,588

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 depreciation (\$1,822,331) exceeded capital outlays (\$135,137). (1,687,194)

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	\$ 611,667	
Decrease in unamortized bond premium	113,734	
Decrease in deferred charges on bonds	<u>(30,779)</u>	
		694,622

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

Decrease in accrued leave	\$ 32,207	
Decrease in accrued interest	11,013	
Decrease in net pension liability and related accounts	131,936	
Increase in net other postemployment benefits liability and related accounts	<u>(10,532)</u>	
		164,624

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. (312,441)

Change in Net Position of Governmental Activities \$ 62,199

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, 2019</i>								
Assets and Deferred Outflows of Resources								
Current Assets								
Cash and investments	\$ 7,349,390	\$ 1,016,056	\$ 1,155,917	\$ 3,293,263	\$ -	\$ 1,402,822	\$ 14,217,448	\$ 4,254,160
Receivables, net of allowance for doubtful accounts	837,679	92,128	185,004	310,843	-	110,914	1,536,568	2,521
Inventories	302,585	63,892	50,482	-	-	-	416,959	-
Total Current Assets	8,489,654	1,172,076	1,391,403	3,604,106	-	1,513,736	16,170,975	4,256,681
Restricted Cash and Investments								
Security deposits	-	-	-	-	-	11,639	11,639	-
Property, Plant and Equipment								
Land and land improvements	1,848,295	-	-	360,059	-	191,139	2,399,493	-
Buildings	3,758,199	5,178,330	9,091,647	346,690	4,015,877	5,128,165	27,518,908	-
Improvements other than buildings	5,284,998	27,191,622	11,896,447	39,120,884	-	1,067,236	84,561,187	-
Machinery and equipment	17,203,547	3,005,917	723,904	533,520	99,061	579,518	22,145,467	7,675,139
Construction in progress	160,140	-	135,721	14,950	-	132,046	442,857	-
Total property, plant and equipment	28,255,179	35,375,869	21,847,719	40,376,103	4,114,938	7,098,104	137,067,912	7,675,139
Accumulated depreciation	(18,503,465)	(16,353,209)	(11,894,062)	(14,351,842)	(1,611,137)	(4,585,541)	(67,299,256)	(5,131,448)
Net Property, Plant and Equipment	9,751,714	19,022,660	9,953,657	26,024,261	2,503,801	2,512,563	69,768,656	2,543,691
Total Assets	18,241,368	20,194,736	11,345,060	29,628,367	2,503,801	4,037,938	85,951,270	6,800,372
Deferred Outflows of Resources								
Related to pension	217,567	34,163	36,732	100,038	139,331	79,080	606,911	21,444
Related to other postemployment benefits	123,719	18,511	26,988	51,007	87,771	36,671	344,667	16,929
Deferred charges on refunding	-	-	-	8,519	37,913	12,638	59,070	-
Total Deferred Outflows of Resources	341,286	52,674	63,720	159,564	265,015	128,389	1,010,648	38,373
Total Assets and Deferred Outflows of Resources	\$ 18,582,654	\$ 20,247,410	\$ 11,408,780	\$ 29,787,931	\$ 2,768,816	\$ 4,166,327	\$ 86,961,918	\$ 6,838,745

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, 2019</i>								
Liabilities, Deferred Inflows of Resources and Net Position								
Liabilities								
Current Liabilities								
Accounts payable	\$ 177,598	\$ 2,565	\$ 3,069	\$ 15,961	\$ 6,445	\$ 51,280	\$ 256,918	\$ 6,111
Accrued payroll and employee benefits	64,271	14,107	18,615	38,161	55,183	19,993	210,330	11,833
Accrued leave	125,522	21,252	23,234	55,408	70,116	9,409	304,941	23,289
Prepaid moorage	-	-	-	37,744	-	-	37,744	-
Unearned revenue	-	-	-	-	3,204	1,439	4,643	-
Customer deposits	30,217	7,294	6,252	-	3,200	17,791	64,754	-
Due to other funds	-	-	-	-	15,831	-	15,831	-
Accrued interest	28,099	29,698	22,215	10,872	12,463	4,154	107,501	-
Current portion:								
General obligation bonds	125,000	-	-	108,333	142,500	47,500	423,333	-
ADEC loans	-	312,476	121,499	-	-	-	433,975	-
Total Current Liabilities	550,707	387,392	194,884	266,479	308,942	151,566	1,859,970	41,233
Noncurrent Liabilities								
General obligation bonds	1,805,000	-	-	116,650	637,500	212,500	2,771,650	-
Bond premium, net of accumulated amortization	33,899	-	-	10,572	88,666	29,555	162,692	-
ADEC loans	-	1,899,096	1,882,154	-	-	-	3,781,250	-
Net pension liability	1,537,618	239,713	286,285	727,556	998,676	518,663	4,308,511	173,179
Net other postemployment benefits liability	306,819	46,348	68,084	137,895	212,963	88,313	860,422	43,129
Landfill closure liability	-	-	-	-	-	65,970	65,970	-
Total Noncurrent Liabilities	3,683,336	2,185,157	2,236,523	992,673	1,937,805	915,001	11,950,495	216,308
Total Liabilities	4,234,043	2,572,549	2,431,407	1,259,152	2,246,747	1,066,567	13,810,465	257,541

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, 2019</i>								
Deferred Inflows of Resources								
Related to pension	\$ 27,687	\$ 4,695	\$ 6,656	\$ 23,945	\$ 13,873	\$ 6,260	\$ 83,116	\$ 4,525
Related to other postemployment benefits	113,734	17,293	25,531	54,009	77,748	32,070	320,385	16,278
Total Deferred Inflows of Resources	141,421	21,988	32,187	77,954	91,621	38,330	403,501	20,803
Net Position								
Net investment in capital assets	7,787,815	16,811,088	7,950,004	25,797,225	1,673,048	2,235,646	62,254,826	2,543,691
Unrestricted (deficit)	6,419,375	841,785	995,182	2,653,600	(1,242,600)	825,784	10,493,126	4,016,710
Total Net Position	14,207,190	17,652,873	8,945,186	28,450,825	430,448	3,061,430	72,747,952	6,560,401
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 18,582,654	\$ 20,247,410	\$ 11,408,780	\$ 29,787,931	\$ 2,768,816	\$ 4,166,327		\$ 6,838,745
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							<u>2,423,466</u>	
								<u>\$ 75,171,418</u>

See accompanying notes to basic financial statements.

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

<i>Year Ended June 30, 2019</i>	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living			
Operating Revenues	\$ 5,598,663	\$ 1,040,074	\$ 898,637	\$ 1,436,577	\$ 1,366,944	\$ 1,592,648	\$ 11,933,543	\$ 812,619
Operating Expenses								
Salaries and benefits	1,314,911	302,194	353,514	707,532	1,199,272	489,290	4,366,713	249,005
Services, supplies, and other charges	3,730,235	351,574	173,206	410,906	217,338	615,270	5,498,529	316,108
Allocated overhead and motor pool charges	312,678	102,571	129,364	133,503	89,856	251,165	1,019,137	21,314
Depreciation	495,340	839,558	394,560	1,390,497	107,280	258,675	3,485,910	431,173
Total Operating Expenses	5,853,164	1,595,897	1,050,644	2,642,438	1,613,746	1,614,400	14,370,289	1,017,600
Loss from Operations	(254,501)	(555,823)	(152,007)	(1,205,861)	(246,802)	(21,752)	(2,436,746)	(204,981)
Nonoperating Revenues (Expenses)								
Investment income	226,858	30,529	35,747	100,975	-	40,794	434,903	-
SEAPA distribution	202,911	-	-	-	-	-	202,911	-
Interest expense	(110,513)	(34,271)	(54,097)	(9,164)	(25,856)	(8,618)	(242,519)	-
Gain on sale of capital assets	-	-	-	-	-	-	-	11,815
ADEC loan subsidy	-	-	160,643	-	-	-	160,643	-
Federal interest subsidy	31,312	-	-	-	-	-	31,312	-
State PERS relief	21,647	3,217	4,664	8,351	15,593	6,548	60,020	2,905
Net Nonoperating Revenues (Expenses)	372,215	(525)	146,957	100,162	(10,263)	38,724	647,270	14,720
Income (loss) before transfers	117,714	(556,348)	(5,050)	(1,105,699)	(257,065)	16,972	(1,789,476)	(190,261)
Transfers in	-	165,000	-	589,855	330,599	200,000	1,285,454	-
Transfers out	-	-	-	-	-	-	-	(200,000)
Change in Net Position	117,714	(391,348)	(5,050)	(515,844)	73,534	216,972	(504,022)	(390,261)
Net Position, beginning of year	14,089,476	18,044,221	8,950,236	28,966,669	356,914	2,844,458		6,950,662
Net Position, end of year	\$ 14,207,190	\$ 17,652,873	\$ 8,945,186	\$ 28,450,825	\$ 430,448	\$ 3,061,430		\$ 6,560,401
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							(77,820)	
							\$ (581,842)	

See accompanying notes to basic financial statements.

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, 2019</i>								
Cash Flows from (for) Operating Activities								
Receipts from customers and users	\$ 5,391,428	\$ 1,043,211	\$ 884,298	\$ 1,307,783	\$ 1,366,644	\$ 1,596,367	\$ 11,589,731	\$ 821,318
Receipts from other parties	483,230	-	-	-	-	-	483,230	-
Payments for interfund services used	(312,678)	(102,571)	(129,364)	(133,503)	(89,856)	(251,165)	(1,019,137)	(21,314)
Payments to suppliers	(4,176,490)	(363,763)	(181,632)	(384,709)	(200,798)	(605,627)	(5,913,019)	(306,838)
Payments to employees	(1,340,339)	(300,486)	(360,104)	(713,768)	(1,207,332)	(493,996)	(4,416,025)	(249,392)
Net cash flows from (for) operating activities	45,151	276,391	213,198	75,803	(131,342)	245,579	724,780	243,774
Cash Flows for Noncapital and Related Financing Activities								
Decrease in due to other funds	-	-	-	-	(9,852)	-	(9,852)	-
Cash Flows from (for) Capital and Related Financing Activities								
Principal paid on long-term debt	(120,000)	(309,259)	(119,704)	(108,337)	(138,750)	(46,250)	(842,300)	-
Interest paid on long-term debt	(114,794)	(37,813)	(50,287)	(11,166)	(40,856)	(13,619)	(268,535)	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	11,815
Purchase of property, plant and equipment	(136,614)	(159,229)	(114,566)	(221,094)	(9,799)	(187,014)	(828,316)	(210,103)
Proceeds from issuance of debt	-	-	101,056	-	-	-	101,056	-
Transfers in	-	165,000	-	589,855	330,599	200,000	1,285,454	-
Transfers out	-	-	-	-	-	-	-	(200,000)
Capital contributions received	-	-	(72,820)	-	-	-	(72,820)	-
Federal interest subsidy received	31,312	-	-	-	-	-	31,312	-
Net cash flows from (for) capital and related financing activities	(340,096)	(341,301)	(256,321)	249,258	141,194	(46,883)	(594,149)	(398,288)
Cash Flows from Investing Activities								
Investment income received	226,858	30,529	35,747	100,975	-	40,794	434,903	-
Net increase (decrease) in cash and investments	(68,087)	(34,381)	(7,376)	426,036	-	239,490	555,682	(154,514)
Cash and Investments, beginning of year	7,417,477	1,050,437	1,163,293	2,867,227	-	1,174,971	13,673,405	4,408,674
Cash and Investments, end of year	\$ 7,349,390	\$ 1,016,056	\$ 1,155,917	\$ 3,293,263	\$ -	\$ 1,414,461	\$ 14,229,087	\$ 4,254,160

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Proprietary Funds
Statement of Cash Flows, 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>Year Ended June 30, 2019</i>								
Reconciliation of Loss from Operations to Net Cash								
Flows from (for) Operating Activities								
Loss from operations	\$ (254,501)	\$ (555,823)	\$ (152,007)	\$ (1,205,861)	\$ (246,802)	\$ (21,752)	\$ (2,436,746)	\$ (204,981)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:								
Depreciation	495,340	839,558	394,560	1,390,497	107,280	258,675	3,485,910	431,173
PERS relief	21,647	3,217	4,664	8,351	15,593	6,548	60,020	2,905
Amortization of deferred outflows of resources for pension	(55,059)	(8,181)	(11,863)	(21,243)	(39,662)	(16,656)	(152,664)	(7,388)
Amortization of deferred outflows of resources for other postemployment benefits	(87,344)	(12,979)	(18,819)	(33,699)	(62,919)	(26,422)	(242,182)	(11,720)
Amortization of deferred inflows of resources for pension	(118,778)	(17,650)	(25,591)	(45,827)	(85,563)	(35,931)	(329,340)	(15,939)
Amortization of deferred inflows of resources for other postemployment benefits	1,189	177	256	459	856	360	3,297	160
Nonoperating revenues received	202,911	-	-	-	-	-	202,911	-
Increase in allowance for doubtful accounts	9,350	1,348	416	1,184	-	447	12,745	-
(Increase) decrease in assets:								
Accounts receivable	(419,449)	1,800	(14,746)	(124,142)	-	1,963	(554,574)	8,699
Inventories	446	(14,200)	(16,499)	-	-	-	(30,253)	-
Prepaid expenses	21,232	2,581	7,183	13,571	15,632	3,747	63,946	4,655
Increase (decrease) in liabilities:								
Accounts payable	15,297	(570)	890	12,626	908	5,896	35,047	4,615
Accrued payroll and employee benefits	(1,566)	1,175	911	529	7,807	2,676	11,532	208
Accrued leave	(1,994)	3,782	(2,789)	1,673	(114)	(767)	(209)	2,338
Unearned revenue	-	-	-	-	-	2	2	-
Customer deposits	(47)	(11)	(9)	-	(300)	1,307	940	-
Prepaid moorage	-	-	-	(5,836)	-	-	(5,836)	-
Net pension liability	126,546	18,804	27,265	48,824	91,159	38,281	350,879	16,981
Net other postemployment benefits liability	89,931	13,363	19,376	34,697	64,783	27,205	249,355	12,068
Net Cash Flows from (for) Operating Activities	\$ 45,151	\$ 276,391	\$ 213,198	\$ 75,803	\$ (131,342)	\$ 245,579	\$ 724,780	\$ 243,774
Supplemental Disclosure of Cash Flow Information								
Principal forgiveness on long-term debt	\$ -	\$ -	\$ 160,643	\$ -	\$ -	\$ -	\$ 160,643	\$ -

See accompanying notes to basic financial statements.

Petersburg Borough, Alaska
Notes to Basic Financial Statements
Year Ended June 30, 2019

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

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

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

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

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

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

Petersburg Medical Center
PO Box 589
Petersburg, AK 99833

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

The Borough reports the following major funds:

Major governmental funds:

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

Major proprietary funds:

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

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

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

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

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

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

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

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

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

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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 Investments

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.

Receivables

Receivables are shown along with an allowance for doubtful accounts. Management determines which accounts are considered uncollectible based on prior history and other known factors impacting collectability.

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."

Inventories

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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. When present, prepaid assets do not reflect current available resources and, thus, an equivalent portion of fund balance is classified as nonspendable in the governmental fund financial statements. Prepaid items and expenses are based on the consumption method.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Capital Assets

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

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

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

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

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

Deferred Outflows of Resources

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

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.

Accrued Leave

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).

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,

Petersburg Borough, Alaska

Notes to Basic Financial Statements

or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective-interest method. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 in the fund statements and as expenses in the government-wide and proprietary fund statements.

Pension and Other Postemployment Benefits (OPEB)

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

Deferred Inflows of Resources

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

Grants and Other Intergovernmental Revenues

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

Property Taxes

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

Interfund Transactions

During the course of normal operations, the Borough has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service

Petersburg Borough, Alaska

Notes to Basic Financial Statements

debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Fund Balances

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

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

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

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

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

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

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

Encumbrances

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

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, 2019, expenditures exceeded appropriations in the Public Works department by \$43,057. Budgeted amounts do not include PERS on-behalf expenditures.

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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, 2019, follows:

Due from Other Funds

To General Fund from the Assisted Living Enterprise Fund for short-term advances to cover operating costs	\$ 15,831
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Transfers

From General Fund to:	
Harbor and Port Facilities Enterprise Fund to cover capital costs	\$ 589,855
Assisted Living Enterprise Fund for operating subsidies and to cover debt service costs	330,599
Debt Service Fund to cover debt service costs	402,244

Total transfers from General Fund	1,322,698
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From nonmajor governmental funds to:	
General Fund to cover operating costs	400,000
Water Utility Enterprise Fund to cover capital costs	165,000

Total transfers from nonmajor governmental funds	565,000
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From the Motor Pool Internal Service Fund to Sanitation Utility Enterprise Fund to cover capital costs	200,000
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Total Transfers to Other Funds	\$ 2,087,698
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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, 2019.

	Pooled Cash and Investments	Economic Development Fund	Totals
Bank deposits	\$ 1,404,844	\$ -	\$ 1,404,844
Petty cash	2,480	-	2,480
Investments	26,331,503	4,202,985	30,534,488
Total Cash and Investments	\$ 27,738,827	\$ 4,202,985	\$ 31,941,812

	Pooled Cash and Investments	Economic Development Fund	Totals
Cash and investments	\$ 27,727,188	\$ 4,202,985	\$ 31,930,173
Restricted cash and investments	11,639	-	11,639
Total Cash and Investments	\$ 27,738,827	\$ 4,202,985	\$ 31,941,812

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.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Investment maturities in general investments at June 30, 2019 are as follows:

	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1-5	Greater Than 5
Investment type:				
Money market funds	\$ 1,772,099	\$ 1,772,099	\$ -	\$ -
U.S. government agencies	1,669,142	298,122	887,393	483,627
Corporate Bonds	2,267,168	-	2,267,168	-
Certificates of deposit	18,530,003	6,156,843	12,373,160	-
Pooled investments	2,093,091	2,093,091	-	-
Total Investments	\$ 26,331,503	\$ 10,320,155	\$ 15,527,721	\$ 487,627

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 \$1,669,142 were rated by Standard and Poor's as AA+. The Borough's Corporate Bond of \$2,267,168 were rated as follows by Moody's: \$435,209 rated AAA; \$1,211,023 rated AA3; \$257,062 rated AA2; \$363,874 rated A3.

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.

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Petersburg Borough, Alaska

Notes to Basic Financial Statements

Investment maturities in the Economic Fund investments at June 30, 2019 are as follows:

	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
Investment type:			
Money market funds	\$ 200,870	\$ 200,870	\$ -
Corporate Bonds	430,743	430,743	-
Certificates of deposit	1,437,214	797,523	639,691
Total subject to interest rate risk	2,068,827	\$ 1,429,136	\$ 639,691
International equity securities	315,639		
U.S. equity securities	1,803,799		
Real estate investment trust	14,720		
Total Investments	\$ 4,202,985		

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, 2019:

- U.S. government agency securities of \$1,669,142 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).
- Corporate bonds of \$2,697,911 are valued using information for market sources, integrated relative credit information, observed market movement, and sector news into the evaluated pricing applications and models (Level 2 inputs).
- International and U.S. equities of \$2,119,438 are valued using quoted market prices (Level 1 inputs).
- Real estate investment trust funds of \$14,720 are valued using quoted market prices (Level 1 inputs).

The Borough has investments in money market funds and certificates of deposits totaling \$21,940,186 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2019. The Borough's investment in AMLIP of \$2,093,091 is measured at net asset value, as of June 30, 2019. 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, 2019, receivables for the Borough's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Governmental Funds	Electric Utility Enterprise Fund	Water Utility Enterprise Fund
Property, sales and transient room taxes	\$ 423,366	\$ 12,517	\$ -	\$ -
Grants, loans and shared revenues	-	12,433	-	-
Accounts	45,421	5,275	864,049	97,136
Interest	70,328	4,862	-	-
Total receivables	539,115	35,087	864,049	97,136
Less allowance for doubtful accounts	-	-	(26,370)	(5,008)
Net Receivables	\$ 539,115	\$ 35,087	\$ 837,679	\$ 92,128

	Wastewater Utility Enterprise Fund	Harbor and Port Facilities Enterprise Fund	Nonmajor Enterprise and Internal Service Funds	Total
Property, sales and transient room taxes	\$ -	\$ -	\$ -	\$ 435,883
Grants, loans and shared revenues	89,120	-	-	101,553
Accounts	97,659	345,217	115,784	1,570,541
Interest	-	-	-	75,190
Total receivables	186,779	345,217	115,784	2,183,167
Less allowance for doubtful accounts	(1,775)	(34,374)	(2,349)	(69,876)
Net Receivables	\$ 185,004	\$ 310,843	\$ 113,435	\$ 2,113,291

Petersburg Borough, Alaska

Notes to Basic Financial Statements

6. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

Governmental Activities	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 4,076,919	\$ -	\$ -	\$ 4,076,919
Construction in progress	880,545	-	-	880,545
Total assets not being depreciated	4,957,464	-	-	4,957,464
<i>Capital assets being depreciated:</i>				
Buildings	58,038,604	9,736	-	58,048,340
Improvements other than buildings	243,052	-	-	243,052
Machinery and equipment*	9,810,728	335,504	(86,173)	10,060,059
Infrastructure	17,710,274	-	-	17,710,274
Total assets being depreciated	85,802,658	345,240	(86,173)	86,061,725
Less accumulated depreciation for:				
Buildings	30,490,117	1,535,688	-	32,025,805
Improvements other than buildings	170,471	13,353	-	183,824
Machinery and equipment*	6,542,857	524,902	(86,173)	6,981,586
Infrastructure	1,988,342	179,561	-	2,167,903
Total accumulated depreciation	39,191,787	2,253,504	(86,173)	41,359,118
Total capital assets being depreciated, net	46,610,871	(1,908,264)	-	44,702,607
Governmental Activities				
Capital Assets, net	\$ 51,568,335	\$ (1,908,264)	\$ -	\$ 49,660,071

* The ending balances include \$7,675,139 and \$5,131,448 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, 2018	Additions	Deletions	Balance June 30, 2019
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 2,399,493	\$ -	\$ -	\$ 2,399,493
Construction in progress	896,172	328,559	(781,874)	442,857
Total assets not being depreciated	3,295,665	328,559	(781,874)	2,842,350
<i>Capital assets being depreciated:</i>				
Buildings	27,518,908	-	-	27,518,908
Improvements other than buildings	83,926,286	640,238	(5,337)	84,561,187
Machinery and equipment	21,585,912	587,763	(28,208)	22,145,467
Total assets being depreciated	133,031,106	1,228,001	(33,545)	134,225,562
<i>Less accumulated depreciation for:</i>				
Buildings	15,280,370	622,056	-	15,902,426
Improvements other than buildings	30,516,252	2,518,474	(5,337)	33,029,389
Machinery and equipment	18,050,269	345,380	(28,208)	18,367,441
Total accumulated depreciation	63,846,891	3,485,910	(33,545)	67,299,256
Total capital assets being depreciated, net	69,184,215	(2,257,909)	-	66,926,306
Business-Type Activities				
Capital Assets, net	\$ 72,479,880	\$ 1,929,350	\$ (781,874)	\$ 69,768,656

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Petersburg Borough, Alaska

Notes to Basic Financial Statements

Depreciation expense was charged to the functions as follows:

Governmental Activities	Depreciation Excluding Internal Service Fund	Internal Service Fund Allocation	Total Depreciation
General government	\$ 112,460	\$ 194,029	\$ 306,489
Public safety	417,200	116,416	533,616
Public works	323,877	116,416	440,293
Culture and recreation	689,080	4,312	693,392
Education	279,714	-	279,714
Total Governmental Activities	\$ 1,822,331	\$ 431,173	\$ 2,253,504
Business-Type Activities			Depreciation
Electric utility			\$ 495,340
Water utility			839,558
Wastewater utility			394,560
Sanitation utility			152,289
Harbor and port facilities			1,390,497
Elderly housing			106,386
Assisted living			107,280
Total Business-Type Activities			\$ 3,485,910

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Petersburg Borough, Alaska

Notes to Basic Financial Statements

7. Long-term Debt

Bonds and notes payable at June 30, 2019, are comprised of the following:

<u>Governmental Activities</u>	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
\$756,684 2016 general obligation pool refunding bonds, due in annual installments of \$81,667 to \$88,350 through 2027, plus interest at 2.0% to 5.0%	\$ 676,684	-	\$ 81,667	\$ 595,017	\$ 81,667
\$2,010,000 2012 general obligation refunding school bonds, due in annual installments of \$195,000 to \$240,000 through 2025, plus interest at 4.0% to 5.0%	1,485,000	-	185,000	1,300,000	195,000
\$1,150,000 2012 Series 3 general obligation library bonds, due in annual installments of \$75,000 to \$100,000 through 2028, plus interest at 4.0% to 5.0%	780,000	-	70,000	710,000	75,000
\$3,165,000 2014 Series 3 general obligation refunding school bonds, due in annual installments of \$290,000 to \$390,000 through 2025, plus interest of 4.0% to 5.0%	2,640,000	-	275,000	2,365,000	290,000
Accrued leave (net)	409,518	207,447	237,316	379,649	379,649*
Total Governmental Activities	\$ 5,991,202	\$ 207,447	\$ 848,983	5,349,666	\$ 1,021,316
Unamortized bond premium				<u>606,434</u>	
				<u>\$ 5,956,100</u>	

* The ending balance includes \$23,289 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, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
<i>General Obligation Bonds:</i>					
\$1,910,000 2012 general obligation elderly housing and assisted living refunding bonds, due in annual installments of \$190,000 to \$220,000 through 2024, plus interest at 4.0% to 5.0%	\$ 1,225,000	\$ -	\$ 185,000	\$ 1,040,000	\$ 190,000
\$2,800,000 2010 general obligation electric bonds, due in annual installments of \$125,000 to \$200,000 through 2031, plus interest at 2.0% to 6.34% with partial rebate subsidy of interest	2,050,000	-	120,000	1,930,000	125,000
\$433,316 2016 series general obligation harbor/port bonds, due in annual installments of \$108,333 to \$116,650 through 2021, plus interest at 2.0% to 4.0%	333,320	-	108,337	224,983	108,333
<i>Notes Payable:</i>					
\$1,900,000 Water Utility note, due in annual installments of \$94,766 through 2020, plus interest at 1.5% (loan number 685021)	189,532	-	94,766	94,766	94,766
\$1,989,840 Water Utility note, due in annual installments of \$111,867 to \$120,508 through 2025, including interest at 1.5% (loan number 685041)	807,090	-	110,214	696,876	111,867
\$643,823 Wastewater Utility note, due in annual installments of \$35,752 to \$38,515 through 2025, including interest at 1.5% (loan number 685011)	257,944	-	35,225	222,719	35,752
\$1,317,577 Water Utility note, due in annual installments of \$66,127 to \$75,609 through 2029, including interest at 1.5% (loan number 685051)	772,890	-	65,150	707,740	66,127
\$600,000 (maximum) Water Utility note, due in annual installments of \$10,227 to \$16,165 through 2035, including interest at 1.5% (loan number 685241)	193,466	-	10,076	183,390	10,227

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
<i>Notes Payable, continued:</i>					
\$642,460 Water Utility note, due in annual installments of \$29,489 to \$36,868 through 2035; interest at 1.5% (loan number 685251)	\$ 557,854	\$ -	\$ 29,054	\$ 528,800	\$ 29,489
\$629,191 Wastewater Utility note, due in annual installments of \$25,090 to \$31,368 through 2035; interest at 1.5% (loan number 685211)	474,644	-	24,719	449,925	25,090
\$728,000 Wastewater Utility note, due in annual installments of \$32,167 to \$39,622 through 2035; interest at 1.5% (loan number 685221)	605,960	-	31,691	574,269	32,167
\$828,702 (maximum) Wastewater Utility note, due in annual installments of \$28,490 to \$37,246; interest at 1.5% (loan number 685261)	809,691	-	188,712**	620,979	28,490
\$550,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685271)	20,904	88,927	-	109,831	-
\$160,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685291)	13,800	11,670	-	25,470	-
\$360,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5% (loan number 685301)	-	460	-	460	-
Accrued leave (net)	305,150	188,675	188,884	304,941	304,941
Total Business-Type Activities	\$ 8,617,245	\$ 289,732	\$ 1,191,828	\$ 7,715,149	\$ 1,162,249
Unamortized bond premium				162,692	
				\$ 7,877,841	

** Of this amount, \$160,643 has been retired via a state subsidy. No actual payment was issued from the Borough.

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
2020	\$ 641,667	\$ 223,867	\$ 865,534
2021	678,350	191,817	870,167
2022	680,000	159,675	839,675
2023	710,000	126,625	836,625
2024	745,000	90,825	835,825
2025-2027	1,515,000	81,175	1,596,175
	\$ 4,970,017	\$ 873,984	\$ 5,844,001

Business-Type Activities

<i>Year Ending June 30,</i>	General Obligation Bonds		
	Principal	Interest	Total
2020	\$ 423,333	\$ 161,828	\$ 585,161
2021	446,650	142,447	589,097
2022	355,000	124,744	479,744
2023	365,000	107,099	472,099
2024	365,000	87,385	452,385
2025-2029	850,000	261,703	1,111,703
2030-2031	390,000	25,047	415,047
	\$ 3,194,983	\$ 910,253	\$ 4,105,236

<i>Year Ending June 30,</i>	Notes Payable		
	Principal	Interest	Total
2020	\$ 433,975	\$ 61,191	\$ 495,166
2021	344,296	54,683	398,979
2022	349,461	49,518	398,979
2023	354,702	44,277	398,979
2024	360,022	38,957	398,979
2025-2029	1,222,429	126,808	1,349,237
2030-2034	750,189	53,923	804,112
2035-2038	264,390	7,282	271,672
	\$ 4,079,464	\$ 436,639	\$ 4,516,103

Not included in the table above is \$135,761 of outstanding notes payable whose repayment terms have not yet been established.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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, 2019:

Petersburg School District	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Accrued leave	\$ 57,304	\$ 3,429	\$ 7,540	\$ 53,193	\$ 53,193
Petersburg Medical Center					
Accrued leave	\$ 606,983	\$ 719,578	\$ (606,983)	\$ 719,578	\$ 719,578
Capital leases	400,246	-	(119,977)	280,269	124,896
Total	\$ 1,007,229	\$ 719,578	\$ (726,960)	\$ 999,847	\$ 844,474

8. Fund Balances

Fund balances reported at June 30, 2019 for the Borough's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	<u>Major Fund</u> General	Total Nonmajor Funds	Totals
Restricted:			
School support	\$ -	\$ 4,019,589	\$ 4,019,589
Streets and roads	-	167,083	167,083
Total restricted	-	4,186,672	4,186,672
Committed:			
Economic development	-	4,207,847	4,207,847
Public works	-	214,480	214,480
Public safety	-	253,098	253,098
Capital projects	-	133,895	133,895
Tourism	-	39,786	39,786
Total committed	-	4,849,106	4,849,106
Assigned:			
General government	-	61,128	61,128
Debt service	-	185,895	185,895
Subsequent year's expenditures	-	4,003	4,003
Total assigned	-	251,026	251,026
Unassigned	4,399,698	-	4,399,698
Total Fund Balances	\$ 4,399,698	\$ 9,286,804	\$ 13,686,502

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 2019. Actual costs may be higher due to inflation, changes in technology or changes in regulations. At June 30, 2019, 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. Retirement Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Plan

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

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

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

The PERS DB Plan was closed to new entrants effective July 1, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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 PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes. The Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Alaska Statute 39.35.280 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

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

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Police officers 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 contributions 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, the amount calculated for the statutory employer effective contribution rate is 22% on eligible wages. 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 employee payroll 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.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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 proprietary 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.

GASB Rate: This is the rate used to determine the long-term pension 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. For 2019, the rate uses an 8% pension 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, 2019 were determined in the June 30, 2016 actuarial valuations. The Borough's contribution rates for the 2019 fiscal year were as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	16.17%	23.21%	5.58%
Postemployment healthcare (ARHCT)	5.83%	4.37%	0.00%
Total Contribution Rates	22.00%	27.58%	5.58%

In 2019, the Borough was credited with the following contributions to the pension plan:

	Measurement Period July 1, 2017 to June 30, 2018	Borough Fiscal Year July 1, 2018 to June 30, 2019
Employer contributions (including DBUL)	\$ 666,076	\$ 602,526
Nonemployer contributions (on-behalf)	171,009	298,538
Total Contributions	\$ 837,085	\$ 901,064

In addition, employee contributions to the Plan totaled \$141,546 during the Borough's fiscal year.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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

At June 30, 2019, 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 portion of the net pension liability that was associated with the Borough were as follows:

	2019
Borough proportionate share of NPL	\$ 9,084,797
State's proportionate share of NPL associated with the Borough	2,633,836
Total Net Pension Liability	\$ 11,718,633

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net pension liability as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2018 measurement date, the Borough's proportion was 0.18283 percent, which was an increase of 0.021038 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Borough recognized pension expense of \$461,880 and on-behalf revenue of \$123,321 for support provided by the State. At June 30, 2019, 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	\$ -	\$ (228,011)
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	200,641	-
Changes in proportion and differences between Borough contributions and proportionate share of contributions	439,935	-
Borough contributions subsequent to the measurement date	602,526	-
Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions	\$ 1,243,102	\$ (228,011)

Petersburg Borough, Alaska

Notes to Basic Financial Statements

The \$602,526 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, 2020. 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,

2020	\$ 467,113
2021	109,710
2022	(155,460)
2023	(8,798)
2024	-
Thereafter	-
<hr/>	
Total Amortization	\$ 412,565

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018:

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	For peace officer/firefighter, increases range from 9.66% to 4.92% based on service. For all others, increases range from 8.55% to 4.34% based on age and service.
Allocation methodology	Amounts for FY 2018 were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the fiscal years 2019 to 2039 to the Plan. The liability is expected to go to zero at 2039.
Investment return / Discount rate	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination - 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

The actuarial assumptions used in the June 30, 2017 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. The assumptions used in the June 30, 2017 actuarial valuation report are the same as those used in the June 30, 2016 actuarial valuation.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24%	8.90%
Global ex-U.S. equity	22%	7.85%
Fixed income	10%	1.25%
Opportunistic	10%	4.76%
Real assets	17%	6.20%
Absolute return	7%	4.76%
Private equity	9%	12.08%
Cash equivalents	1%	0.66%

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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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 one percentage-point lower or one percentage-point higher than the current rate:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Borough's proportionate share of the net pension liability	0.18283%	\$ 12,030,563	\$ 9,084,797	\$ 6,593,034

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Pension Plan Fiduciary Net Position

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

(b) Defined Contribution (DC) Pension Plan

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

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. Nonvested employer contributions are forfeited upon termination of employment from the plan. Such forfeitures were applied in the year ended June 30, 2019, to cover a portion of the Borough's employer match contributions. For the year ended June 30, 2019, forfeitures reduced pension expense by \$48,510.

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, 2019, the Borough was required to contribute 5% of covered salary into the Plan.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2019 were \$150,942 and \$241,507, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

(c) Defined Benefit OPEB Plans

As part of its participation in PERS, the Borough participates in the following cost sharing multiple employer defined benefit OPEB plans: Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is a self-insured and self-funded and provides major medical coverage to retirees of the DB Plan. The ARHCT plan was closed to all new entrants effective July 1, 2006. Benefits vary by Tier level. The RMP is self-insured and provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the comprehensive annual financial report for PERS, at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Contribution Rates

Employer contribution rates are actuarially determined and adopted by and may be amended by the Board. Employees do not contribute.

Employer contribution rates for the year ended June 30, 2019 were as follows:

	Other	Police/Fire
Alaska Retiree Healthcare Trust	5.83%	5.83%
Retiree Medical Plan	0.94%	0.94%
Occupational Death and Disability Benefits	0.26%	0.76%
Total Contribution Rates	7.03%	7.53%

In 2019, the Borough was credited with the following contributions to the OPEB plans:

	Measurement Period	Borough Fiscal Year
	July 1, 2017 to June 30, 2018	July 1, 2018 to June 30, 2019
Employer contributions - ARHCT	\$ 189,860	\$ 217,527
Employer contributions - RMP	29,123	28,415
Employer contributions - ODD	5,479	9,834
Nonemployer contributions (on-behalf)- ARHCT	-	-
Total Contributions	\$ 224,462	\$ 255,776

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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

At June 30, 2019, the Borough reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

	2019
Borough's proportionate share of NOL - ARHCT	\$ 1,875,226
Borough's proportionate share of NOL - RMP	31,789
Borough's proportionate share of NOL (Asset) - ODD	(48,519)
Total Borough's Proportionate Share of NOL (Asset)	\$ 1,858,496
State's proportionate share of the ARHCT NOL associated with the Borough	544,886
Total Net OPEB Liabilities	\$ 2,403,382

The total OPEB liabilities for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net OPEB liabilities as of that date. The Borough's proportion of the net OPEB liabilities were based on a projection of the Borough's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2017 Measurement Date Employer Proportion	June 30, 2018 Measurement Date Employer Proportion	Change
Borough's proportionate share of the net OPEB liabilities (asset):			
ARHCT	0.16183%	0.18272%	0.02092%
RMP	0.23299%	0.24982%	0.01683%
ODD	0.23299%	0.24982%	0.01683%

As a result of its requirement to contribute to the plans, the Borough recognized OPEB expense of \$362,029 and on-behalf revenue of \$71,532 for support provided by the State associated with the ARHCT plan.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

At June 30, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (215,785)
Changes in assumptions	299,218	-
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(403,719)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	168,366	(85,806)
Borough contributions subsequent to the measurement date	255,776	-
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	\$ 723,360	\$ (705,310)

The \$255,776 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,

2020		\$ (60,514)
2021		(36,174)
2022		(131,801)
2023		(8,822)
2024		(126)
Thereafter		(289)
Total Amortization		\$ (237,726)

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Petersburg Borough, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total OPEB liability for each plan the measurement period ended June 30, 2018 was determined by actuarial valuations as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018:

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for Peace Officer/ Firefighter. Graded by service from 8.55% to 4.34% for all others
Allocation methodology	Amounts for 2018 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment return / Discount rate	8.00%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Healthcare cost trend rates	Pre-65 medical: 8.0% grading down to 4.0% Post-65 medical: 5.5% grading down to 4.0% Prescription drug: 9.0% grading down to 4.0% RDS/EGWP:6.5% grading down to 4.0%
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others. Post-termination - 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.
Participation (ARHCT)	100% system paid of members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013. The assumptions used in the June 30, 2017 actuarial valuation are the same as those used in the June 30, 2016 valuation with the following exceptions:

1. The medical trend rate assumption was updated to reflect anticipated increases in costs based on recent survey data.
2. An obligation for the Cadillac Tax was added to the June 30, 2017 valuation because it was no longer deemed immaterial due to the updated trend rates and the change to use chained Consumer Price Index (which was part of the Tax Cut and Jobs Act passed in December 2017) to project the tax thresholds in future years.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return for each major asset class included in the plans' targeted asset allocation as of June 30, 2018 are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Broad domestic equity	24%	8.90%
Global ex-U.S. equity	22%	7.85%
Fixed income	10%	1.25%
Opportunistic	10%	4.76%
Real assets	17%	6.20%
Absolute return	7%	4.76%
Private equity	9%	12.08%
Cash equivalents	1%	0.66%

Discount Rate

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

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	<i>Proportional Share</i>	<i>1% Decrease (7.00%)</i>	<i>Current Discount Rate (8.00%)</i>	<i>1% Increase (9.00%)</i>
Borough's proportionate share of the net OPEB liability (asset):				
ARHCT	0.18272%	\$ 3,796,393	\$ 1,875,226	\$ 264,895
RMP	0.24982%	\$ 94,930	\$ 31,789	\$ (17,460)
ODD	0.24982%	\$ (45,562)	\$ (48,519)	\$ (50,953)

Petersburg Borough, Alaska

Notes to Basic Financial Statements

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the Borough’s proportionate share of the net OPEB liabilities calculated using the healthcare cost trend rates, as well as what the Borough’s proportionate share of the respective plan’s net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease		Current Healthcare Cost Trend Rate	1% Increase
Borough’s proportionate share of the net OPEB liability (asset):					
ARHCT	0.18272%	\$ 36,401	\$	1,875,226	\$ 4,090,270
RMP	0.24982%	(27,028)	\$	31,789	\$ 110,504
ODD	0.24982%	n/a	\$	n/a	n/a

OPEB Plan Fiduciary Net Position

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

(d) Defined Contribution OPEB Plans

PERS defined contribution members also participate in the Health Reimbursement Arrangement Plan (HRA Plan). The HRA Plan allows for medical care expenses to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006 at which time contributions by employers began.

Contribution Rate

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, 2018, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,103 per year for each full-time employee, and \$1.35 per hour for part-time employees. Employees do not contribute to the DC OPEB plans.

Annual Postemployment Healthcare Cost

In 2019, the Borough contributed \$107,686 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.

Petersburg Borough, Alaska

Notes to Basic Financial Statements

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 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, 2019.

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. Restatement

In 2019, Petersburg Medical Center recorded an opening balance adjustment to reflect a reduction in patient receivables and net position.

	As Reported	Adjustment	As Restated
Opening net position	\$ 2,232,049	\$ (1,682,006)	\$ 550,043

Petersburg Borough, Alaska

Notes to Basic Financial Statements

17. New Accounting Pronouncements

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

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

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

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

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

GASB 91 - Conduit Debt Obligations - Effective for year-end June 30, 2022, with earlier application encouraged - This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

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, 2019</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 3,453,389	\$ 3,355,000	\$ 3,347,614	\$ (7,386)
Sales taxes	3,016,000	3,016,000	3,192,022	176,022
Other taxes	230,000	262,000	270,788	8,788
Intergovernmental	1,428,815	1,921,815	2,213,811	291,996
Licenses and permits	8,500	8,500	12,831	4,331
Charges for services	228,800	384,800	368,590	(16,210)
Fines and forfeitures	13,600	13,600	9,271	(4,329)
Overhead charges	639,710	639,710	639,710	-
Investment income	37,445	39,445	307,682	268,237
Other revenues	10,500	5,500	5,393	(107)
Total Revenues	9,066,759	9,646,370	10,367,712	721,342
Expenditures				
General government	1,833,802	1,833,802	1,784,202	49,600
Public safety	2,318,112	2,318,114	2,156,051	162,063
Public works	1,196,482	1,198,583	1,241,640	(43,057)
Community development	348,935	346,836	343,263	3,573
Community services	89,014	89,014	88,511	503
Culture and recreation	1,410,007	1,410,007	1,313,221	96,786
Education - contribution to school district	1,800,000	1,800,000	1,800,000	-
Total Expenditures	8,996,352	8,996,356	8,726,888	269,468
Excess of Revenues Over Expenditures	70,407	650,014	1,640,824	990,810
Other Financing Sources (Uses)				
Transfers in	400,000	400,000	400,000	-
Transfers out	(450,000)	(1,029,611)	(1,322,698)	(293,087)
Net Other Financing Sources (Uses)	(50,000)	(629,611)	(922,698)	(293,087)
Net Change in Fund Balance	\$ 20,407	\$ 20,403	718,126	\$ 697,723
Fund Balance, beginning of year			3,681,572	
Fund Balance, end of year			\$ 4,399,698	

See accompanying notes to Required Supplementary Information.

Petersburg Borough, Alaska
Public Employees' Retirement System (PERS) - Pension Plan
Schedule of the Borough's Proportionate Share of the Net Pension Liability

<i>Years Ended June 30,</i>	2019	2018	2017	2016	2015
Borough's Proportion of the Net Pension Liability	0.18283%	0.16179%	0.19278%	0.17243%	0.11734%
Borough's Proportionate Share of the Net Pension Liability	\$ 9,084,797	\$ 8,363,876	\$ 10,775,746	\$ 8,362,857	\$ 5,473,005
State of Alaska Proportionate Share of the Net Pension Liability	2,633,836	3,116,497	1,355,716	2,239,001	4,937,000
Total Net Pension Liability	\$ 11,718,633	\$ 11,480,373	\$ 12,131,462	\$ 10,601,858	\$ 10,410,005
Borough's Covered Payroll	5,201,704	4,930,589	4,932,921	4,803,880	4,927,243
Borough's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	174.65%	169.63%	218.45%	174.09%	111.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.19%	63.37%	59.55%	63.96%	63.37%

Schedule of Borough Contributions

<i>Years Ended June 30,</i>	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 602,526	\$ 666,076	\$ 567,503	\$ 498,118	\$ 470,978
Contributions Relative to the Contractually Required Contribution	602,526	666,076	567,503	498,118	470,978
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	5,013,381	5,201,704	4,930,589	4,932,921	4,803,880
Contributions as a Percentage of Covered Payroll	12.02%	12.80%	11.51%	10.10%	9.80%

See accompanying notes to Required Supplementary Information.

Petersburg Borough, Alaska
Public Employees' Retirement System (PERS) - OPEB Plans
Schedule of the Borough's Proportionate Share of the Net OPEB Liability

<i>Years Ended June 30,</i>	ARHCT		RMP		ODD	
	2019	2018	2019	2018	2019	2018
Borough's Proportion of the Net OPEB Liability	0.18272%	0.16183%	0.24982%	0.23299%	0.24982%	0.23299%
Borough's Proportionate Share of the Net OPEB Liability	\$ 1,875,226	\$ 1,367,076	\$ 31,789	\$ 12,150	\$ (48,519)	\$ (33,059)
State of Alaska Proportionate Share of the Net OPEB Liability	544,886	509,910	-	-	-	-
Total Net OPEB Liability	\$ 2,420,112	\$ 1,876,986	\$ 31,789	\$ 12,150	\$ (48,519)	\$ (33,059)
Borough's Covered Payroll	5,201,704	4,930,589	5,201,704	4,930,589	5,201,704	4,930,589
Borough's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll	36.05%	27.73%	0.61%	0.25%	-0.93%	-0.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	88.12%	89.68%	88.71%	93.98%	270.62%	212.97%

Schedule of Borough Contributions

<i>Years Ended June 30,</i>	ARHCT		RMP		ODD	
	2019	2018	2019	2018	2019	2018
Contractually Required Contributions	\$ 217,527	\$ 189,860	\$ 28,415	\$ 29,123	\$ 9,834	\$ 5,479
Contributions Relative to the Contractually Required Contribution	217,527	189,860	28,415	29,123	9,834	5,479
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	5,013,381	5,201,704	5,013,381	5,201,704	5,013,381	5,201,704
Contributions as a Percentage of Covered Payroll	4.34%	3.65%	0.57%	0.56%	0.20%	0.11%

See accompanying notes to Required Supplementary Information.

Petersburg Borough, Alaska

Notes to Required Supplementary Information Year Ended June 30, 2019

1. Budgetary Comparison Schedule

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

2. Public Employees' Retirement System Pension Plan

Schedule of the Borough's Proportionate Share of the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2019, the Plan measurement date is June 30, 2018.

Amounts reported reflect a change in assumptions between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the Borough will present only those years for which information is available.

Schedule of Borough Contributions

This table is based on the Borough's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position. GASB requires ten years of information be presented. However, until a full ten years of information is available, the Borough will present only those years for which information is available.

3. Public Employees' Retirement System OPEB Plans

Schedule of the Borough's Proportionate Share of the Net OPEB Liability

This table is presented based on the Plan measurement date. For June 30, 2019, the Plan measurement date is June 30, 2018.

Changes in Assumptions: The medical trend rate assumption used for the ARHCT plan was updated to reflect anticipated increases in costs based on recent survey data. An obligation for the Cadillac Tax was added to the June 30, 2017 valuation because it was no longer deemed immaterial due to the updated trend rates and the change to use chained Consumer Price Index (which was part of the Tax Cut and Jobs Act passed in December 2017) to project the tax thresholds in future years.

GASB requires ten years of information be presented. However, until a full 10 years of information is available, the Borough will present only those years for which information is available.

Schedule of Borough Contributions

This table is based on the Borough's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position. GASB requires ten years of information be presented. However, until a full 10 years of information is available, the Borough will present only those years for which information is available.

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Supplementary Information

Petersburg Borough, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue Funds							
	Miscel- laneous Grants	National Forest Receipts - School	National Forest Receipts - Streets and Roads	Property Develop- ment	E911 Surcharge	Borough Organiz- ational	Transient Room Tax	Marine Passenger Fee
<i>June 30, 2019</i>								
Assets								
Cash and investments	\$ 41,753	\$ 4,019,589	\$ 167,083	\$ 211,488	\$ 253,098	\$ 61,128	\$ 21,926	\$ 3,060
Receivables:								
Grants and shared revenues	7,772	-	-	-	-	-	-	-
Taxes	-	-	-	2,992	-	-	9,525	-
Accounts	-	-	-	-	-	-	-	5,275
Interest	-	-	-	-	-	-	-	-
Total Assets	\$ 49,525	\$ 4,019,589	\$ 167,083	\$ 214,480	\$ 253,098	\$ 61,128	\$ 31,451	\$ 8,335
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 3,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and employee benefits	355	-	-	-	-	-	-	-
Unearned revenue	41,399	-	-	-	-	-	-	-
Total Liabilities	45,522	-	-	-	-	-	-	-
Fund Balances								
Restricted:								
Streets and roads	-	-	167,083	-	-	-	-	-
School support	-	4,019,589	-	-	-	-	-	-
Committed:								
Economic development	-	-	-	-	-	-	-	-
Public works	-	-	-	214,480	-	-	-	-
Public safety	-	-	-	-	253,098	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Tourism	-	-	-	-	-	-	31,451	8,335
Assigned:								
General government	-	-	-	-	-	61,128	-	-
Debt service	-	-	-	-	-	-	-	-
Subsequent year's expenditures	4,003	-	-	-	-	-	-	-
Total Fund Balances	4,003	4,019,589	167,083	214,480	253,098	61,128	31,451	8,335
Total Liabilities and Fund Balances	\$ 49,525	\$ 4,019,589	\$ 167,083	\$ 214,480	\$ 253,098	\$ 61,128	\$ 31,451	\$ 8,335

Petersburg Borough, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet, continued

<i>June 30, 2019</i>	Capital Project Funds				Total Nonmajor Govern- mental Funds
	Debt Service Fund	Library Construc- tion	Fishing Park	Economic Develop- ment	
Assets					
Cash and investments	\$ 181,234	\$ 33,968	\$ 99,927	\$ 4,202,985	\$ 9,297,239
Receivables:					
Grants and shared revenues	4,661	-	-	-	12,433
Taxes	-	-	-	-	12,517
Accounts	-	-	-	-	5,275
Interest	-	-	-	4,862	4,862
Total Assets	\$ 185,895	\$ 33,968	\$ 99,927	\$ 4,207,847	\$ 9,332,326
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,768
Accrued payroll and employee benefits	-	-	-	-	355
Unearned revenue	-	-	-	-	41,399
Total Liabilities	-	-	-	-	45,522
Fund Balances					
Restricted:					
Streets and roads	-	-	-	-	167,083
School support	-	-	-	-	4,019,589
Committed:					
Economic development	-	-	-	4,207,847	4,207,847
Public works	-	-	-	-	214,480
Public safety	-	-	-	-	253,098
Capital projects	-	33,968	99,927	-	133,895
Tourism	-	-	-	-	39,786
Assigned:					
General government	-	-	-	-	61,128
Debt service	185,895	-	-	-	185,895
Subsequent year's expenditures	-	-	-	-	4,003
Total Fund Balances	185,895	33,968	99,927	4,207,847	9,286,804
Total Liabilities and Fund Balances	\$ 185,895	\$ 33,968	\$ 99,927	\$ 4,207,847	\$ 9,332,326

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

<i>Year Ended June 30, 2019</i>	Special Revenue Funds							
	Miscel- laneous Grants	National Forest Receipts - School	National Forest Receipts - Streets and Roads	Property Develop- ment	E911 Surcharge	Borough Organiz- ational	Transient Room Tax	Marine Passenger Fee
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ 34,770	\$ -	\$ -	\$ 56,811	\$ -
Intergovernmental	24,797	464,352	82,062	-	-	-	-	-
Charges for services	-	-	-	1,000	83,386	-	-	8,335
Investment income	-	115,737	3,256	6,126	-	-	-	-
Total Revenues	24,797	580,089	85,318	41,896	83,386	-	56,811	8,335
Expenditures								
General government	-	-	-	130	-	5,000	42,750	-
Public safety	15,363	-	-	-	14,235	-	-	-
Community services	-	-	-	-	-	-	-	-
Culture and recreation	13,645	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	29,008	-	-	130	14,235	5,000	42,750	-
Excess (Deficiency) of Revenues Over Expenditures	(4,211)	580,089	85,318	41,766	69,151	(5,000)	14,061	8,335
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(400,000)	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	(400,000)	-	-	-	-	-	-
Net Change in Fund Balances	(4,211)	180,089	85,318	41,766	69,151	(5,000)	14,061	8,335
Fund Balances, beginning of year	8,214	3,839,500	81,765	172,714	183,947	66,128	17,390	-
Fund Balances, end of year	\$ 4,003	\$ 4,019,589	\$ 167,083	\$ 214,480	\$ 253,098	\$ 61,128	\$ 31,451	\$ 8,335

Petersburg Borough, Alaska

Nonmajor Governmental Funds

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

Year Ended June 30, 2019	Capital Project Funds					Total Nonmajor Govern- mental Funds
	Debt Service Fund	Library Construc- tion	Fishing Park	Economic Develop- ment	Homeland Security	
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,581
Intergovernmental	466,050	-	-	-	163,605	1,200,866
Charges for services	-	-	-	-	-	92,721
Investment income	-	-	-	345,964	-	471,083
Total Revenues	466,050	-	-	345,964	163,605	1,856,251
Expenditures						
General government	-	-	-	-	-	47,880
Public safety	-	-	-	-	-	29,598
Community services	-	-	-	90,000	-	90,000
Culture and recreation	-	-	-	-	-	13,645
Debt service:						
Principal	611,667	-	-	-	-	611,667
Interest	252,638	-	-	-	-	252,638
Capital outlay	-	-	-	-	163,605	163,605
Total Expenditures	864,305	-	-	90,000	163,605	1,209,033
Excess (Deficiency) of Revenues Over Expenditures	(398,255)	-	-	255,964	-	647,218
Other Financing Sources (Uses)						
Transfers in	402,244	-	-	-	-	402,244
Transfers out	-	-	-	(165,000)	-	(565,000)
Net Other Financing Sources (Uses)	402,244	-	-	(165,000)	-	(162,756)
Net Change in Fund Balances	3,989	-	-	90,964	-	484,462
Fund Balances, beginning of year	181,906	33,968	99,927	4,116,883	-	8,802,342
Fund Balances, end of year	\$ 185,895	\$ 33,968	\$99,927	\$ 4,207,847	\$ -	\$9,286,804

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

<i>June 30, 2019</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and investments	\$ 814,393	\$ 588,429	\$ 1,402,822
Receivables, net of allowance for doubtful accounts	110,914	-	110,914
Total Current Assets	925,307	588,429	1,513,736
Restricted Cash - security deposits	-	11,639	11,639
Property, Plant and Equipment			
Construction in progress	132,046	-	132,046
Land and land improvements	63,720	127,419	191,139
Buildings	2,211,180	2,916,985	5,128,165
Improvements other than buildings	807,695	259,541	1,067,236
Machinery and equipment	387,302	192,216	579,518
Total property, plant and equipment	3,601,943	3,496,161	7,098,104
Accumulated depreciation	(1,844,683)	(2,740,858)	(4,585,541)
Net Property, Plant and Equipment	1,757,260	755,303	2,512,563
Total Assets	2,682,567	1,355,371	4,037,938
Deferred Outflows of Resources			
Related to pension	49,482	29,598	79,080
Related to other postemployment benefits	27,509	9,162	36,671
Deferred charges on refunding	-	12,638	12,638
Total Deferred Outflows of Resources	76,991	51,398	128,389
Total Assets and Deferred Outflows of Resources	\$ 2,759,558	\$ 1,406,769	\$ 4,166,327

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

<i>June 30, 2019</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current Liabilities			
Accounts payable	\$ 46,344	\$ 4,936	\$ 51,280
Accrued payroll and employee benefits	15,385	4,608	19,993
Accrued leave	8,747	662	9,409
Unearned revenue	-	1,439	1,439
Customer deposits	8,336	9,455	17,791
Accrued interest	-	4,154	4,154
Current portion of general obligation bonds	-	47,500	47,500
Total Current Liabilities	78,812	72,754	151,566
Noncurrent Liabilities			
General obligation bonds	-	212,500	212,500
Bond premium, net of accumulated amortization	-	29,555	29,555
Net pension liability	332,219	186,444	518,663
Net other postemployment benefits liability	64,119	24,194	88,313
Landfill closure liability	65,970	-	65,970
Total Noncurrent Liabilities	462,308	452,693	915,001
Total Liabilities	541,120	525,447	1,066,567
Deferred Inflows of Resources			
Related to pension	1,915	4,345	6,260
Related to other postemployment benefits	22,728	9,342	32,070
Total Deferred Inflows of Resources	24,643	13,687	38,330
Net Position			
Net investment in capital assets	1,757,260	478,386	2,235,646
Unrestricted	436,535	389,249	825,784
Total Net Position	2,193,795	867,635	3,061,430
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,759,558	\$ 1,406,769	\$4,166,327

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

<i>Year Ended June 30, 2019</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
Operating Revenues	\$ 1,197,791	\$ 394,857	\$ 1,592,648
Operating Expenses			
Salaries and benefits	358,143	131,147	489,290
Services, supplies, and other charges	455,762	159,508	615,270
Allocated overhead and motor pool charges	216,559	34,606	251,165
Depreciation	152,289	106,386	258,675
Total Operating Expenses	1,182,753	431,647	1,614,400
Income (Loss) from Operations	15,038	(36,790)	(21,752)
Nonoperating Revenues (Expenses)			
Investment income	23,153	17,641	40,794
Interest expense	-	(8,618)	(8,618)
State PERS relief	5,019	1,529	6,548
Net Nonoperating Revenues (Expenses)	28,172	10,552	38,724
Income (loss) before transfers	43,210	(26,238)	16,972
Transfers in	200,000	-	200,000
Change in Net Position	243,210	(26,238)	216,972
Net Position, beginning of year	1,950,585	893,873	2,844,458
Net Position, end of year	\$ 2,193,795	\$ 867,635	\$ 3,061,430

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

<i>Year Ended June 30, 2019</i>	Sanitation Utility	Elderly Housing	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,200,188	\$ 396,179	\$ 1,596,367
Payments for interfund services used	(216,559)	(34,606)	(251,165)
Payments to suppliers	(447,024)	(158,603)	(605,627)
Payments to employees	(356,416)	(137,580)	(493,996)
Net cash flows from operating activities	180,189	65,390	245,579
Cash Flows from (for) Capital and Related Financing Activities			
Principal paid on long-term debt	-	(46,250)	(46,250)
Interest paid on long-term debt	-	(13,619)	(13,619)
Purchase of property, plant and equipment	(177,789)	(9,225)	(187,014)
Transfers in	200,000	-	200,000
Net cash flows from (for) capital and related financing activities	22,211	(69,094)	(46,883)
Cash Flows from Investing Activities			
Investment income received	23,153	17,641	40,794
Net increase in cash and investments	225,553	13,937	239,490
Cash and Investments, beginning of year	588,840	586,131	1,174,971
Cash and Investments, end of year	\$ 814,393	\$ 600,068	\$ 1,414,461
Cash and Investments at End of Year			
Cash and investments	\$ 814,393	\$ 588,429	\$ 1,402,822
Restricted cash	-	11,639	11,639
Total Cash and Investments	\$ 814,393	\$ 600,068	\$ 1,414,461
Reconciliation of Income (Loss) from Operations to Net Cash			
Flows from Operating Activities			
Income (Loss) from operations	\$ 15,038	\$ (36,790)	\$ (21,752)
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:			
Noncash expenses:			
Depreciation	152,289	106,386	258,675
PERS relief	5,019	1,529	6,548
Amortization of deferred outflows of resources for pension	(12,767)	(3,889)	(16,656)
Amortization of deferred outflows of resources for other postemployment benefits	(20,253)	(6,169)	(26,422)
Amortization of deferred inflows of resources for pension	(27,542)	(8,389)	(35,931)
Amortization of deferred inflows of resources for other postemployment benefits	276	84	360
Increase in allowance for doubtful accounts	447	-	447
(Increase) decrease in assets:			
Accounts receivable	1,963	-	1,963
Prepaid expenses	2,810	937	3,747
Increase (decrease) in liabilities:			
Accounts payable	5,928	(32)	5,896
Accrued payroll and employee benefits	3,643	(967)	2,676
Accrued leave	3,155	(3,922)	(767)
Unearned revenue	-	2	2
Customer deposits	(13)	1,320	1,307
Net pension liability	29,343	8,938	38,281
Net other postemployment benefits liability	20,853	6,352	27,205
Net Cash Flows from Operating Activities	\$ 180,189	\$ 65,390	\$ 245,579

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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>	2019	2018
Assets		
Cash and investments	\$ 4,161,326	\$ 3,438,853
Receivables:		
Property taxes	32,559	15,961
Sales and tobacco taxes	390,807	388,365
Accounts	45,421	16,778
Interest	70,328	58,892
Total receivables	539,115	479,996
Prepaid insurance	-	62,619
Due from other funds	15,831	34,301
Total Assets	\$ 4,716,272	\$ 4,015,769
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 100,310	\$ 77,407
Accrued payroll and employee benefits	206,610	243,492
Unearned revenue	9,654	13,298
Total Liabilities	316,574	334,197
Fund Balance		
Nonspendable - prepaid insurance	-	62,619
Unassigned	4,399,698	3,618,953
Total Fund Balance	4,399,698	3,681,572
Total Liabilities and Fund Balance	\$ 4,716,272	\$ 4,015,769

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

<i>Years Ended June 30,</i>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Revenues				
Taxes:				
Property taxes	\$ 3,355,000	\$ 3,347,614	\$ (7,386)	\$ 3,356,815
Sales taxes	3,016,000	3,192,022	176,022	2,961,386
Motor vehicle registration	32,000	29,470	(2,530)	34,422
Tobacco taxes	230,000	241,318	11,318	267,078
Total taxes	6,633,000	6,810,424	177,424	6,619,701
Intergovernmental:				
Payments in lieu of taxes	646,000	611,636	(34,364)	585,888
Library grants	6,650	7,000	350	7,000
Fisheries business tax	600,000	889,855	289,855	877,158
Shared fisheries business tax and landing tax	14,000	16,174	2,174	18,842
Liquor licenses	8,000	9,200	1,200	5,800
Jail and special services contract	173,626	173,626	-	173,626
State PERS relief	130,000	146,205	16,205	89,374
9th officer position	-	-	-	22,935
State community assistance	343,539	360,115	16,576	378,239
Total intergovernmental	1,921,815	2,213,811	291,996	2,158,862
Licenses and permits	8,500	12,831	4,331	10,249
Charges for services:				
Police and public safety	2,300	2,158	(142)	1,985
Ambulance fees	34,000	44,920	10,920	31,578
Public works	7,000	16,896	9,896	24,904
SEACAD police reimbursement	153,000	77,563	(75,437)	96,785
Recreation activity fees	170,000	149,483	(20,517)	153,018
Cemetery charges	3,000	7,050	4,050	5,275

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

<i>Years Ended June 30,</i>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Revenues, continued				
Charges for services, continued:				
Library charges	\$ 4,500	\$ 3,959	\$ (541)	\$ 6,488
Cemetery plot sales	3,000	4,640	1,640	2,410
Passport services	2,500	3,309	809	3,132
Other charges for services	5,500	58,612	53,112	12,877
Total charges for services	384,800	368,590	(16,210)	338,452
Fines and forfeitures	13,600	9,271	(4,329)	10,741
Overhead charges	639,710	639,710	-	636,972
Investment income	39,445	307,682	268,237	38,426
Other revenues:				
Lease income	5,000	5,298	298	6,856
Library donations	500	95	(405)	1,007
Total other revenues	5,500	5,393	(107)	7,863
Total Revenues	9,646,370	10,367,712	721,342	9,821,266
Expenditures				
General government:				
Borough assembly	140,860	127,429	13,431	132,132
Borough manager	423,888	394,686	29,202	403,901
Borough attorney	55,000	82,792	(27,792)	114,016
Information systems	164,719	154,296	10,423	111,335
Finance	650,423	633,973	16,450	635,249
Nondepartmental PERS on-behalf	130,000	146,205	(16,205)	89,374
Other	268,912	244,821	24,091	225,176
Total general government	1,833,802	1,784,202	49,600	1,711,183

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

<i>Years Ended June 30,</i>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued				
Public safety:				
Police department	\$ 1,334,149	\$ 1,328,950	\$ 5,199	\$ 1,384,755
Jail	413,096	306,936	106,160	355,142
Fire department	570,869	520,165	50,704	528,585
Total public safety	2,318,114	2,156,051	162,063	2,268,482
Public works	1,198,583	1,241,640	(43,057)	1,220,829
Community development	346,836	343,263	3,573	325,662
Community services	89,014	88,511	503	64,916
Culture and recreation:				
Library	419,292	432,809	(13,517)	402,226
Parks and recreation	990,715	880,412	110,303	935,537
Total culture and recreation	1,410,007	1,313,221	96,786	1,337,763
Education - contribution to school district	1,800,000	1,800,000	-	1,800,000
Total Expenditures	8,996,356	8,726,888	269,468	8,728,835
Excess of Revenues Over Expenditures	650,014	1,640,824	990,810	1,092,431
Other Financing Sources (Uses)				
Transfers in	400,000	400,000	-	400,000
Transfers out	(1,029,611)	(1,322,698)	(293,087)	(1,821,233)
Net Other Financing Sources (Uses)	(629,611)	(922,698)	(293,087)	(1,421,233)
Net Change in Fund Balance	\$ 20,403	718,126	\$ 697,723	(328,802)
Fund Balance, beginning of year		3,681,572		4,010,374
Fund Balance, end of year		\$ 4,399,698		\$ 3,681,572

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Special Revenue Funds

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

Miscellaneous Grants

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

National Forest Receipts - School

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

National Forest Receipts - Streets and Roads

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

Property Development

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

Marine Passenger Fee

This fund accounts for revenues received from the Borough-levied marine passenger fee.

Petersburg Borough, Alaska
Miscellaneous Grants Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2019	2018
Assets		
Cash and investments	\$ 41,753	\$ -
Receivables - grants	7,772	38,989
Total Assets	\$ 49,525	\$ 38,989
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 3,768	\$ 272
Accrued payroll and employee benefits	355	6,885
Unearned revenue	41,399	15,000
Due to other funds	-	8,618
Total Liabilities	45,522	30,775
Fund Balance		
Assigned for subsequent year's expenditures	4,003	8,214
Total Liabilities and Fund Balance	\$ 49,525	\$ 38,989

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>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 62,082	\$ 24,797	\$ (37,285)	\$ 39,671
Charges for services	-	-	-	442
Total Revenues	62,082	24,797	(37,285)	40,113
Expenditures				
Public safety:				
Police department	2,040	467	1,573	1,321
Local emergency planning committee	11,800	14,896	(3,096)	11,800
Culture and recreation:				
IMLS library	7,000	10,000	(3,000)	7,000
Campgrounds	6,242	3,645	2,597	4,903
Library	30,000	-	30,000	4,221
City Creek repairs	-	-	-	2,524
PCF art exhibit	-	-	-	2,500
Owl grant	-	-	-	1,500
Hazard mitigation	5,000	-	5,000	-
Total Expenditures	62,082	29,008	33,074	35,769
Net Change in Fund Balance	\$ -	(4,211)	\$ (4,211)	4,344
Fund Balance, beginning of year		8,214		3,870
Fund Balance, end of year		\$ 4,003		\$ 8,214

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

<i>June 30,</i>	2019	2018
Assets		
Cash and investments	\$ 4,019,589	\$ 3,839,500
Fund Balance		
Restricted for school support	\$ 4,019,589	\$ 3,839,500

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>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 443,201	\$ 464,352	\$ 21,151	\$ 496,047
Investment income	-	115,737	115,737	14,166
Total Revenues	443,201	580,089	136,888	510,213
Other Financing Uses				
Transfers out	(425,000)	(400,000)	25,000	(400,000)
Net Change in Fund Balance	<u>\$ 18,201</u>	180,089	<u>\$ 161,888</u>	110,213
Fund Balance, beginning of year		<u>3,839,500</u>		<u>3,729,287</u>
Fund Balance, end of year		<u>\$ 4,019,589</u>		<u>\$ 3,839,500</u>

Petersburg Borough, Alaska
National Forest Receipts - Streets and Roads Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2019	2018
Assets		
Cash and investments	\$ 167,083	\$ 81,765
Fund Balance		
Restricted for streets and roads	\$ 167,083	\$ 81,765

Petersburg Borough, Alaska

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

<i>Years Ended June 30,</i>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 78,212	\$ 82,062	\$ 3,850	\$ 87,538
Investment income	-	3,256	3,256	75
Total Revenues	78,212	85,318	7,106	87,613
Expenditures				
Capital outlay - paving	160,540	-	160,540	49,904
Net Change in Fund Balance	<u>\$ (82,328)</u>	85,318	<u>\$ 167,646</u>	37,709
Fund Balance, beginning of year		<u>81,765</u>		<u>44,056</u>
Fund Balance, end of year		<u>\$ 167,083</u>		<u>\$ 81,765</u>

Petersburg Borough, Alaska
Property Development Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2019	2018
Assets		
Cash and investments	\$ 211,488	\$ 164,614
Receivables - taxes	2,992	8,100
Total Assets	\$ 214,480	\$ 172,714
 Fund Balance		
Committed for public works	\$ 214,480	\$ 172,714

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>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Revenues				
Marijuana taxes	\$ 35,000	\$ 34,770	\$ (230)	\$ 46,297
Charges for services	-	1,000	1,000	50
Investment income	-	6,126	6,126	586
Total Revenues	35,000	41,896	6,896	46,933
Expenditures				
General government - professional services	5,000	130	4,870	25
Excess of Revenues Over Expenditures	30,000	41,766	11,766	46,908
Other Financing Sources				
Sale of capital assets	-	-	-	200
Net Change in Fund Balance	<u>\$ 30,000</u>	41,766	<u>\$ 11,766</u>	\$ 47,108
Fund Balance, beginning of year		<u>172,714</u>		<u>125,606</u>
Fund Balance, end of year		<u>\$ 214,480</u>		<u>\$ 172,714</u>

Petersburg Borough, Alaska
E911 Surcharge Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2019	2018
Assets		
Cash and investments	\$ 253,098	\$ 183,947
Fund Balance		
Committed for public safety	\$ 253,098	\$ 183,947

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>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Revenues				
Charges for services	\$ 86,000	\$ 83,386	\$ (2,614)	\$ 85,082
Expenditures				
Public safety	42,374	14,235	28,139	12,156
Net Change in Fund Balance	<u>\$ 43,626</u>	69,151	<u>\$ 25,525</u>	72,926
Fund Balance, beginning of year		<u>183,947</u>		<u>111,021</u>
Fund Balance, end of year		<u>\$ 253,098</u>		<u>\$ 183,947</u>

Petersburg Borough, Alaska
 Borough Organizational Special Revenue Fund
 Balance Sheet

<i>June 30,</i>	2019	2018
Assets		
Cash and investments	\$ 61,128	\$ 66,128
Fund Balance		
Assigned for general government	\$ 61,128	\$ 66,128

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>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Expenditures				
General government:				
Assessment services	\$ 5,000	\$ 5,000	\$ -	\$ -
Comprehensive plan/zoning/mapping	60,000	-	60,000	4,936
Land entitlement costs	-	-	-	808
Total Expenditures	\$ 65,000	5,000	\$ 60,000	5,744
Fund Balance, beginning of year		<u>66,128</u>		<u>71,872</u>
Fund Balance, end of year		<u>\$ 61,128</u>		<u>\$ 66,128</u>

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

<i>June 30,</i>	2019	2018
Assets		
Cash and investments	\$ 21,926	\$ 6,979
Receivables - transient room taxes	9,525	10,411
Total Assets	\$ 31,451	\$ 17,390
Fund Balance		
Committed for tourism	\$ 31,451	\$ 17,390

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>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Revenues				
Transient taxes	\$ 55,000	\$ 56,811	\$ 1,811	\$ 51,493
Expenditures				
General government - miscellaneous	42,750	42,750	-	65,000
Net Change in Fund Balance	<u>\$ 12,250</u>	14,061	<u>\$ 1,811</u>	(13,507)
Fund Balance, beginning of year		<u>17,390</u>		<u>30,897</u>
Fund Balance, end of year		<u>\$ 31,451</u>		<u>\$ 17,390</u>

Petersburg Borough, Alaska
Marine Passenger Fee Special Revenue Fund
Balance Sheet

<i>June 30,</i>	2019	2018
Assets		
Cash and investments	\$ 3,060	\$ -
Receivables - marine passenger fees	5,275	-
Total Assets	\$ 8,335	\$ -
Fund Balance		
Committed for tourism	\$ 8,335	\$ -

Petersburg Borough, Alaska

Marine Passenger Fee Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual

<i>Years Ended June 30,</i>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Revenues				
Charges for services	\$ -	\$ 8,335	\$ 8,335	\$ -
Fund Balance, beginning of year		-		-
Fund Balance, end of year		\$ 8,335		\$ -

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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>	2019	2018
Assets		
Cash and investments	\$ 181,234	\$ 177,243
Receivables - grants and shared revenues	4,661	4,663
Total Assets	\$ 185,895	\$ 181,906
Fund Balance		
Assigned for debt service	\$ 185,895	\$ 181,906

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

<i>Years Ended June 30,</i>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental	\$ 466,050	\$ 466,050	\$ -	\$ 466,242
Expenditures				
Debt service:				
2007 general obligation aquatic center refunding bonds:				
Principal	60,000	60,000	-	55,000
Interest	26,800	26,800	-	28,550
2007 general obligation pool refunding bonds:				
Principal	21,667	21,667	-	20,004
Interest	2,238	2,238	-	2,867
2012 (Series 2) general obligation refunding school bonds:				
Principal	185,000	185,000	-	180,000
Interest	66,600	66,600	-	73,900
2012 (Series 3) general obligation library bonds:				
Principal	70,000	70,000	-	70,000
Interest	35,000	33,250	1,750	36,750
2014 general obligation aquatic center/voc.ed refunding bonds:				
Principal	275,000	275,000	-	265,000
Interest	123,750	123,750	-	134,550
Total Expenditures	866,055	864,305	1,750	866,621
Deficiency of Revenues Over Expenditures	(400,005)	(398,255)	1,750	(400,379)
Other Financing Sources				
Transfers in	400,005	402,244	2,239	516,454
Net Change in Fund Balance	\$ -	3,989	\$ 3,989	116,075
Fund Balance, beginning of year		181,906		65,831
Fund Balance, end of year		\$ 185,895		\$ 181,906

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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.

Library Construction

This fund accounts for the library project.

Fishing Park

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

Economic Development

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

Homeland Security

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

Petersburg Borough, Alaska

Nonmajor Capital Project Funds
Combining Balance Sheet

<i>June 30, 2019</i>	Library Construc- tion	Fishing Park	Economic Development	Totals
Assets				
Cash and investments	\$ 33,968	\$ 99,927	\$ 4,202,985	\$ 4,336,880
Interest receivable	-	-	4,862	4,862
Total Assets	\$ 33,968	\$ 99,927	\$ 4,207,847	\$ 4,341,742
Fund Balances				
Fund Balances				
Committed:				
Economic development	\$ -	\$ -	\$ 4,207,847	\$ 4,207,847
Capital projects	33,968	99,927	-	133,895
Total Fund Balances	\$ 33,968	\$ 99,927	\$ 4,207,847	\$ 4,341,742

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

<i>Year Ended June 30, 2019</i>	Library Construc- tion	Fishing Park	Economic Development	Homeland Security	Totals
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ 163,605	\$ 163,605
Investment income	-	-	345,964	-	345,964
Total Revenues	-	-	345,964	163,605	509,569
Expenditures					
Capital projects and improvements:					
Materials and supplies	-	-	-	163,605	163,605
Community services - contributions	-	-	90,000	-	90,000
Total Expenditures	-	-	90,000	163,605	253,605
Excess of Revenues Over Expenditures	-	-	255,964	-	255,964
Other Financing Uses - transfers out	-	-	(165,000)	-	(165,000)
Net Change in Fund Balances	-	-	90,964	-	90,964
Fund Balances, beginning of year	33,968	99,927	4,116,883	-	4,250,778
Fund Balances, end of year	\$ 33,968	\$ 99,927	\$ 4,207,847	\$ -	\$ 4,341,742

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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>	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 7,349,390	\$ 7,417,477
Accounts receivable	864,049	444,600
Allowance for doubtful accounts	(26,370)	(17,020)
Inventories	302,585	303,031
Prepaid expenses	-	21,232
Total Current Assets	8,489,654	8,169,320
Property, Plant and Equipment		
Land and land improvements	1,848,295	1,848,295
Buildings	3,758,199	3,758,199
Improvements other than buildings	5,284,998	5,264,408
Machinery and equipment	17,203,547	16,985,357
Construction in progress	160,140	275,356
Total property, plant and equipment	28,255,179	28,131,615
Accumulated depreciation	(18,503,465)	(18,008,125)
Net Property, Plant and Equipment	9,751,714	10,123,490
Total Assets	18,241,368	18,292,810
Deferred Outflows of Resources		
Related to pension	217,567	162,508
Related to other postemployment benefits	123,719	36,375
Total Deferred Outflows of Resources	341,286	198,883
Total Assets and Deferred Outflows of Resources	\$ 18,582,654	\$ 18,491,693

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

<i>June 30,</i>	2019	2018
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable - operations	\$ 177,598	\$ 162,301
Accounts payable - capital	-	13,050
Accrued payroll and employee benefits	64,271	65,837
Accrued leave	125,522	127,516
Accrued interest	28,099	29,299
Customer deposits	30,217	30,264
Current portion of general obligation bonds	125,000	120,000
Total Current Liabilities	550,707	548,267
Noncurrent Liabilities		
General obligation bonds	1,805,000	1,930,000
Bond premium, net of accumulated amortization	33,899	36,980
Net pension liability	1,537,618	1,411,072
Net other postemployment benefits liability	306,819	216,888
Total Noncurrent Liabilities	3,683,336	3,594,940
Total Liabilities	4,234,043	4,143,207
Deferred Inflows of Resources		
Related to pension	27,687	146,465
Related to other postemployment benefits	113,734	112,545
Total Deferred Inflows of Resources	141,421	259,010
Net Position		
Net investment in capital assets	7,787,815	8,036,510
Unrestricted	6,419,375	6,052,966
Total Net Position	14,207,190	14,089,476
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 18,582,654	\$ 18,491,693

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

<i>Years Ended June 30,</i>	2019	2018
Operating Revenues		
Residential electric	\$ 2,146,180	\$ 2,208,991
Large commercial	1,915,276	1,779,544
General	920,794	926,149
Street and highway lighting	77,193	76,998
Municipal sales	204,272	210,710
Harbor electric	239,545	231,365
Pole rental	53,420	53,420
Other	41,983	40,857
Total Operating Revenues	5,598,663	5,528,034
Operating Expenses		
Power production:		
Salaries	110,994	73,985
Employee benefits	61,625	28,120
Materials and supplies	862,202	271,603
Services and charges	10,798	15,691
SEAPA power purchase costs	2,441,380	3,112,292
Total power production	3,486,999	3,501,691
Distribution:		
Salaries	330,607	344,315
Employee benefits	191,977	195,095
Materials and supplies	22,057	28,016
Services and charges	63,184	25,597
Total distribution	607,825	593,023
General and administrative:		
Salaries	408,234	413,935
Employee benefits	211,474	160,675
Materials and supplies	116,650	184,810
Services and charges	213,964	230,566
Allocated overhead	197,379	207,625
Motor pool charges:		
Operation and maintenance	55,441	69,302
Equipment replacement	59,858	37,103
Total general and administrative	1,263,000	1,304,016

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

<i>Years Ended June 30,</i>	2019	2018
Operating Expenses, continued		
Depreciation	\$ 495,340	\$ 522,641
Total Operating Expenses	5,853,164	5,921,371
Loss from Operations	(254,501)	(393,337)
Nonoperating Revenues (Expenses)		
Investment income	226,858	32,336
SEAPA distribution	202,911	685,158
Interest expense	(110,513)	(115,263)
Federal interest subsidy	31,312	31,069
State PERS relief	21,647	39,834
Net Nonoperating Revenues (Expenses)	372,215	673,134
Change in Net Position	117,714	279,797
Net Position, beginning of year	14,089,476	13,809,679
Net Position, end of year	\$ 14,207,190	\$ 14,089,476

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

<i>Years Ended June 30,</i>	2019	2018
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 5,391,428	\$ 6,211,160
Receipts from other parties	483,230	-
Payments for interfund services used	(312,678)	(314,030)
Payments to suppliers	(4,176,490)	(3,891,210)
Payments to employees	(1,340,339)	(1,230,902)
Net cash flows from operating activities	45,151	775,018
Cash Flows for Capital and Related Financing Activities		
Purchase of property, plant and equipment	(136,614)	(1,001,380)
Principal paid on long-term debt	(120,000)	(115,000)
Interest paid on long-term debt	(114,794)	(119,494)
Federal interest subsidy received	31,312	31,069
Net cash flows for capital and related financing activities	(340,096)	(1,204,805)
Cash Flows from Investing Activities		
Investment income received	226,858	32,336
Net decrease in cash and investments	(68,087)	(397,451)
Cash and Investments, beginning of year	7,417,477	7,814,928
Cash and Investments, end of year	\$ 7,349,390	\$ 7,417,477

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

<i>Years Ended June 30,</i>	2019	2018
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (254,501)	(393,337)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	495,340	522,641
PERS relief	21,647	39,834
Amortization of deferred outflows of resources for pension	(55,059)	199,039
Amortization of deferred outflows of resources for other postemployment benefits	(87,344)	12,074
Amortization of deferred inflows of resources for pension	(118,778)	126,405
Amortization of deferred inflows of resources for other postemployment benefits	1,189	112,545
Nonoperating revenues received	202,911	685,158
Increase in allowance for doubtful accounts	9,350	1,804
(Increase) decrease in assets:		
Accounts receivable	(419,449)	(2,377)
Inventories	446	(4,346)
Prepaid expenses	21,232	(1,604)
Increase (decrease) in liabilities:		
Accounts payable	15,297	(16,685)
Accrued payroll and employee benefits	(1,566)	(17,655)
Accrued leave	(1,994)	39,507
Customer deposits	(47)	(1,459)
Net pension liability	126,546	(388,589)
Net other postemployment benefits liability	89,931	(137,937)
Net Cash Flows from Operating Activities	\$ 45,151	\$ 775,018
Supplemental Disclosure of Cash Flow Information		
Capital assets purchased on account	\$ -	13,050

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

<i>Year Ended June 30, 2019</i>	Auto Control System	Generator Set Replacement	Auto Meter Reading	Blind Slough Hydro	Totals
Funding Sources					
Electric utility	\$ 20,590	\$ 7,517	\$ 2,800	\$ 92,658	\$ 123,565
Expenditures					
Professional services	\$ 599	\$ -	\$ 2,800	\$ 92,658	\$ 96,057
Construction and contractors	19,991	7,517	-	-	27,508
Total Expenditures	\$ 20,590	\$ 7,517	\$ 2,800	\$ 92,658	\$ 123,565

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

<i>June 30,</i>	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,016,056	\$ 1,050,437
Receivables:		
Accounts	97,136	98,936
Allowance for doubtful accounts	(5,008)	(3,660)
Inventories	63,892	49,692
Prepaid expenses	-	2,581
Total Current Assets	1,172,076	1,197,986
Property, Plant and Equipment		
Buildings	5,178,330	5,178,330
Improvements other than buildings	27,191,622	26,797,940
Machinery and equipment	3,005,917	3,005,917
Construction in progress	-	275,033
Total property, plant and equipment	35,375,869	35,257,220
Accumulated depreciation	(16,353,209)	(15,513,651)
Net Property, Plant and Equipment	19,022,660	19,743,569
Total Assets	20,194,736	20,941,555
Deferred Outflows of Resources		
Related to pension	34,163	25,982
Related to other postemployment benefits	18,511	5,532
Total Deferred Outflows of Resources	52,674	31,514
Total Assets and Deferred Outflows of Resources	\$ 20,247,410	\$ 20,973,069

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

<i>June 30,</i>	2019	2018
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable - operations	\$ 2,565	\$ 3,135
Accounts payable - capital	-	40,580
Accrued payroll and employee benefits	14,107	12,932
Accrued leave	21,252	17,470
Customer deposits	7,294	7,305
Accrued interest	29,698	33,240
Current portion - ADEC loans	312,476	309,259
Total Current Liabilities	387,392	423,921
Noncurrent Liabilities		
ADEC loans	1,899,096	2,211,572
Net pension liability	239,713	220,909
Net other postemployment benefits liability	46,348	32,985
Total Noncurrent Liabilities	2,185,157	2,465,466
Total Liabilities	2,572,549	2,889,387
Deferred Inflows of Resources		
Related to pension	4,695	22,345
Related to other post employment benefits	17,293	17,116
Deferred Inflows of Resources	21,988	39,461
Net Position		
Net investment in capital assets	16,811,088	17,222,738
Unrestricted	841,785	821,483
Total Net Position	17,652,873	18,044,221
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 20,247,410	\$ 20,973,069

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

<i>Years Ended June 30,</i>	2019	2018
Operating Revenues		
Residential water	\$ 560,473	\$ 547,564
Commercial water	446,629	432,132
Water delivery	17,400	20,247
Other	15,572	8,832
Total Operating Revenues	1,040,074	1,008,775
Operating Expenses		
Salaries	202,275	196,205
Employee benefits	99,919	83,029
Materials and supplies	165,742	153,701
Services and charges	185,832	157,166
Allocated overhead	76,193	78,699
Motor pool charges:		
Operation and maintenance	16,441	8,548
Equipment replacement	9,937	11,561
Depreciation	839,558	839,753
Total Operating Expenses	1,595,897	1,528,662
Loss from Operations	(555,823)	(519,887)
Nonoperating Revenues (Expenses)		
Investment income	30,529	4,345
Interest expense	(34,271)	(38,907)
State PERS relief	3,217	6,058
Net Nonoperating Revenues (Expenses)	(525)	(28,504)
Loss before transfers	(556,348)	(548,391)
Transfers in	165,000	165,000
Change in Net Position	(391,348)	(383,391)
Net Position, beginning of year	18,044,221	18,427,612
Net Position, end of year	\$ 17,652,873	\$ 18,044,221

Petersburg Borough, Alaska

Water Utility Enterprise Fund

Statement of Cash Flows

<i>Years Ended June 30,</i>	2019	2018
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,043,211	\$ 1,005,161
Payments for interfund services used	(102,571)	(98,808)
Payments to suppliers	(363,763)	(305,070)
Payments to employees	(300,486)	(277,306)
Net cash flows from operating activities	276,391	323,977
Cash Flows for Capital and Related Financing Activities		
Principal paid on long-term debt	(309,259)	(306,088)
Interest paid on long-term debt	(37,813)	(42,405)
Purchase of property, plant and equipment	(159,229)	(193,220)
Transfers in	165,000	165,000
Capital contributions received	-	127
Net cash flows for capital and related financing activities	(341,301)	(376,586)
Cash Flows from Investing Activities		
Investment income received	30,529	4,345
Net decrease in cash and investments	(34,381)	(48,264)
Cash and Investments, beginning of year	1,050,437	1,098,701
Cash and Investments, end of year	\$ 1,016,056	\$ 1,050,437
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (555,823)	\$ (519,887)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	839,558	839,753
PERS relief	3,217	6,058
Amortization of deferred outflows of resources for pension	(8,181)	30,270
Amortization of deferred outflows of resources for other postemployment benefits	(12,979)	1,836
Amortization of deferred inflows of resources for pension	(17,650)	19,224
Amortization of deferred inflows of resources for other postemployment benefits	177	17,116
Increase in allowance for doubtful accounts	1,348	1,058
(Increase) decrease in assets:		
Accounts receivable	1,800	(4,742)
Inventories	(14,200)	8,092
Prepaid expenses	2,581	(676)
Increase (decrease) in liabilities:		
Accounts payable	(570)	(1,619)
Accrued payroll and employee benefits	1,175	2,482
Accrued leave	3,782	5,016
Customer deposits	(11)	70
Net pension liability	18,804	(59,097)
Net other postemployment benefits liability	13,363	(20,977)
Net Cash Flows from Operating Activities	\$ 276,391	\$ 323,977
Supplemental Disclosure of Cash Flow Information		
Capital assets purchased on account	\$ -	\$ 40,580

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

<i>Year Ended June 30, 2019</i>	City Creek Dam Rehabilitation
Funding Sources	
Water Utility	\$ 118,650
Expenditures	
Professional services	\$ 14,062
Construction and contractors	104,588
Total Expenditures	\$ 118,650

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

<i>June 30,</i>	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,155,917	\$ 1,163,293
Receivables:		
Grants and loan	89,120	16,300
Accounts	97,659	82,913
Allowance for doubtful accounts	(1,775)	(1,359)
Inventories	50,482	33,983
Prepaid expenses	-	7,183
Total Current Assets	1,391,403	1,302,313
Property, Plant and Equipment		
Buildings	9,091,647	9,091,647
Improvements other than buildings	11,896,447	11,896,447
Machinery and equipment	723,904	414,226
Construction in progress	135,721	330,833
Total property, plant and equipment	21,847,719	21,733,153
Accumulated depreciation	(11,894,062)	(11,499,502)
Net Property, Plant and Equipment	9,953,657	10,233,651
Total Assets	11,345,060	11,535,964
Deferred Outflows of Resources		
Related to pension	36,732	24,869
Related to other postemployment benefits	26,988	8,169
Total Deferred Outflows of Resources	63,720	33,038
Total Assets and Deferred Outflows of Resources	\$ 11,408,780	\$ 11,569,002

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

<i>Years Ended June 30,</i>	2019	2018
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 3,069	\$ 2,179
Accrued payroll and employee benefits	18,615	17,704
Accrued leave	23,234	26,023
Customer deposits	6,252	6,261
Accrued interest	22,215	18,405
Current portion of ADEC loans	121,499	91,635
Total Current Liabilities	194,884	162,207
Noncurrent Liabilities		
ADEC loans	1,882,154	2,091,309
Net pension liability	286,285	259,020
Net other postemployment benefits liability	68,084	48,708
Total Noncurrent Liabilities	2,236,523	2,399,037
Total Liabilities	2,431,407	2,561,244
Deferred Inflows of Resources		
Related to pension	6,656	32,247
Related to other postemployment benefits	25,531	25,275
Total Deferred Inflows of Resources	32,187	57,522
Net Position		
Net investment in capital assets	7,950,004	8,050,707
Unrestricted	995,182	899,529
Total Net Position	8,945,186	8,950,236
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 11,408,780	\$ 11,569,002

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

<i>Years Ended June 30,</i>	2019	2018
Operating Revenues		
Residential sewer	\$ 647,562	\$ 614,437
Commercial sewer	242,601	235,212
Other	8,474	5,211
Total Operating Revenues	898,637	854,860
Operating Expenses		
Salaries	215,784	217,413
Employee benefits	137,730	122,527
Materials and supplies	39,647	36,846
Services and charges	133,559	120,246
Allocated overhead	65,008	60,743
Motor pool charges:		
Operation and maintenance	11,763	21,590
Equipment replacement	52,593	30,907
Depreciation	394,560	300,086
Total Operating Expenses	1,050,644	910,358
Loss from Operations	(152,007)	(55,498)
Nonoperating Revenues (Expenses)		
Investment income	35,747	4,323
Interest expense	(54,097)	(20,191)
ADEC loan subsidy	160,643	-
State PERS relief	4,664	8,946
Net Nonoperating Revenues (Expenses)	146,957	(6,922)
Gain (loss) before capital contributions	(5,050)	(62,420)
Capital contributions	-	2,742
Change in Net Position	(5,050)	(59,678)
Net Position, beginning of year	8,950,236	9,009,914
Net Position, end of year	\$ 8,945,186	\$ 8,950,236

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

<i>Years Ended June 30,</i>	2019	2018
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 884,298	\$ 850,642
Payments for interfund services used	(129,364)	(113,240)
Payments to suppliers	(181,632)	(164,273)
Payments to employees	(360,104)	(346,746)
Net cash flows from operating activities	213,198	226,383
Cash Flows for Capital and Related Financing Activities		
Principal paid on long-term debt	(119,704)	(72,805)
Interest paid on long-term debt	(50,287)	(21,433)
Purchase of property, plant and equipment	(114,566)	(59,286)
Proceeds from issuance of debt	101,056	-
Capital contributions received	(72,820)	3,850
Net cash flows for capital and related financing activities	(256,321)	(149,674)
Cash Flows from Investing Activities		
Investment income received	35,747	4,323
Net increase (decrease) in cash and investments	(7,376)	81,032
Cash and Investments, beginning of year	1,163,293	1,082,261
Cash and Investments, end of year	\$ 1,155,917	\$ 1,163,293
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (152,007)	\$ (55,498)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	394,560	300,086
PERS relief	4,664	8,946
Amortization of deferred outflows of resources for pensions	(11,863)	44,699
Amortization of deferred outflows of resources for other postemployment benefits	(18,819)	2,711
Amortization of deferred inflows of resources for pensions	(25,591)	28,387
Amortization of deferred inflows of resources for other postemployment benefits	256	25,275
Increase in allowance for doubtful accounts	416	56
(Increase) decrease in assets:		
Accounts receivable	(14,746)	(4,413)
Inventories	(16,499)	(8,388)
Prepaid expenses	7,183	122
Increase (decrease) in liabilities:		
Accounts payable	890	1,085
Accrued payroll and employee benefits	911	(780)
Accrued leave	(2,789)	2,200
Customer deposits	(9)	139
Net pension liability	27,265	(87,267)
Net other postemployment benefits liability	19,376	(30,977)
Net Cash Flows from Operating Activities	\$ 213,198	\$ 226,383
Noncash Capital and Related Financing Activities		
Principal forgiveness on long-term debt	\$ 160,643	\$ -

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

<i>Year Ended June 30, 2019</i>	Pumpstation #4 Force Main Replacement	Scow Bay Pumpstation #1 Upgrade	Composting and Septage Receiving	Kiseno Street Sewer Main Replacement	Totals
Funding Sources					
Wastewater Utility	\$ 460	\$ 88,927	\$ 13,510	\$ 11,670	\$114,567
Expenditures					
Contractor	\$ -	\$ 27,007	\$ 13,510	\$ 10,500	\$ 51,017
Professional services	460	61,920	-	1,170	63,550
Total Expenditures	\$ 460	\$ 88,927	\$ 13,510	\$ 11,670	\$114,567

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

<i>June 30,</i>	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 814,393	\$ 588,840
Accounts receivable	113,263	115,226
Allowance for doubtful accounts	(2,349)	(1,902)
Prepaid expenses	-	2,810
Total Current Assets	925,307	704,974
Property, Plant and Equipment		
Construction in progress	132,046	-
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	387,302	346,901
Total property, plant and equipment	3,601,943	3,429,496
Accumulated depreciation	(1,844,683)	(1,697,736)
Net Property, Plant and Equipment	1,757,260	1,731,760
Total Assets	2,682,567	2,436,734
Deferred Outflows of Resources		
Related to pension	49,482	36,715
Related to other postemployment benefits	27,509	7,256
Total Deferred Outflows of Resources	76,991	43,971
Total Assets and Deferred Outflows of Resources	\$ 2,759,558	\$ 2,480,705

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

June 30,	2019	2018
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 46,344	\$ 40,416
Accrued payroll and employee benefits	15,385	11,742
Accrued leave	8,747	5,592
Customer deposits	8,336	8,349
Total Current Liabilities	78,812	66,099
Noncurrent Liabilities		
Net pension liability	332,219	302,876
Net other postemployment benefits liability	64,119	43,266
Landfill closure liability	65,970	65,970
Total Noncurrent Liabilities	462,308	412,112
Total Liabilities	541,120	478,211
Deferred Inflows of Resources		
Related to pension	1,915	29,457
Related to other postemployment benefits	22,728	22,452
Total Deferred Inflows of Resources	24,643	51,909
Net Position		
Net investment in capital assets	1,757,260	1,731,760
Unrestricted	436,535	218,825
Total Net Position	2,193,795	1,950,585
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,759,558	\$ 2,480,705

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

<i>Years Ended June 30,</i>	2019	2018
Operating Revenues		
Refuse collection	\$ 893,608	\$ 866,941
Landfill charges	304,143	303,031
Other	40	-
Total Operating Revenues	1,197,791	1,169,972
Operating Expenses		
Salaries	240,301	235,881
Employee benefits	117,842	107,322
Materials and supplies	37,652	34,497
Services and charges	146,232	99,225
Bale disposal	271,878	241,956
Allocated overhead	89,947	88,894
Motor pool charges:		
Operation and maintenance	59,730	72,838
Equipment replacement	66,882	80,554
Depreciation	152,289	152,589
Total Operating Expenses	1,182,753	1,113,756
Income from Operations	15,038	56,216
Nonoperating Revenues		
Investment income	23,153	2,139
State PERS relief	5,019	7,947
Total Nonoperating Revenues	28,172	10,086
Income before transfers	43,210	66,302
Transfers in	200,000	-
Change in Net Position	243,210	66,302
Net Position, beginning of year	1,950,585	1,884,283
Net Position, end of year	\$ 2,193,795	\$ 1,950,585

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

<i>Years Ended June 30,</i>	2019	2018
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,200,188	\$ 1,186,406
Payments for interfund services used	(216,559)	(242,286)
Payments to suppliers	(447,024)	(363,090)
Payments to employees	(356,416)	(354,407)
Net cash flows from operating activities	180,189	226,623
Cash Flows from (for) Capital and Related Financing Activities		
Purchase of property, plant and equipment	(177,789)	(12,793)
Transfers in	200,000	-
Net cash flows from (for) capital and related financing activities	22,211	(12,793)
Cash Flows from Investing Activities		
Investment income received	23,153	2,139
Net increase in cash and investments	225,553	215,969
Cash and Investments, beginning of year	588,840	372,871
Cash and Investments, end of year	\$ 814,393	\$ 588,840
Reconciliation of Income from Operations to Net Cash		
Flows from Operating Activities		
Income from operations	\$ 15,038	\$ 56,216
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	152,289	152,589
PERS relief	5,019	7,947
Amortization of deferred outflows of resources for pension	(12,767)	39,706
Amortization of deferred outflows of resources for other postemployment benefits	(20,253)	2,409
Amortization of deferred inflows or resources for pension	(27,542)	25,217
Amortization of deferred inflows of resources for other postemployment benefits	276	22,451
Increase in allowance for doubtful accounts	447	135
(Increase) decrease in assets:		
Accounts receivable	1,963	18,524
Prepaid expenses	2,810	1,057
Increase (decrease) in liabilities:		
Accounts payable	5,928	11,531
Accrued payroll and employee benefits	3,643	(3,744)
Accrued leave	3,155	(152)
Customer deposits	(13)	(2,225)
Net pension liability	29,343	(77,520)
Net other postemployment benefits liability	20,853	(27,518)
Net Cash Flows from Operating Activities	\$ 180,189	\$ 226,623

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

<i>June 30,</i>	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 3,293,263	\$ 2,867,227
Accounts receivable	345,217	221,075
Allowance for doubtful accounts	(34,374)	(33,190)
Prepaid expenses	-	13,571
Total Current Assets	3,604,106	3,068,683
Property, Plant and Equipment		
Land and land improvements	360,059	360,059
Buildings	346,690	346,690
Improvements other than buildings	39,120,884	38,909,480
Machinery and equipment	533,520	552,033
Construction in progress	14,950	14,950
Total property, plant and equipment	40,376,103	40,183,212
Accumulated depreciation	(14,351,842)	(12,989,548)
Net Property, Plant and Equipment	26,024,261	27,193,664
Total Assets	29,628,367	30,262,347
Deferred Outflows of Resources		
Related to pension	100,038	78,795
Related to other postemployment benefits	51,007	17,308
Deferred charges on refunding	8,519	11,803
Total Deferred Outflows of Resources	159,564	107,906
Total Assets and Deferred Outflows of Resources	\$ 29,787,931	\$ 30,370,253

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

<i>June 30,</i>	2019	2018
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 15,961	\$ 3,335
Accrued payroll and employee benefits	38,161	37,632
Accrued leave	55,408	53,735
Prepaid moorage	37,744	43,580
Accrued interest	10,872	10,872
Current portion of general obligation bonds	108,333	108,333
Total Current Liabilities	266,479	257,487
Noncurrent Liabilities		
General obligation bonds	116,650	224,987
Bond premium, net of accumulated amortization	10,572	15,858
Net pension liability	727,556	678,732
Net other postemployment benefits liability	137,895	103,198
Total Noncurrent Liabilities	992,673	1,022,775
Total Liabilities	1,259,152	1,280,262
Deferred Inflows of Resources		
Related to pension	23,945	69,772
Related to other postemployment benefits	54,009	53,550
Total Deferred Inflows of Resources	77,954	123,322
Net Position		
Net investment in capital assets	25,797,225	26,856,289
Unrestricted	2,653,600	2,110,380
Total Net Position	28,450,825	28,966,669
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 29,787,931	\$ 30,370,253

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

<i>Years Ended June 30,</i>	2019	2018
Operating Revenues		
Harbor charges	\$ 1,238,581	\$ 1,095,768
Port charges and leases	191,431	174,908
Other	6,565	5,453
Total Operating Revenues	1,436,577	1,276,129
Operating Expenses		
Salaries	445,290	437,432
Employee benefits	262,242	254,312
Materials and supplies	72,397	339,906
Services and charges	338,509	292,065
Allocated overhead	99,574	95,110
Motor pool charges:		
Operation and maintenance	31,647	12,232
Equipment replacement	2,282	3,697
Depreciation	1,390,497	1,393,416
Total Operating Expenses	2,642,438	2,828,170
Loss from Operations	(1,205,861)	(1,552,041)
Nonoperating Revenues (Expenses)		
Investment income	100,975	11,407
Interest expense	(9,164)	(19,973)
State PERS relief	8,351	18,953
Net Nonoperating Revenues (Expenses)	100,162	10,387
Loss before transfers	(1,105,699)	(1,541,654)
Transfers in	589,855	577,158
Change in Net Position	(515,844)	(964,496)
Net Position, beginning of year	28,966,669	29,931,165
Net Position, end of year	\$ 28,450,825	\$ 28,966,669

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

<i>Years Ended June 30,</i>	2019	2018
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 1,307,783	\$ 1,278,324
Payments for interfund services used	(133,503)	(111,039)
Payments to suppliers	(384,709)	(632,176)
Payments to employees	(713,768)	(718,426)
Net cash flows from (for) operating activities	75,803	(183,317)
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(108,337)	(99,996)
Interest paid on long-term debt	(11,166)	(14,333)
Purchase of property, plant and equipment	(221,094)	(7,000)
Transfers in	589,855	577,158
Net cash flows from capital and related financing activities	249,258	455,829
Cash Flows from Investing Activities		
Investment income received	100,975	11,407
Net increase in cash and investments	426,036	283,919
Cash and Investments, beginning of year	2,867,227	2,583,308
Cash and Investments, end of year	\$ 3,293,263	\$ 2,867,227
Reconciliation of Loss from Operations to Net Cash		
Flows from (for) Operating Activities		
Loss from operations	\$ (1,205,861)	\$ (1,552,041)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Noncash expenses:		
Depreciation	1,390,497	1,393,416
PERS relief	8,351	18,953
Amortization of deferred outflows of resources for pension	(21,243)	94,705
Amortization of deferred outflows of resources for other postemployment benefits	(33,699)	5,745
Amortization of deferred inflows of resources for pension	(45,827)	60,145
Amortization of deferred inflows of resources for other postemployment benefits	459	53,550
Increase (decrease) in allowance for doubtful accounts	1,184	10,632
(Increase) decrease in assets:		
Accounts receivable	(124,142)	43,955
Prepaid expenses	13,571	3,000
Increase (decrease) in liabilities:		
Accounts payable	12,626	(3,205)
Accrued payroll and employee benefits	529	(4,615)
Accrued leave	1,673	(4,638)
Prepaid moorage	(5,836)	(52,392)
Net pension liability	48,824	(184,895)
Net other postemployment benefits liability	34,697	(65,632)
Net Cash Flows from (for) Operating Activities	\$ 75,803	\$ (183,317)

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

<i>June 30,</i>	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 588,429	\$ 568,645
Prepaid expenses	-	937
Total Current Assets	588,429	569,582
Restricted Cash - security deposits	11,639	17,486
Property, Plant and Equipment		
Land and land improvements	127,419	127,419
Buildings	2,916,985	2,916,985
Improvements other than buildings	259,541	250,316
Machinery and equipment	192,216	192,216
Total property, plant and equipment	3,496,161	3,486,936
Accumulated depreciation	(2,740,858)	(2,634,472)
Net Property, Plant and Equipment	755,303	852,464
Total Assets	1,355,371	1,439,532
Deferred Outflows of Resources		
Related to pension	29,598	25,709
Related to other postemployment benefits	9,162	2,993
Deferred charges on refunding	12,638	15,797
Total Deferred Outflows of Resources	51,398	44,499
Total Assets and Deferred Outflows of Resources	\$ 1,406,769	\$ 1,484,031

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

<i>June 30,</i>	2019	2018
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 4,936	\$ 4,968
Accrued payroll and employee benefits	4,608	5,575
Accrued leave	662	4,584
Unearned revenue	1,439	1,437
Customer deposits	9,455	8,135
Accrued interest	4,154	4,925
Current portion of general obligation bonds	47,500	46,250
Total Current Liabilities	72,754	75,874
Noncurrent Liabilities		
General obligation bonds	212,500	260,000
Bond premium, net of accumulated amortization	29,555	36,944
Net pension liability	186,444	177,506
Net other postemployment benefits liability	24,194	17,842
Total Noncurrent Liabilities	452,693	492,292
Total Liabilities	525,447	568,166
Deferred Inflows of Resources		
Related to pension	4,345	12,734
Related to other postemployment benefits	9,342	9,258
Total Deferred Inflows of Resources	13,687	21,992
Net Position		
Net investment in capital assets	478,386	525,067
Unrestricted	389,249	368,806
Total Net Position	867,635	893,873
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,406,769	\$ 1,484,031

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

<i>Years Ended June 30,</i>	2019	2018
Operating Revenues		
Federal government - rental subsidies	\$ 285,260	\$ 277,691
Rental income	109,597	106,480
Total Operating Revenues	394,857	384,171
Operating Expenses		
Salaries	97,063	93,778
Employee benefits	34,084	38,506
Materials and supplies	17,127	11,048
Services and charges	142,381	126,295
Allocated overhead	29,564	28,070
Motor pool charges:		
Operation and maintenance	2,274	1,166
Equipment replacement	2,768	3,194
Depreciation	106,386	106,024
Total Operating Expenses	431,647	408,081
Loss from Operations	(36,790)	(23,910)
Nonoperating Revenues (Expenses)		
Investment income	17,641	2,389
Interest expense	(8,618)	(10,846)
State PERS relief	1,529	4,663
Net Nonoperating Revenues (Expenses)	10,552	(3,794)
Change in Net Position	(26,238)	(27,704)
Net Position, beginning of year	893,873	921,577
Net Position, end of year	\$ 867,635	\$ 893,873

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

<i>Years Ended June 30,</i>	2019	2018
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 396,179	\$ 382,349
Payments for interfund services used	(34,606)	(32,430)
Payments to suppliers	(158,603)	(131,299)
Payments to employees	(137,580)	(134,580)
Net cash flows from operating activities	65,390	84,040
Cash Flows for Capital and Related Financing Activities		
Principal paid on long-term debt	(46,250)	(45,000)
Interest paid on long-term debt	(13,619)	(15,675)
Purchase of property, plant and equipment	(9,225)	(66,406)
Net cash flows for capital and related financing activities	(69,094)	(127,081)
Cash Flows from Investing Activities		
Investment income received	17,641	2,389
Net increase (decrease) in cash and investments	13,937	(40,652)
Cash and Investments, beginning of year	586,131	626,783
Cash and Investments, end of year	\$ 600,068	\$ 586,131
Cash and Investments at End of Year		
Cash and investments	\$ 588,429	\$ 568,645
Restricted cash	11,639	17,486
Total Cash and Investments	\$ 600,068	\$ 586,131
Reconciliation of Loss from Operations to Net Cash		
Flows from Operating Activities		
Loss from operations	\$ (36,790)	\$ (23,910)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	106,386	106,024
PERS relief	1,529	4,663
Amortization of deferred outflows of resources for pension	(3,889)	16,373
Amortization of deferred outflows of resources for other postemployment benefits	(6,169)	993
Amortization of deferred inflows of resources for pension	(8,389)	10,399
Amortization of deferred inflows of resources for other postemployment benefits	84	9,258
(Increase) decrease in assets - prepaid expenses	937	1,977
Increase (decrease) in liabilities:		
Accounts payable	(32)	4,067
Accrued payroll and employee benefits	(967)	(2,309)
Accrued leave	(3,922)	1,640
Unearned revenue	2	80
Customer deposits	1,320	(1,902)
Net pension liability	8,938	(31,966)
Net other postemployment benefits liability	6,352	(11,347)
Net Cash Flows from Operating Activities	\$ 65,390	\$ 84,040

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

<i>June 30,</i>	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Prepaid expenses	\$ -	\$ 15,632
Property, Plant and Equipment		
Buildings	4,015,877	4,015,877
Machinery and equipment	99,061	89,262
Total property, plant and equipment	4,114,938	4,105,139
Accumulated depreciation	(1,611,137)	(1,503,857)
Net Property, Plant and Equipment	2,503,801	2,601,282
Total Assets	2,503,801	2,616,914
Deferred Outflows of Resources		
Related to pension	139,331	99,669
Related to other postemployment benefits	87,771	24,852
Deferred charges on refunding	37,913	47,391
Total Deferred Outflows of Resources	265,015	171,912
Total Assets and Deferred Outflows of Resources	\$ 2,768,816	\$ 2,788,826

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

<i>June 30,</i>	2019	2018
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 6,445	\$ 5,537
Accrued payroll and employee benefits	55,183	47,376
Accrued leave	70,116	70,230
Unearned revenue	3,204	3,204
Customer deposits	3,200	3,500
Due to other funds	15,831	25,683
Accrued interest	12,463	14,775
Current portion of general obligation bonds	142,500	138,750
Total Current Liabilities	308,942	309,055
Noncurrent Liabilities		
General obligation bonds	637,500	780,000
Bond premium, net of accumulated amortization	88,666	110,832
Net pension liability	998,676	907,517
Net other postemployment benefits liability	212,963	148,180
Total Noncurrent Liabilities	1,937,805	1,946,529
Total Liabilities	2,246,747	2,255,584
Deferred Inflows of Resources		
Related to pension	13,873	99,436
Related to other postemployment benefits	77,748	76,892
Total Deferred Inflows of Resources	91,621	176,328
Net Position		
Net investment in capital assets	1,673,048	1,619,091
Deficit	(1,242,600)	(1,262,177)
Total Net Position	430,448	356,914
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,768,816	\$ 2,788,826

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

<i>Years Ended June 30,</i>	2019	2018
Operating Revenues		
Rents and royalties	\$ 269,159	\$ 257,100
Fees for services	513,604	502,121
Medicaid services	566,251	343,979
General relief for services	931	14,440
Transportation	7,110	5,128
Other revenues	9,889	3,103
Total Operating Revenues	1,366,944	1,125,871
Operating Expenses		
Salaries	852,960	678,863
Employee benefits	346,312	284,189
Materials and supplies	95,862	103,034
Services and charges	121,476	114,362
Allocated overhead	82,045	77,831
Motor pool charges:		
Operation and maintenance	5,043	2,378
Equipment replacement	2,768	3,194
Depreciation	107,280	102,137
Total Operating Expenses	1,613,746	1,365,988
Loss from Operations	(246,802)	(240,117)
Nonoperating Revenues (Expenses)		
Interest expense	(25,856)	(32,537)
Investment income	-	153
State PERS relief	15,593	25,828
Net Nonoperating Revenues (Expenses)	(10,263)	(6,556)
Loss before transfers	(257,065)	(246,673)
Transfers in	330,599	262,911
Change in Net Position	73,534	16,238
Net Position, beginning of year	356,914	340,676
Net Position, end of year	\$ 430,448	\$ 356,914

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

<i>Years Ended June 30,</i>	2019	2018
Cash Flows for Operating Activities		
Receipts from customers and users	\$ 1,366,644	\$ 1,134,911
Payments for interfund services used	(89,856)	(83,403)
Payments to suppliers	(200,798)	(213,802)
Payments to employees	(1,207,332)	(975,306)
Net cash flows for operating activities	(131,342)	(137,600)
Cash Flows from (for) Noncapital and Related Financing Activities		
Increase (decrease) in due to other funds	(9,852)	25,683
Cash Flows from Capital and Related Financing Activities		
Purchase of property, plant and equipment	(9,799)	(28,937)
Principal paid on long term debt	(138,750)	(135,000)
Interest paid on long term debt	(40,856)	(47,025)
Transfers in	330,599	262,911
Net cash flows from capital and related financing activities	141,194	51,949
Cash Flows from Investing Activities		
Investment income received	-	153
Net decrease in cash and investments	-	(59,815)
Cash and Investments, beginning of year	-	59,815
Cash and Investments, end of year	\$ -	\$ -
Reconciliation of Loss from Operations to Net Cash		
Flows for Operating Activities		
Loss from operations	\$ (246,802)	\$ (240,117)
Adjustments to reconcile loss from operations to net cash flows for operating activities:		
Noncash expenses:		
Depreciation	107,280	102,137
PERS relief	15,593	25,828
Amortization of deferred outflows of resources for pension	(39,662)	135,985
Amortization of deferred outflows of resources for other postemployment benefits	(62,919)	8,249
Amortization of deferred inflows of resources for pension	(85,563)	86,361
Amortization of deferred inflows of resources for other postemployment benefits	856	76,892
(Increase) decrease in assets:		
Accounts receivable	-	9,440
Prepaid expenses	15,632	1,920
Increase (decrease) in liabilities:		
Accounts payable	908	1,674
Accrued payroll and employee benefits	7,807	(978)
Accrued leave	(114)	15,137
Customer deposits	(300)	(400)
Net pension liability	91,159	(265,488)
Net other postemployment benefits liability	64,783	(94,240)
Net Cash Flows for Operating Activities	\$ (131,342)	\$ (137,600)

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>	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 4,254,160	\$ 4,408,674
Receivables - other	2,521	11,220
Prepaid expenses	-	4,655
Total Current Assets	4,256,681	4,424,549
Equipment	7,675,139	7,551,210
Accumulated depreciation	(5,131,448)	(4,786,449)
Net Equipment	2,543,691	2,764,761
Total Assets	6,800,372	7,189,310
Deferred Outflows of Resources		
Related to pensions	21,444	14,056
Related to other postemployment benefits	16,929	5,209
Total Deferred Outflows of Resources	38,373	19,265
Total Assets and Deferred Outflows of Resources	\$ 6,838,745	\$ 7,208,575
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 6,111	\$ 1,496
Accrued payroll and employee benefits	11,833	11,625
Accrued leave	23,289	20,951
Total Current Liabilities	41,233	34,072
Noncurrent Liabilities		
Net pension liability	173,179	156,198
Net other postemployment benefits liability	43,129	31,061
Total Noncurrent Liabilities	216,308	187,259
Total Liabilities	257,541	221,331
Deferred Inflows of Resources		
Related to pensions	4,525	20,464
Related to other postemployment benefits	16,278	16,118
Total Deferred Inflows of Resources	20,803	36,582
Net Position		
Net investment in capital assets	2,543,691	2,764,761
Unrestricted	4,016,710	4,185,901
Total Net Position	6,560,401	6,950,662
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 6,838,745	\$ 7,208,575

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

<i>Years Ended June 30,</i>	2019	2018
Operating Revenues		
Operation and maintenance charges	\$ 501,989	\$ 547,767
Replacement reserve charges	310,630	383,801
Total Operating Revenues	812,619	931,568
Operating Expenses		
Salaries	149,898	130,712
Employee benefits	99,107	79,629
Materials and supplies	236,866	276,986
Services and charges	79,242	73,082
Motor pool charges:		
Operation and maintenance	19,978	17,248
Equipment replacement	1,336	1,336
Depreciation	431,173	337,755
Total Operating Expenses	1,017,600	916,748
Income (Loss) from Operations	(204,981)	14,820
Nonoperating Revenues		
Gain on sale of capital assets	11,815	13,600
State PERS relief	2,905	5,705
Total Nonoperating Revenues	14,720	19,305
Income (loss) before transfers	(190,261)	34,125
Transfers out	(200,000)	-
Change in Net Position	(390,261)	34,125
Net Position, beginning of year	6,950,662	6,916,537
Net Position, end of year	\$ 6,560,401	\$ 6,950,662

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

<i>Years Ended June 30,</i>	2019	2018
Cash Flows from Operating Activities		
Receipts from interfund services provided	\$ 821,318	\$ 929,222
Payments for interfund services used	(21,314)	(18,584)
Payments to suppliers	(306,838)	(353,528)
Payments to employees	(249,392)	(215,894)
Net cash flows from operating activities	243,774	341,216
Cash Flows for Capital and Related Financing Activities		
Proceeds from sale of equipment	11,815	13,600
Purchase of equipment	(210,103)	(309,594)
Transfers out	(200,000)	-
Net cash flows for capital and related financing activities	(398,288)	(295,994)
Net increase (decrease) in cash and investments	(154,514)	45,222
Cash and Investments, beginning of year	4,408,674	4,363,452
Cash and Investments, end of year	\$ 4,254,160	\$ 4,408,674
Reconciliation of Income (Loss) from Operations to Net Cash		
Flows from Operating Activities		
Income (loss) from operations	\$ (204,981)	\$ 14,820
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:		
Noncash expenses:		
Depreciation	431,173	337,755
PERS relief	2,905	5,705
Amortization of deferred outflows of resources for pension	(7,388)	28,504
Amortization of deferred outflows of resources for other postemployment benefits	(11,720)	1,729
Amortization of deferred inflows of resources for pension	(15,939)	18,103
Amortization of deferred inflows of resources for other postemployment benefits	160	16,118
(Increase) decrease in assets:		
Accounts receivable - other	8,699	(2,346)
Prepaid expenses	4,655	78
Increase (decrease) in liabilities:		
Accounts payable	4,615	(3,538)
Accrued payroll and employee benefits	208	1,089
Accrued leave	2,338	(1,397)
Net pension liability	16,981	(55,650)
Net other postemployment benefits liability	12,068	(19,754)
Net Cash Flows from Operating Activities	\$ 243,774	\$ 341,216

Petersburg Borough, Alaska

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Passed-Through Entity Identifying Number	Total Grant Award	Provided to Subrecipients	Total Federal Expend- itures
Department of Agriculture					
Forest Service Schools and Roads Cluster -					
Schools and Roads - Grants to States -					
National Forest Receipts FY19	10.665		\$ 546,414	\$ -	\$ 400,000
Department of Justice					
Passed through the State of Alaska Department of Public Safety -					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	19-JAG2	107,993	-	77,563
Public Safety Partnership and Community Policing Grants:					
2016 Bullet Proof Vest Program	16.710		2,040	-	222
2017 Bullet Proof Vest Program	16.710		698	-	245
Total CFDA #16.710					
				-	467
Total Department of Justice					
				-	78,030
Environmental Protection Agency					
Passed through the State of Alaska Department of Environmental Conservation -					
Alaska Clean Water Fund Loan -					
Clean Water State Revolving Fund Cluster -					
Capitalization Grants for Clean Water State Revolving Funds -					
ACWF Scow Bay 1 Pumpstation	66.458	685271	70,000	-	6,927
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	58,313	-	4,004
2016 Homeland Security Grant Program - Reallocation	97.067	20SHSP-GY16	12,611	-	12,611
2017 Homeland Security Grant Program - Reallocation	97.067	20SHSP-GY17	19,711	-	19,711
2017 Homeland Security Grant Program	97.067	20SHSP-GY17	127,280	-	127,280
Total CFDA 97.067					
				-	163,606
Department of the Interior					
Passed through the State of Alaska Department of Commerce, Community and Economic Development -					
Payments in Lieu of Taxes	15.226	N/A	611,636	-	611,636
National Endowment for the Humanities					
Passed through the State of Alaska Department of Education and Early Development -					
Grants to States - Continuing Education Grant	45.310	CED-19-761-01	1,250	-	1,250
Total Expenditures of Federal Awards					
				\$ -	\$ 1,261,449

The accompanying notes are an integral part of this schedule.

Petersburg Borough, Alaska

Notes to the Schedules of Expenditures of Federal Awards for the Year Ended June 30, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") include the federal award activity of Petersburg Borough (the Borough) excluding its component units, Petersburg School District and Petersburg Medical Center, under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Borough, it is not intended to and do not present the financial position, changes in net position, or cash flows of the Borough.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

Single Audit Section



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

Honorable Mayor and Borough Assembly
Petersburg Borough, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Petersburg Borough as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Petersburg Borough's basic financial statements and have issued our report thereon dated December 31, 2019. Our report includes a reference to other auditors who audited the financial statements of Petersburg Medical Center, as described in our report on Petersburg Borough's basic financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

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*.

Petersburg Borough's Response to Finding

Petersburg Borough's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Petersburg Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
December 31, 2019



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3601 C Street, Suite 600
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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, 2019. 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, 2019.

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
December 31, 2019

Petersburg Borough, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

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 no
 Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes 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 no

Identification of major federal programs:

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

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

Auditee qualified as low-risk auditee? yes no

Petersburg Borough, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2019

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

Finding 2019-001 Revenue and Receivable Recognition - Significant Deficiency in Internal Control

Criteria: Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United State of America (GAAP); this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement. The general ledger and accounting records should accurately report revenues and receivables in proprietary funds when the underlying transaction takes place, in accordance with GAAP.

Condition: We identified instances in which operating revenues and accounts receivable balances in the Electric Utility Fund were not correctly presented in accordance with GAAP.

Cause: The Borough did not have an adequate process in place to ensure Electric Utility operating revenues were properly recognized in the year in which the underlying electricity was provided to customers.

Effect or potential effect: Opening net position in the Electric Utility Enterprise Fund was understated by \$194,681; current year operating revenues were understated by \$212,135; accounts receivables as of year-end were understated by \$406,816.

Recommendation: We believe that the misstatement could have been reduced, if not totally avoided, had the Borough had in place a process to ensure metered electricity sales were monitored accurately and timely, and that such information was properly communicated to the Finance Department. Management should implement a process to review the completeness and accuracy of metered electricity sales in a timely manner. Management should implement a process to ensure revenue and receivables are recognized in accordance with GAAP.

Views of responsible officials: Management agrees with this finding. See the corrective action plan.

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.



Name of Contact Person Jody Tow, Finance Director
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907-772-4425

Finding 2019-001 Revenue and Receivable Recognition - Significant Deficiency in Internal Control

Corrective Action Plan: Add additional controls when there has been a commercial meter change to include running additional detailed usage reports for these meters. Create a checklist for the Power and Light staff when placing primary metering cabinets into service that must be followed in order to ensure proper design, proper operation, proper billing multipliers and accurate readings being inputted into the billing system. Procedures to run relevant reports will be available to appropriate staff to run at any time.

Expected Completion Date: June 30, 2020

Finance Department

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