Petersburg Borough, Alaska

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

Year Ended June 30, 2013

This report was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Petersburg Borough, Alaska

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

Year Ended June 30, 2013

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Petersburg Borough

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Financial Section

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Independent Auditor's Report

Honorable Mayor and Borough Assembly
Petersburg Borough

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Petersburg Borough, Alaska, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Petersburg Borough, Alaska, as of June 30, 2013, 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 1 to the financial statements, in 2013, Petersburg Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and the provisions of GASB Statement number 65, *Items Previously Reported as Assets and Liabilities*. These provisions have been retrospectively applied to all periods presented in these financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information on pages 14 through 25 and 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended June 30, 2013 was conducted for the purpose of forming opinions on the financial statements that collectively comprise Petersburg Borough's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements for the year ended June 30, 2013 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

Petersburg Borough's basic financial statements for the year ended June 30, 2012 (not presented herein), were audited by other auditors whose report thereon dated October 3, 2012, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information. The report of the other auditors dated October 3, 2012, stated that the individual fund financial statements and schedules for the year ended June 30, 2012 were subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013, on our consideration of Petersburg Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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
November 6, 2013

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Management's Discussion & Analysis

This section offers readers of the Petersburg Borough's financial statements a narrative overview and analysis of the financial activities of the Borough for the fiscal year that ended June 30, 2013. 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 the Borough exceed its liabilities at the close of the most recent year by $120 million. Of this amount, $26.5 million (unrestricted net assets) is legally unreserved and may therefore be used to meet the Borough's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $3.9 million and was available for spending. The unassigned fund balance for the General Fund represented 46% 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Borough is improving or deteriorating.

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

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

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, beginning on page 30. The Borough has two major governmental funds, the General Fund and the Library Construction Capital Project Fund. Data from thirteen other governmental funds are combined into a single, aggregated presentation, labeled the Non-major Funds. The thirteen Non-major governmental funds report revenues and expenditures for: Miscellaneous Grants, National Forest Receipts – Schools, National Forest Receipts – Streets & Roads, Property Development, E911 Surcharge, Borough Organizational, Debt Service, Library Construction, Fishing Park, Birch Street Rebuild, Downtown Paving Project, Rasmus Enge Bridge, and Economic Development. The combining financial statement presentation for the Non-major funds can be found on pages 68 and 69 of this report.

  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. The basic governmental fund financial statements can be found on pages 30-33 of this report.

- **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 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 40. 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 supplementary information.

The combining balance sheet and statement of revenues, expenditures, and changes in fund balance for the non-major governmental funds are presented on pages 68-69. Other combining and individual fund statements and schedules can be found on pages 70 through 127.

Government Wide Financial Statements

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

In the case of the Borough of Petersburg, assets and deferred outflows exceeded liabilities by $120,246,833 at the close of the most recent fiscal year. This was an increase of $2,126,842 from the previous year.

The largest portion of the Borough's net position, 74.2%, 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	
	2013	2012 RESTATED	2013	2012 RESTATED	2013	2012 RESTATED
Assets						
Current and other assets	$ 17,296,431	$ 15,396,076	$ 16,981,593	$ 15,154,028	$ 34,278,024	$ 30,550,104
Restricted cash and investments	-	-	1,187,164	2,896,613	1,187,164	2,896,613
Capital assets, net of depreciation	45,780,079	42,789,415	63,851,344	65,922,707	109,631,423	108,712,122
Deferred outflows	206,068	224,801	147,772	163,085	353,840	387,886
Total Assets and Deferred Outflows	63,282,578	58,410,292	82,167,873	84,136,433	145,450,451	142,546,725
Liabilities						
Long-term liabilities outstanding	9,595,472	8,879,691	11,843,192	11,551,785	21,438,664	20,431,476
Other liabilities	1,018,653	503,510	2,746,301	3,491,748	3,764,954	3,995,258
Total Liabilities	10,614,125	9,383,201	14,589,493	15,043,533	25,203,618	24,426,734
Net Position						
Net investment in capital assets	36,757,989	34,523,197	52,522,542	54,868,929	89,280,531	89,392,126
Restricted	4,425,761	4,195,217	-	-	4,425,761	4,195,217
Unrestricted	11,484,703	10,308,677	15,055,838	14,223,971	26,540,541	24,532,648
Total Net Position	$ 52,668,453	$ 49,027,091	$ 67,578,380	$ 69,092,900	$ 120,246,833	$ 118,119,991

Governmental Activities
Governmental activities increased the Borough's net position by $3.6 million. Key elements of this follows:

- The National Forest Receipts – School Fund retained $336,836 of the $984,038 payment the fund received this year increasing the year end fund balance to $4.35 million.
- The Borough Organizational Fund was created and retained a balance of $253,536 at fiscal year end.
- GO Bonds in the amount of $1.3 million for the construction of the new library project were issued in the fall of 2012.

The net position for the Borough's governmental activities is $52.6 million. A substantial portion (70%) 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 $11.5 million as of June 30, 2013.

Business-type Activities
The net position for the Borough's business-type activities is $67.6 million, a decrease of $1,514,520. This is due to the disposal of capital assets in the Harbor. As with governmental activities, a substantial portion (78%) 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 $15 million as of June 30, 2013. This is an increase in unrestricted net position of $831,867. This change is primarily caused by a much larger Fisheries Business tax received by the Harbor in the amount of $636,384, compared to $265,901 in FY 2012. Also to note, the Assisted Living Facility dissolved their negative $283,060 unrestricted net position with a positive $7,117 unrestricted net position at the end of the fiscal year.

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Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Activities	
	2013	2012	2013	2012	2013	2012
Revenues				RESTATED		RESTATED
Program revenues:						
Charges for services	$ 703,498	$ 923,795	$ 10,508,928	$ 10,602,391	$ 11,212,426	$ 11,526,186
Operating grants and contributions	2,955,317	2,421,268	330,162	275,353	3,285,479	2,696,621
Capital grants and contributions	3,782,521	4,366,893	2,829,597	1,284,418	6,612,118	5,651,311
General Revenues:						
Property Tax	2,857,833	2,858,725	-	-	2,857,833	2,858,725
Sales Tax	2,822,595	2,820,007	-	-	2,822,595	2,820,007
Payment in lieu of taxes	534,395	519,209	-	-	534,395	519,209
Other taxes	40,472	38,364	-	-	40,472	38,364
Grants and entitlements not restricted to a specific purpose	1,428,387	1,023,523	-	-	1,428,387	1,023,523
Investment Income	484,592	124,858	42,420	159,604	527,012	284,462
Other	38,251	74,765	-	-	38,251	74,765
Special item - capital asset contribution	-	-	-	-	-	-
Total revenues	15,647,861	15,171,407	13,711,107	12,321,766	29,358,968	27,493,173
Expenses						
General Government	1,326,115	1,469,419	-	-	1,326,115	1,469,419
Public Safety	2,440,073	1,909,787	-	-	2,440,073	1,909,787
Public Works	2,282,842	1,904,910	-	-	2,282,842	1,904,910
Community Services	351,316	656,722	-	-	351,316	656,722
Culture & Recreation	2,202,632	1,743,794	-	-	2,202,632	1,743,794
Education	2,135,741	2,183,457	-	-	2,135,741	2,183,457
Electric utility	-	-	5,994,851	6,246,289	5,994,851	6,246,289
Water utility	-	-	1,453,716	1,480,656	1,453,716	1,480,656
Wastewater utility	-	-	853,845	856,685	853,845	856,685
Sanitation utility	-	-	1,119,786	1,015,153	1,119,786	1,015,153
Harbor/Port Facilities	-	-	5,684,945	1,804,701	5,684,945	1,804,701
Elderly Housing	-	-	379,175	371,347	379,175	371,347
Assisted Living	-	-	1,007,089	951,092	1,007,089	951,092
Total expenses	10,738,719	9,868,089	16,493,407	12,725,923	27,232,126	22,594,012
Increase (decrease) in net position before transfers	4,909,142	5,303,318	(2,782,300)	(404,157)	2,126,842	4,899,161
Transfers	(1,267,780)	(698,004)	1,267,780	698,004	-	-
Increase (decrease) in net position	3,641,362	4,605,314	(1,514,520)	293,847	2,126,842	4,899,161
Beginning net position	49,027,091	44,421,777	69,092,900	68,799,053	118,119,991	113,220,830
Ending net position	$ 52,668,453	$ 49,027,091	$ 67,578,380	$ 69,092,900	$ 120,246,833	$ 118,119,991

Figure 1 shows governmental activities, expenses and the related revenues dedicated to each activity. It shows the amount of dedicated revenues associated with the various kinds of activities, exclusive of other revenues. Other revenues also support government activities, but are general in nature and apply to all categories, so they are not included in this graph. They include property and sales taxes, payments in lieu of taxes, investment income, and other general revenues. Figure 1 presents a picture of the information that can be found on page 29 of the financial statements.

Figure 1

Expenses and Program Revenues-Governmental Activities

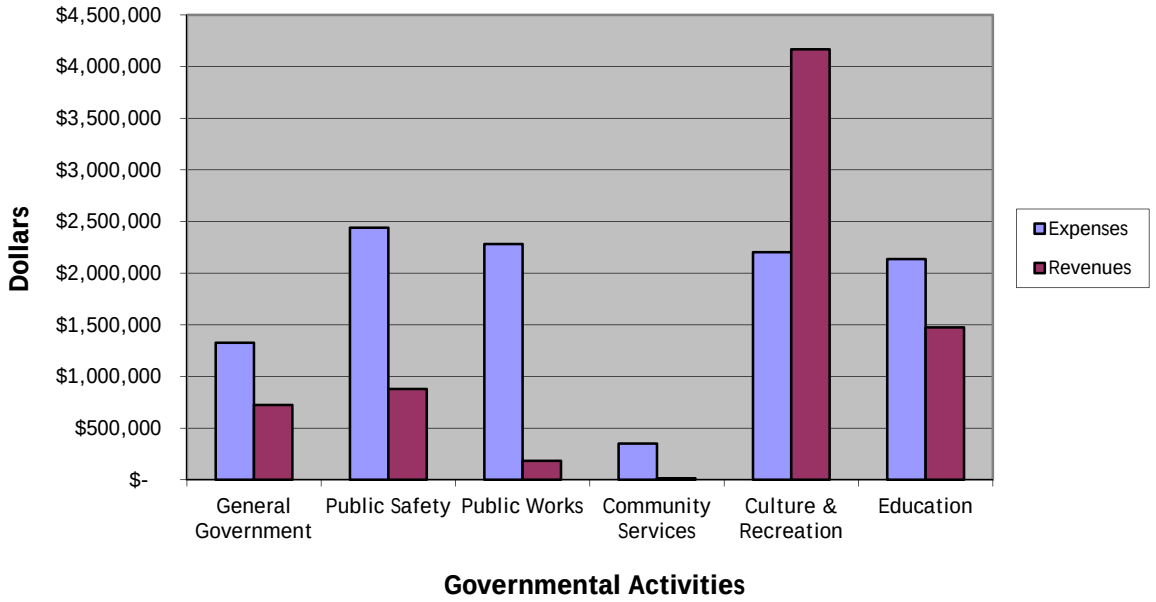
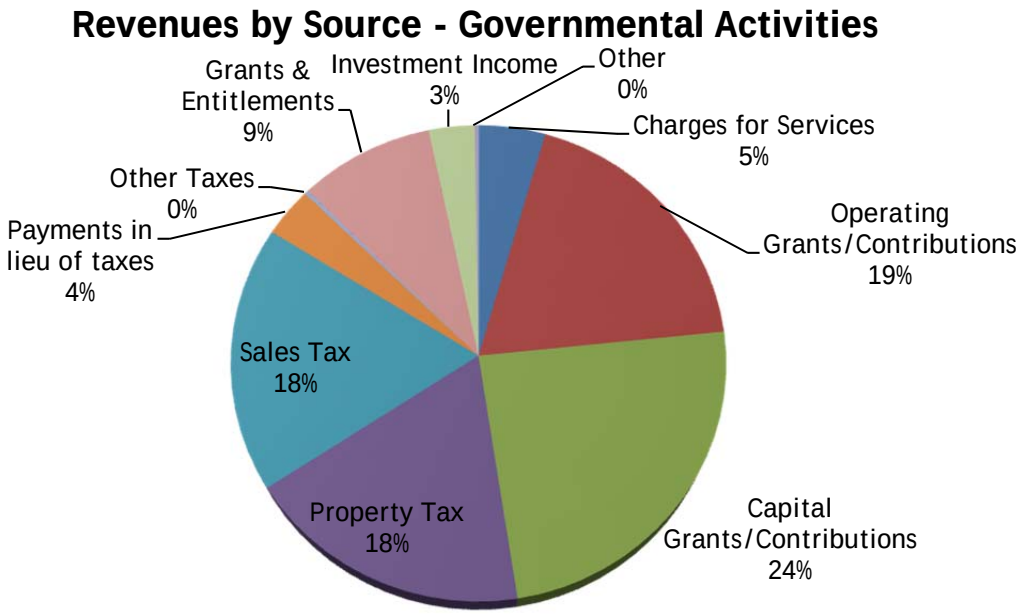


Figure 2 shows the percentages of all revenue sources for governmental activities, both program and general. In 2013, sales taxes and property tax each totaled 18% of revenues, both decreasing 1% from the prior year's proportion composition.

Figure 2



Business Type Activities. Net position decreased by $1.5 million for the Borough's business-type activities.

Figure 3 shows expenses and program revenues for all of the business-type activities. Not included in the program revenues are capital grants and contributions, investment earnings, transfers, and some other miscellaneous revenues. Depreciation is included in the expenses. All funds show expenses in excess of revenues, except the Sanitation Utility Fund. It should be noted that covering depreciation of capital assets is difficult when a large portion of the Borough's infrastructure was originally paid for by capital grants or with the assistance of grants.

Figure 3

Expenses and Program Revenues-Business-type Activities

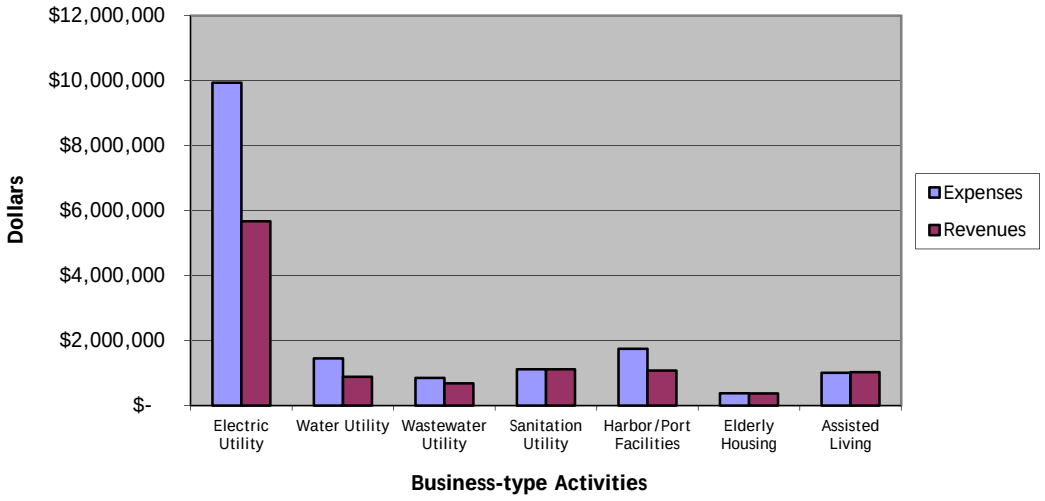
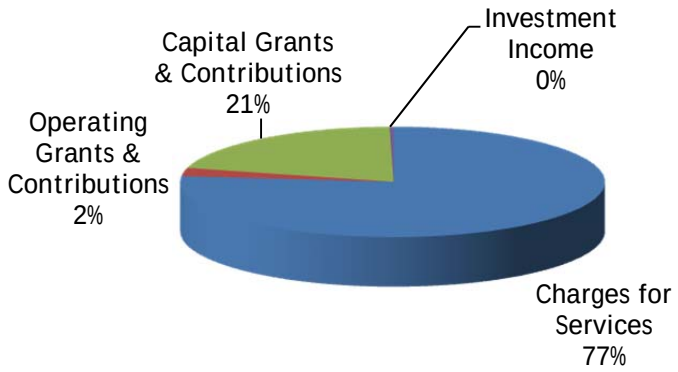


Figure 4

Revenues by Source-Business-type Activities



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 $14,393,561, an increase of $974,576 in comparison with the prior year. This increase is mainly due to remaining library GO bonds issued this year and the Borough Organizational funds that were received from the State of Alaska as a result of borough formation.

The total fund balances of the governmental funds are made up of five components. $61,800 nonspendable, which is the General Fund's prepaid health insurance, $4,425,761 restricted (National Forest Receipts School and Public Roads funding), $5,563,245 committed (primarily for economic development and capital projects), $391,468 assigned (Debt Service and Borough Organizational), and $3,951,287 unassigned.

The General Fund is the chief operating fund of the Borough. At the end of the current fiscal year, the unassigned fund balance was $3,951,287, while total fund balance was $4,013,087. 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 46% of total General Fund expenditures. This is an increase of 4% from the previous year. Prior years 2010 and 2011 had shown an increase of 3% and 1% from the prior year, 2012 had actually shown a decrease of 2% from the prior year.

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

- The Electric Utility Fund's unrestricted net position was $6,451,334, a decrease of $1,610,947 from the prior year. This decrease is mainly due from transferring $1,260,000 to the North Harbor project to assist in electrical costs associated with the project.

- The Water Utility Fund's unrestricted net position was $577,648, an increase of $141,192.

- The Wastewater Utility Fund's unrestricted net position totaled $1,231,375 at the end of the year, an increase of $163,636.

- The Sanitation Utility Fund is showing a large increase in this year's unrestricted net position due to funds appropriated from the Harbor and Property Development Fund for the Landfill Slope Stabilization project. Unrestricted funds were $868,558 which is an increase of $380,171 from the prior year.

- The Harbor Fund increased its unrestricted net position by $1,466,155, for a total of $3,113,230. The majority of this is committed to the North Harbor Project, with only $164,537 of the $3.1 million in the harbor operating fund.

- The Elderly Housing Facility's unrestricted net position showed a slight increase in fiscal year 2013 of just $6,188.

- The Assisted Living Fund reduced their deficit and present an unrestricted net position of $7,117 at year end. This is due in part from the transfer of General Fund property tax revenue for debt retirement, a $100,000 subsidy from the General Fund, and raising rates during the year. This is the facility's first year that it has ever had a positive unrestricted fund balance since the facility was completed in 2004.

- The Motor Pool Fund's unrestricted net position increased to $4,166,866 (13%) from the prior year 2012, which is similar from the 11% increase of the prior year of 2011.

General Fund Budgetary Highlights

- The General Fund showed a surplus of $292,408 after transfers in and transfers out.

- Sales Tax had a positive variance of $52,431.

- The General Fund transferred out a $100,000 subsidy as well as the property tax collected for debt retirement on the Assisted Living GO bond.

- Fisheries Business tax showed a positive variance of $286,385 from what was budgeted, that additional revenue was transferred out to the Harbor Fund which is shown in the negative variance of the same amount in transfers out.

- General government – other, contains the State PERS Relief expense which had a negative variance of $181,838. This is explainable as the PERS – On behalf revenue showed a positive $181,838 variance. This is the amount the State subsidized the General Fund for retirement costs for our employees. The excess revenue and the excess expense offset each other.

Capital Asset and Debt Administration

*Capital Assets***.** As of June 30, 2013, the Borough had invested $109,631,423 in capital assets net of accumulated depreciation as presented in Table 3. This investment includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. This is an increase over the previous year of $919,301.

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

- $4.2 million was spent in fiscal year 2013 on the new Library capital project.

- $276,279 was spent in FY 2013 as the 9% match to DOT funds dedicated to the downtown paving project.

- Ira II Playground received $17,313 in rubber & ground area improvements to help level out the land area not supported by piling. $10,000 of this amount was paid for by an insurance grant.

- Second Street and Odin Street received paving this year ($167,441).

- The Borough's first virtual server was purchased for the cost of $10,089.

- A new E911 system was purchased for the cost of $234,320 including installation, a homeland security grant in the amount of $100,000 went toward this purchase. The remainder was paid from the Borough's E-911 Surcharge Fund.

- $129,810 was spent on radio replacement borough wide to upgrade per new federal regulations.

- $862,434 was capitalized on three projects, the Hydro project, Auto Load Control system, and the 24.9 KV Electric Upgrade.

- Water Treatment Plant – Phase III was nearly completed. $1.6 million was spent in fiscal year 2013 rehabilitating the filter tank interior, replacing the drain system, new filter media, new low pressure air scour system, new chemical feed equipment and improvements to the clear well tank. $1.14 million from grants and loans.

- The Wastewater Fund purchased $32,555 of Clarifiers and a $6,513 snow plow. Ongoing projects in fiscal year 2013 are the Pumpstation #1 and #5 Upgrade.

- The Sanitation Fund purchased a new roll up door for the baler facility in the amount of $11,855. Over $14,000 was spent on a new computer and scale software. Work was begun on the Landfill Slope Stabilization project.

- The Harbor passenger port facility was capitalized in fiscal year 2013 in the amount of $2,337,195 as well as the South Harbor Anode Project for $166,265.

- The Elderly Housing Facility received a new roof in 2013 at a cost of $322,117. The roof was paid for by a State Legislative Grant with grant funds still remaining at the end of the project. The Funds remaining were reappropriated to purchase windows and new carpet in fiscal year 2014 for the aging facility.

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

	Governmental activities		Business-type activities		Total activities	
	2013	2012	2013	2012	2013	2012
Land and improvements	$ 3,574,725	$ 3,574,725	$ 2,399,493	$ 1,279,223	$ 5,974,218	$ 4,853,948
Infrastructure	15,241,004	15,219,077	-	-	15,241,004	15,219,077
Buildings	19,150,822	19,696,414	12,243,505	12,436,120	31,394,327	32,132,534
Improvements other than buildings	29,473	36,456	36,729,090	38,831,060	36,758,563	38,867,516
Machinery and equipment	2,984,856	3,162,984	5,617,078	6,165,860	8,601,934	9,328,844
Construction in progress	4,799,199	1,099,759	6,862,178	7,210,444	11,661,377	8,310,203
Total Capital Assets	$45,780,079	$ 42,789,415	$ 63,851,344	$65,922,707	$ 109,631,423	$ 108,712,122

Additional information on the Borough's capital assets can be found in note 6 on pages 52 through 54 of this report.

Long-term Debt. At the end of the current fiscal year, the Borough had total long-term debt outstanding of $20,429,955. Of this amount, $14,180,001 comprises debt backed by the full faith and credit of the government (i.e., general obligation bonds). $641,599 is employee accrued leave and $5,645,577 is water and wastewater loans from the Alaska Department of Environmental Conservation. It should be noted that the State reimburses the Borough between 60-70% for a majority of the school G.O. Bond debt service, and that the ADEC loans are at a 1.5% interest rate.

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

	Governmental activities		Business-type activities		Total activities	
	2013	2012	2013	2012	2013	2012
General obligation bonds	$ 8,707,533	$ 8,083,370	$ 5,472,468	$ 5,816,631	$ 14,180,001	$ 13,900,001
Capital Lease	-	-	-	-	-	-
Accrued leave and pension obligation	367,314	388,672	274,285	278,877	641,599	667,549
Revenue bonds		-	-	-	-	-
Loans, long-term		-	5,645,577	4,971,455	5,645,577	4,971,455
Total Long-Term Debt	$ 9,074,847	$ 8,472,042	$ 11,392,330	$11,066,963	$ 20,467,177	$ 19,539,005

The Borough's governmental activity debt increased by $602,805 during the current year. The Borough's business-type debt increased by $325,367. Additional information on the Petersburg Borough's long-term debt can be found in note 7 on pages 54 through 58.

Economic Forecast and Rates for Next Fiscal Year

- Water (2%), Wastewater (4.5%) and Sanitation (2%) rates are set to increase on July 1, 2013.
- The 2013-2014 Fiscal Year budget was approved at a mill rate of 11.14 mills, the prior year was 10.99 mills. The increase is due to the new library GO Bond issued the fall of 2012.
- Employee health insurance premiums increased 12% beginning July 1, 2013.
- Construction projects scheduled for the 2014 fiscal year include Library construction completion, Wastewater SCADA upgrades, Pumpstation #1 and #5 upgrades, completion of the downtown road improvements, Rasmus Enge Bridge, Commercial Drive Down Dock, North Harbor Rebuild, Landfill Slope Stabilization, Crane Dock Upgrade, and other smaller projects.

For a copy of the Fiscal Year 2014 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

Statement of Net Position

June 30, 2013	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Petersburg City School District	Petersburg Medical Center
Assets					
Cash and investments	$ 17,974,077	$ 12,890,246	$ 30,864,323	$ 1,901,382	$ 4,462,478
Receivables, net	1,502,688	1,406,841	2,909,529	183,437	4,725,355
Internal balances	(2,244,759)	2,244,759	-	-	-
Inventory	-	344,649	344,649	2,870	188,835
Prepaid items	64,425	95,098	159,523	122,312	90,790
Restricted cash and investments	-	1,187,164	1,187,164	-	-
Land and construction in progress	8,373,924	9,261,671	17,635,595	-	461,442
Other capital assets, net of accumulated depreciation	37,406,155	54,589,673	91,995,828	315,954	4,126,111
Deferred Outflows					
Deferred charges on refunding	206,068	147,772	353,840	-	-
Total Assets and Deferred Outflows	$ 63,282,578	$ 82,167,873	$ 145,450,451	$ 2,525,955	$ 14,055,011
Liabilities					
Line of credit	$ -	$ -	$ -	$ -	$ 1,200,000
Accounts payable	544,819	357,369	902,188	127,948	409,743
Accrued payroll and employee benefits	249,437	173,550	422,987	-	231,281
Unearned revenue	166,750	2,041,210	2,207,960	3,453	-
Customer deposits	-	64,110	64,110	-	-
Accrued interest	57,647	110,062	167,709	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued leave	367,314	274,285	641,599	37,627	577,036
Bonds payable	547,504	352,497	900,001	-	-
Loans and notes payable	-	290,246	290,246	-	22,050
Capital lease	-	-	-	-	69,562
Due in more than one year:					
Bonds payable	8,160,029	5,119,971	13,280,000	-	-
Bond premium, net	520,625	358,529	879,154	-	-
Loans and notes payable	-	5,355,331	5,355,331	-	176,317
Capital lease	-	-	-	-	128,922
Landfill closure costs	-	92,333	92,333	-	-
Total liabilities	10,614,125	14,589,493	25,203,618	169,028	2,814,911
Net Position					
Net investment in capital assets	36,757,989	52,522,542	89,280,531	315,954	4,190,702
Restricted:					
School support and roads	4,425,761	-	4,425,761	-	-
Scholarships	-	-	-	56,512	-
Foundation	-	-	-	-	358,228
Unrestricted	11,484,703	15,055,838	26,540,541	1,984,461	6,691,170
Total net position	52,668,453	67,578,380	120,246,833	2,356,927	11,240,100
Total Liabilities and Net Position	$ 63,282,578	$ 82,167,873	$ 145,450,451	$ 2,525,955	$ 14,055,011

See accompanying notes to basic financial statements.

Petersburg Borough

Statement of Activities

Year Ended June 30, 2013	Expenses	Program Revenues: Fees, Fines & Charges for Services	Program Revenues: Operating Grants & Contri-butions	Program Revenues: Capital Grants & Contri-butions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Govern-mental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Petersburg City School District	Component Units: Petersburg Medical Center
Activities									
Primary government:									
Governmental:									
General government	$ 1,326,115	$ 42,246	$ 681,838	$ -	$ (602,031)	$ -	$ (602,031)		
Public safety	2,440,073	453,387	233,716	191,361	(1,561,609)	-	(1,561,609)		
Public works	2,282,842	5,404	150,695	27,194	(2,099,549)	-	(2,099,549)		
Community services	351,316	1,800	12,389	-	3,226,839	-	3,226,839		
Culture and recreation	2,202,632	200,661	402,116	3,563,966	(1,599,855)	-	(1,599,855)		
Education	2,135,741	-	1,474,563	-	(661,178)		(661,178)		
Total governmental activities	10,738,719	703,498	2,955,317	3,782,521	(3,297,383)		(3,297,383)		
Business-type:									
Electric Utility	5,994,851	5,499,431	171,955	-	-	(323,465)	(323,465)		
Water Utility	1,453,716	870,282	17,773	1,146,803	-	581,142	581,142		
Wastewater Utility	853,845	665,607	17,125	-	-	(171,113)	(171,113)		
Sanitation Utility	1,119,786	1,092,154	25,218	-	-	(2,414)	(2,414)		
Harbor and Port Facilities	5,684,945	1,028,391	48,540	1,364,964	-	(3,243,050)	(3,243,050)		
Elderly Housing	379,175	374,757	-	317,830	-	313,412	313,412		
Assisted Living Facilities	1,007,089	978,306	49,551	-	-	20,768	20,768		
Total business-type activities	16,493,407	10,508,928	330,162	2,829,597	-	(2,824,720)	(2,824,720)		
Total Primary Government	$27,232,126	$11,212,426	$3,285,479	$6,612,118	(3,297,383)	(2,824,720)	(6,122,103)		
Component unit - school district - education	$ 9,971,600	$ 85,191	$2,204,209	$ -				$ (7,682,200)	$ -
Component unit - medical center	$13,602,427	$13,076,085	$1,143,673	$ -				$ -	$ 617,331
General revenues:									
Property taxes					2,857,833	-	2,857,833	-	-
Sales taxes					2,822,595	-	2,822,595	-	-
Payments in lieu of taxes					534,395	-	534,395	-	-
Other taxes					40,472	-	40,472	-	-
Contributions from primary government					-	-	-	1,800,000	-
Grants and entitlements not restricted to a specific purpose					1,428,387	-	1,428,387	5,948,793	-
Investment income					484,592	42,420	527,012	611	301,222
Other					38,251	-	38,251	154,607	3,135
Transfers					(1,267,780)	1,267,780	-	-	-
Total general revenues and transfers					6,938,745	1,310,200	8,248,945	7,904,011	304,357
Change in net position					3,641,362	(1,514,520)	2,126,842	221,811	921,688
Net Position at beginning of year, as restated					49,027,091	69,092,900	118,119,991	2,135,116	10,318,412
Net Position at end of year					$ 52,668,453	$67,578,380	$120,246,833	$ 2,356,927	$ 11,240,100

See accompanying notes to basic financial statements.

Petersburg Borough

Governmental Funds
Balance Sheet

June 30, 2013	Major Funds: General	Major Funds: Library Construction Capital Project	Nonmajor Funds	Total Govern-mental Funds
Assets				
Cash and investments	$ 3,742,879	$ 188,516	$ 9,848,989	$ 13,780,384
Receivables, net of allowance for doubtful accounts:				
Property taxes	50,902	-	-	50,902
Sales taxes	402,600	-	-	402,600
Grants and shared revenues	-	769,085	209,898	978,983
Accounts	65,303	-	-	65,303
Interest	-	-	4,900	4,900
Prepaid insurance	61,800	-	-	61,800
Due from other funds	24,149	-	-	24,149
Total Assets	$ 4,347,633	$ 957,601	$ 10,063,787	$ 15,369,021
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 93,660	$ 307,873	$ 141,789	$ 543,322
Accrued payroll and related liabilities	239,386	-	1,853	241,239
Unearned revenue	1,500	-	165,250	166,750
Due to other funds	-	-	24,149	24,149
Total liabilities	334,546	307,873	333,041	975,460
Fund balances:				
Nonspendable	61,800	-	-	61,800
Restricted	-	-	4,425,761	4,425,761
Committed	-	649,728	4,913,517	5,563,245
Assigned	-	-	391,468	391,468
Unassigned	3,951,287	-	-	3,951,287
Total fund balances	4,013,087	649,728	9,730,746	14,393,561
Total liabilities and fund balances	$ 4,347,633	$ 957,601	$ 10,063,787	$ 15,369,021

See accompanying notes to basic financial statements.

Petersburg Borough

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

June 30, 2013

Total fund balances for governmental funds		$ 14,393,561
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:		
Land and land improvements	$ 3,574,725	
Construction in progress	4,799,199	
Buildings	43,260,678	
Improvements other than buildings	154,948	
Infrastructure	16,747,551	
Machinery and equipment	1,998,879	
Accumulated depreciation	(27,072,278)	
Total capital assets		43,463,702
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.		4,238,484
Long-term liabilities, including bonds payable and accrued leave, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:		
General obligation bonds payable	(8,707,533)	
Deferred loss on refunding, net of accumulated amortization	206,068	
Bond premium, net of accumulated amortization	(520,625)	
Accrued interest	(57,647)	
Accrued leave	(347,557)	
Total long term liabilities		(9,427,294)
Total Net Position of Governmental Activities		$ 52,668,453

See accompanying notes to basic financial statements.

Petersburg Borough

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2013	Major Funds: General	Major Funds: Library Construction Capital Project	Nonmajor Funds	Total Govern-mental Funds
Revenues:				
Property taxes	$ 2,857,833	$ -	$ -	$ 2,857,833
Sales taxes	2,822,595	-	-	2,822,595
Other taxes	72,670	-	-	72,670
Intergovernmental	2,752,320	3,543,966	2,678,092	8,974,378
Licenses and permits	8,002	-	-	8,002
Charges for services	325,454	-	-	325,454
Fines and forfeitures	12,096	-	-	12,096
Overhead charges	539,450	-	-	539,450
Investment income	36,435	-	448,157	484,592
Other	40,101	20,000	30,140	90,241
Total revenues	9,466,956	3,563,966	3,156,389	16,187,311
Expenditures:				
Current:				
General government	1,762,154	-	46,464	1,808,618
Public safety	1,981,563	-	321,122	2,302,685
Public works	1,769,762	-	-	1,769,762
Community services	175,381	-	183,049	358,430
Culture and recreation	1,096,949	4,138,455	390,239	5,625,643
Education - contribution to school district	1,800,000	-	-	1,800,000
Debt service	-	-	883,838	883,838
Capital outlay	-	-	701,861	701,861
Total expenditures	8,585,809	4,138,455	2,526,573	15,250,837
Excess (deficit) of revenues over expenditures	881,147	(574,489)	629,816	936,474
Other financing sources (uses):				
Transfers in	660,000	-	628,375	1,288,375
Transfers out	(1,248,739)	(82,416)	(1,225,000)	(2,556,155)
Bond issuance	-	1,150,000	-	1,150,000
Premium on issuance	-	155,882	-	155,882
Net other financing sources (uses)	(588,739)	1,223,466	(596,625)	38,102
Net change in fund balances	292,408	648,977	33,191	974,576
Fund Balances at beginning of year	3,720,679	751	9,697,555	13,418,985
Fund Balances at end of year	$ 4,013,087	$ 649,728	$ 9,730,746	$ 14,393,561

See accompanying notes to basic financial statements.

Petersburg Borough

Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities

Year Ended June 30, 2013

Net change in fund balances - total governmental funds		$ 974,576
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays ($5,777,062) exceeded depreciation ($1,476,705) and other capital asset transactions ($992,669).		3,307,688
The issuance of long-term debt ($1,150,000) provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt ($525,837) consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond as well as premiums ($155,882), discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized ($24,173) in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(755,872)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount of the decrease in:		
Accrued leave	$ 21,358	
Accrued interest	2,144	
		23,502
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.		91,468
Change in Net Position of Governmental Activities		$ 3,641,362

See accompanying notes to basic financial statements.

Petersburg Borough

Proprietary Funds
Statement of Net Position

	Major Enterprise Funds							
June 30, 2013	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Assets								
Current assets:								
Cash and investments	$ 6,111,512	$ 366,633	$ 998,768	$ 3,867,780	$ 79,684	$ 1,465,869	$ 12,890,246	$ 4,193,693
Receivables, net of allowance for doubtful accounts	425,706	291,237	276,415	304,149	8,433	100,901	1,406,841	-
Inventories	243,913	68,015	32,721	-	-	-	344,649	-
Prepaid expenses	63,212	2,625	3,877	8,649	10,720	6,015	95,098	2,625
Total current assets	6,844,343	728,510	1,311,781	4,180,578	98,837	1,572,785	14,736,834	4,196,318
Restricted cash:								
Capital projects	-	-	-	1,169,700	-	-	1,169,700	-
Security deposits	-	-	-	-	-	17,464	17,464	-
Property, plant and equipment:								
Land and land improvements	1,848,295	-	-	360,059	-	191,139	2,399,493	-
Buildings	1,067,261	5,178,330	9,091,647	339,690	3,907,471	5,102,753	24,687,152	-
Improvements other than buildings	5,003,044	24,281,418	7,729,465	19,773,450	-	260,943	57,048,320	-
Machinery and equipment	17,018,539	3,000,849	348,530	528,492	89,262	326,163	21,311,835	6,032,766
Construction in progress	1,722,843	2,474,714	1,036,393	1,587,984	-	40,244	6,862,178	-
Total property, plant and equipment	26,659,982	34,935,311	18,206,035	22,589,675	3,996,733	5,921,242	112,308,978	6,032,766
Accumulated depreciation	(15,134,017)	(11,296,576)	(9,961,089)	(7,803,860)	(997,222)	(3,264,870)	(48,457,634)	(3,716,389)
Net property, plant and equipment	11,525,965	23,638,735	8,244,946	14,785,815	2,999,511	2,656,372	63,851,344	2,316,377
Deferred Outflows								
Deferred charges on refunding	-	-	-	21,396	94,782	31,594	147,772	-
Total Assets and Deferred Outflows	$ 18,370,308	$ 24,367,245	$ 9,556,727	$20,157,489	$3,193,130	$ 4,278,215	$ 79,923,114	$ 6,512,695

See accompanying notes to basic financial statements.

Petersburg Borough

Proprietary Funds
Statement of Net Position, continued

June 30, 2013	Major Enterprise Funds: Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Liabilities and Net Position								
Liabilities:								
Current liabilities:								
Accounts payable	$ 124,572	$ 86,296	$ 39,206	$ 100,280	$ 1,698	$ 5,317	$ 357,369	$ 1,497
Accrued payroll and employee benefits	66,508	11,387	16,665	27,720	30,738	20,532	173,550	8,198
Accrued leave	138,580	9,521	13,379	71,563	25,653	15,589	274,285	19,757
Unearned revenue	-	-	-	2,034,355	5,981	874	2,041,210	-
Customer deposits	29,350	6,255	5,293	-	5,400	17,812	64,110	-
Accrued interest	33,999	37,403	5,863	3,130	22,250	7,417	110,062	-
Current portion:								
General obligation bonds	105,000	-	-	87,497	120,000	40,000	352,497	-
ADEC loans	-	257,549	32,697	-	-	-	290,246	-
Total current liabilities	498,009	408,411	113,103	2,324,545	211,720	107,541	3,663,329	29,452
Long term debt, net of current portion:								
General obligation bonds	2,495,000	-	-	724,971	1,425,000	475,000	5,119,971	-
Bond premium, net of accumulated amortization	52,385	-	-	10,593	221,664	73,887	358,529	-
ADEC loans	-	4,017,802	1,337,529	-	-	-	5,355,331	-
Landfill closure costs	-	-	-	-	-	92,333	92,333	-
Total long-term debt	2,547,385	4,017,802	1,337,529	735,564	1,646,664	641,220	10,926,164	-
Total liabilities	3,045,394	4,426,213	1,450,632	3,060,109	1,858,384	748,761	14,589,493	29,452
Net position:								
Net investment in capital assets	8,873,580	19,363,384	6,874,720	13,984,150	1,327,629	2,099,079	52,522,542	2,316,377
Unrestricted	6,451,334	577,648	1,231,375	3,113,230	7,117	1,430,375	12,811,079	4,166,866
Total net position	15,324,914	19,941,032	8,106,095	17,097,380	1,334,746	3,529,454	65,333,621	6,483,243
Total Liabilities and Net Position	$ 18,370,308	$ 24,367,245	$ 9,556,727	$ 20,157,489	$ 3,193,130	$ 4,278,215		$ 6,512,695
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							2,244,759	
Net Position of Business-Type Activities							$ 67,578,380	

See accompanying notes to basic financial statements.

Petersburg Borough

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

	Major Enterprise Funds							
Year Ended June 30, 2013	Electric Utility	Water Utility	Wastewater Utility	Harbor and Port Facilities	Assisted Living	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Operating revenues	$ 5,300,781	$ 870,282	$ 665,607	$ 1,028,391	$ 978,306	$ 1,466,911	$ 10,310,278	$ 947,959
Operating expenses:								
Salaries and benefits	1,334,648	304,616	270,950	610,619	630,853	469,704	3,621,390	195,262
Services, supplies, and other charges	3,584,493	248,213	169,817	276,697	168,687	614,064	5,061,971	274,103
Allocated overhead and motor pool charges	307,178	93,194	96,358	96,462	47,570	287,650	928,412	11,570
Depreciation	653,940	764,232	317,167	727,426	106,997	138,110	2,707,872	330,814
Total operating expenses	5,880,259	1,410,255	854,292	1,711,204	954,107	1,509,528	12,319,645	811,749
Income (loss) from operations	(579,478)	(539,973)	(188,685)	(682,813)	24,199	(42,617)	(2,009,367)	136,210
Nonoperating revenues (expenses):								
Investment income	23,168	-	3,310	10,945	-	4,997	42,420	-
SEAPA distribution	198,650	-	-	-	-	-	198,650	-
Interest expense	(133,413)	(47,260)	(6,436)	(39,543)	(53,381)	(17,794)	(297,827)	-
Loss on disposal of capital assets	-	-	-	(3,937,518)	-	-	(3,937,518)	-
Federal interest subsidy	33,318	-	-	-	-	-	33,318	-
State PERS relief	138,637	17,773	17,125	48,540	49,551	25,218	296,844	16,841
Net nonoperating revenues (expenses)	260,360	(29,487)	13,999	(3,917,576)	(3,830)	12,421	(3,664,113)	16,841
Income (loss) before contributions and transfers	(319,118)	(569,460)	(174,686)	(4,600,389)	20,369	(30,196)	(5,673,480)	153,051
Capital contributions	-	1,146,803	-	1,364,964	-	317,830	2,829,597	-
Transfers in	-	164,145	855	1,663,531	299,249	400,000	2,527,780	-
Transfers out	(1,260,000)	-	-	-	-	-	(1,260,000)	-
Change in net position	(1,579,118)	741,488	(173,831)	(1,571,894)	319,618	687,634	(1,576,103)	153,051
Net Position at beginning of year, as restated	16,904,032	19,199,544	8,279,926	18,669,274	1,015,128	2,841,820		6,330,192
Net Position at end of year	$ 15,324,914	$ 19,941,032	$ 8,106,095	$ 17,097,380	$ 1,334,746	$ 3,529,454		$ 6,483,243
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							61,583	
Change in Net Position of Business-Type Activities							$ (1,514,520)	

See accompanying notes to basic financial statements.

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Petersburg Borough

Proprietary Funds
Statement of Cash Flows

	Major Enterprise Funds							
Year Ended June 30, 2013	Electric Utility	Water Utility	Waste - water Utility	Harbor and Port Facilities	Assisted Living	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities								
Receipts from customers and users	$ 5,504,489	$ 866,088	$ 676,527	$ 1,025,222	$ 979,706	$ 1,456,713	$ 10,508,745	$ 948,265
Payments for interfund services used	(307,178)	(93,194)	(96,358)	(96,462)	(47,570)	(287,650)	(928,412)	(11,570)
Payments to suppliers	(3,848,622)	(281,263)	(165,336)	(287,452)	(174,019)	(631,673)	(5,388,365)	(273,560)
Payments to employees	(1,197,334)	(285,708)	(249,252)	(562,199)	(572,054)	(438,917)	(3,305,464)	(178,060)
Net cash flows from operating activities	151,355	205,923	165,581	79,109	186,063	98,473	886,504	485,075
Cash Flows from Noncapital Financing Activities								
Transfers in (out)	(1,260,000)	-	855	-	-	-	(1,259,145)	-
Cash Flows from Capital and Related Financing Activities								
Principal paid on long-term debt	(100,000)	(255,143)	(32,214)	(79,164)	(123,750)	(41,250)	(631,521)	-
Interest paid on long-term debt	(136,994)	(50,060)	(6,879)	(39,137)	(57,372)	(19,123)	(309,565)	-
Proceeds from issuance of debt	-	580,045	344,212	-	-	-	924,257	-
Purchase of property, plant and equipment	(582,688)	(1,689,428)	(358,920)	(1,549,086)	-	(393,907)	(4,574,029)	(13,790)
Decrease in unearned revenue	-	-	-	(385,109)	-	-	(385,109)	-
Decrease in due to other funds	-	-	-	-	(224,506)	-	(224,506)	-
Transfers in	-	164,145	-	1,663,531	299,249	400,000	2,526,925	-
Capital contributions received	-	1,327,221	(21,054)	1,189,908	-	324,223	2,820,298	-
Federal interest subsidy received	33,318	-	-	-	-	-	33,318	-
Net cash flows from (for) capital and related financing activities	(786,364)	76,780	(74,855)	800,943	(106,379)	269,943	180,068	(13,790)
Cash Flows from Investing Activities								
Investment income received	23,168	-	3,310	11,152	-	4,997	42,627	-
Net increase (decrease) in cash and investments	(1,871,841)	282,703	94,891	891,204	79,684	373,413	(149,946)	471,285
Cash and Investments at beginning of year	7,983,353	83,930	903,877	4,146,276	-	1,109,920	14,227,356	3,722,408
Cash and Investments at end of year	$ 6,111,512	$ 366,633	$ 998,768	$ 5,037,480	$ 79,684	$1,483,333	$14,077,410	$ 4,193,693

See accompanying notes to basic financial statements.

Petersburg Borough

Proprietary Funds
Statement of Cash Flows, continued

	Major Enterprise Funds							
Year Ended June 30, 2013	Electric Utility	Water Utility	Waste - water Utility	Harbor and Port Facilities	Assisted Living	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Reconciliation of income (loss) from operations to net cash flows from operating activities:								
Income (loss) from operations	$ (579,478)	$ (539,973)	$ (188,685)	$ (682,813)	$ 24,199	$ (42,617)	$ (2,009,367)	$ 136,210
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:								
Depreciation	653,940	764,232	317,167	727,426	106,997	138,110	2,707,872	330,814
Noncash expense - PERS relief	138,637	17,773	17,125	48,540	49,551	25,218	296,844	16,841
Nonoperating revenues received	198,650	-	-	-	-	-	198,650	-
Increase in allowance for doubtful accounts	2,195	949	1,434	4,377	-	112	9,067	-
(Increase) decrease in assets:								
Accounts receivable	1,765	(5,930)	8,750	2,620	-	(940)	6,265	306
Inventories	46,674	4,510	1,295	-	-	-	52,479	-
Prepaid expenses	(574)	634	(528)	245	(2,522)	(725)	(3,470)	47
Increase (decrease) in liabilities:								
Accounts payable	(310,229)	(38,194)	3,714	(11,000)	(2,810)	(16,884)	(375,403)	496
Accrued payroll and employee benefits	7,623	1,046	5,206	1,123	5,233	3,443	23,674	361
Accrued leave	(8,946)	89	(633)	(1,243)	4,015	2,126	(4,592)	-
Unearned revenue	-	-	-	-	1,100	(9,308)	(8,208)	-
Customer deposits	1,098	787	736	-	300	(62)	2,859	-
Prepaid moorage	-	-	-	(10,166)	-	-	(10,166)	-
Net cash flows from operating activities	$ 151,355	$ 205,923	$ 165,581	$ 79,109	$ 186,063	$ 98,473	$ 886,504	$ 485,075

See accompanying notes to basic financial statements.

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. In addition to the School District, as of FY2013 the Petersburg Medical Center is also included as a component unit pursuant to the provisions of Governmental Accounting Standards Statement number 61.

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

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

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

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

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

Petersburg Medical Center
PO Box 589
Petersburg, AK 99833

Related Organization

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

The charge for kilowatts is billed monthly by SEAPA to each Borough based on usage. The accounting for TBPA is handled by the City and Borough of Wrangell. TBPA's financial statements are not included in Petersburg Borough's financial statements.

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

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

The accounting policies of the 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.

The Borough reports the following major funds:

Major governmental funds:

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

The *Library Construction Capital Project Fund* accounts for the costs associated with construction of the new community center.

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 every day 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.

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 Hospital maintain separate cash accounts from the Borough.

Cash and Cash Equivalents

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

Inventory

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

Receivables and Payables

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

Grants and Other Intergovernmental Revenues

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

Property Taxes

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

Interfund Transactions

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

Compensated Absences

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

Long-Term Debt

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

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

Fund Balances

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

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

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

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or 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 Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

Encumbrances

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

Unearned Grant Revenue

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

Change in Accounting Principle

The Borough has adopted newly issued GASB pronouncements 63 and 65, resulting in a change in presentation of the government-wide and fund level financial statements. The new pronouncements require reporting two new categories of accounts. Certain items previously reported as assets are now categorized as *deferred outflows*. A *deferred outflow* represents the consumption of the government's net position or fund balance that is applicable to a future reporting period. Other items previously categorized as liabilities are now categorized as *deferred inflows*. A *deferred inflow* represents the acquisition of net position or fund balance that is applicable to a future reporting period. For example, revenues that have been earned but are not yet available in the governmental funds are now reported as *deferred inflows*. In the government-wide financial statements, the residual net of all of the accounts is now called *net position*. As discussed further in Note 10, these statements have been retrospectively applied resulting in a restatement of opening net position.

Pension Plan

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

2. Stewardship, Compliance and Accountability

Budgetary Accounting

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

A. During or prior to the sixth week preceding July 1, the 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.

3. Interfund Receivables, Payables, and Transfers

A schedule of interfund balances and transfers for the year ended June 30, 2013, follows:

June 30, 2013		
Due from other funds:		
Due to the General Fund from nonmajor governmental funds for short-term advances to cover capital costs	$	24,149

June 30, 2013	
Transfers:	
From General Fund to:	
Harbor and Port Facilities Enterprise Fund to cover capital costs	$ 203,531
Assited Living Enterprise Fund to cover capital costs	299,249
Nonmajor enterprise fund to cover capital costs	200,000
Nonmajor governmental funds to cover capital costs	545,959
Total transfers from General Fund	1,248,739
From Electric Enterprise Fund Capital Project Fund to Harbor and Port Facilities Enterprise Fund to cover capital costs	1,260,000
From Library Construction Capital Project Fund to nonmajor governmental fund to cover capital costs	82,416
From nonmajor governmental funds to:	
General Fund to cover operating costs	660,000
Water Utility Enterprise Fund to cover capital costs	164,145
Wastewater Utility Enterprise Fund to cover capital costs	855
Harbor and Port Facilities Enterprise Fund to cover capital costs	200,000
Nonmajor enterprise fund to cover capital costs	200,000
Total transfers from nonmajor governmental funds	1,225,000
Total Transfers to Other Funds	$ 3,816,155

4. Cash and Investments

The Petersburg 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, 2013.

June 30, 2013	Pooled Cash And Investments	Economic Fund	Totals
Bank deposits	$ 1,252,915	$ -	$ 1,252,915
Investments	26,443,790	4,354,782	30,798,572
	$ 27,696,705	$ 4,354,782	$ 32,051,487

June 30, 2013	Pooled Cash And Investments	Economic Fund	Totals
Cash and investments	$ 26,509,541	$ 4,354,782	$ 30,864,323
Restricted cash and investments	1,187,164	-	1,187,164
	$ 27,696,705	$ 4,354,782	$ 32,051,487

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.

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

A. Corporate debt obligations of U.S. domiciled corporations with a credit rating of AA- or AA3 from Standard and Poor's or Moodys;

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

C. 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.

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.

Investment maturities in general investments at June 30, 2013 are as follows:

		Investment Maturities (In Years)	
June 30, 2013	Fair Value	Less Than 1	1-5
Investment type:			
Money market funds	$ 195,862	$ 195,862	$ -
U.S. government agencies	498,170	-	498,170
Municipal bonds	2,485,602	723,082	1,762,520
Certificates of deposit	22,442,267	6,302,226	16,140,041
Pooled investments	821,889	821,889	-
Total Investments	$ 26,443,790	$ 8,043,059	$ 18,400,731

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. All of the U.S. government agency investments are rated AA+ by Standard and Poor's and Aaa by Moody. The Borough's municipal bonds of $2,485,602 were rated as follows; muni bonds rated by Standard and Poor's: $635,761 rated AA+, $309,777 rated AA, $289,335 rated AA-, $357,913 rated A; muni bonds not rated by Standard and Poor's were rated by Moody's as follows: $668,394 rated Aa3 and $224,422 rated Aa2.

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

Investment maturities in the Economic Fund investments at June 30, 2013 are as follows:

June 30, 2013	Fair Value	Investment Maturities (In Years) Less Than 1	1-5
Investment type:			
Certificates of deposit	$ 1,834,674	$ 755,856	$ 1,078,818
Money market funds	351,592	351,592	-
Total subject to interest rate risk	2,186,266	$ 1,107,448	$ 1,078,818
International equity securities	223,464		
U.S. equity securities	1,945,052		
Total Investments	$ 4,354,782		

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, 2013, receivables for the Borough's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

June 30, 2013	General	Library Construction	Nonmajor Governmental Funds	Electric Utility	Water Utility
Grants, loans and shared revenues	$ -	$ 769,085	$ 209,898	$ -	$ 203,211
Property and sales taxes	453,502	-	-	-	-
Accounts	65,303	-	-	432,278	89,895
Interest	-	-	4,900	-	-
Total receivables	518,805	769,085	214,798	432,278	293,106
Less allowance for doubtful accounts	-	-	-	(6,572)	(1,869)
Net Receivables	$ 518,805	$ 769,085	$ 214,798	$ 425,706	$ 291,237

June 30, 2013	Wastewater Utility	Harbor and Port	Assisted Living	Nonmajor Enterprise and Internal Service Funds	Total
Grants, loans and shared revenues	$ 207,499	$ 176,119	$ -	$ -	$ 1,565,812
Property and sales taxes	-	-	-	-	453,502
Accounts	71,219	157,536	8,433	101,885	926,549
Interest	-	3,182	-	-	8,082
Total receivables	278,718	336,837	8,433	101,885	2,953,945
Less allowance for doubtful accounts	(2,303)	(32,688)	-	(984)	(44,416)
Net Receivables	$ 276,415	$ 304,149	$ 8,433	$ 100,901	$ 2,909,529

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At June 30, 2013, *unearned revenue* was composed of $166,750 in grant drawdowns prior to meeting all eligibility requirements.

6. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

June 30, 2013	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities				
Capital assets not being depreciated:				
Land and land improvements	$ 3,574,725	$ 391,010	$ (391,010)	$ 3,574,725
Construction in progress	1,099,759	4,215,697	(516,257)	4,799,199
Total assets not being depreciated	4,674,484	4,606,707	(907,267)	8,373,924
Capital assets being depreciated:				
Buildings	42,685,543	575,135	-	43,260,678
Improvements other than buildings	154,948	71,064	(71,064)	154,948
Machinery and equipment*	8,081,616	370,505	(420,476)	8,031,645*
Infrastructure	16,580,110	167,441	-	16,747,551
Total assets being depreciated	67,502,217	1,184,145	(491,540)	68,194,822
Less accumulated depreciation for:				
Buildings	22,989,129	1,120,727	-	24,109,856
Improvements other than buildings	118,492	78,047	(71,064)	125,475
Machinery and equipment	*4,918,632	496,670	(368,513)	5,046,789
Infrastructure	1,361,033	145,514	-	1,506,547
Total accumulated depreciation	29,387,286	1,840,958	(439,577)	30,788,667
Total capital assets being depreciated, net	38,114,931	(656,813)	(51,963)	37,406,155
Governmental activity capital assets, net	$ 42,789,415	$ 3,949,894	$ (959,230)	$ 45,780,079

* The ending balances include $6,032,766 and $3,716,389 of equipment cost and accumulated depreciation, respectively, related to the Motor Pool Internal Service Fund.

June 30, 2013	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Business-type activities				
Capital assets not being depreciated:				
Land and land improvements	$ 1,279,223	$ 1,120,270	$ -	$ 2,399,493
Construction in progress	7,210,444	3,995,591	(4,343,857)	6,862,178
Total assets not being depreciated	8,489,667	5,116,861	(4,343,857)	9,261,671
Capital assets being depreciated:				
Buildings	24,366,905	338,159	(17,912)	24,687,152
Improvements other than buildings	59,552,875	3,377,749	(5,882,304)	57,048,320
Machinery and equipment	21,392,276	86,116	(166,557)	21,311,835
Total assets being depreciated	105,312,056	3,802,024	(6,066,773)	103,047,307
Less accumulated depreciation for:				
Buildings	11,930,785	530,774	(17,912)	12,443,647
Improvements other than buildings	20,721,815	1,542,194	(1,944,7798)	20,319,230
Machinery and equipment	15,226,416	934,904	(166,563)	15,694,757
Total accumulated depreciation	47,879,016	2,707,872	(2,129,254)	48,457,634
Total capital assets being depreciated, net	57,433,040	1,094,152	(3,937,519)	54,589,673
Business-Type Activity Capital Assets, Net	$ 65,922,707	$ 6,210,013	$(8,281,376)	$ 63,851,344

Depreciation expense was charged to the functions as follows:

June 30, 2013	Depreciation Excluding Internal Service Fund	Internal Service Fund Allocation	Total Depreciation
Governmental activities			
General government	$ 143,029	$ 163,914	$ 306,943
Public safety	302,388	98,348	400,736
Public works	289,830	98,348	388,178
Culture and recreation	472,138	3,643	475,781
Education	269,320	-	269,320
Total Governmental Activities	$ 1,476,705	$ 330,184	$ 1,840,958

June 30, 2013	Depreciation
Business-type activities	
Electric utility	$ 653,940
Water utility	764,232
Wastewater utility	317,167
Sanitation utility	69,272
Harbor and port facilities	727,426
Elderly housing	68,838
Assisted living	106,997
Total Business-Type Activities	$ 2,707,872

7. Long-Term Debt

In October 2012, the Borough issued $1,150,000 in 2012 Series Three General Obligation Bonds with interest rates of 1.5% to 5.0%. The new bonds were issued at a premium of $155,882 with issuance costs of $5,175. The bonds mature in 2028.

Bonds and notes payable at June 30, 2013, are comprised of the following:

June 30, 2013	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Due Within One Year
Governmental activities					
General Obligation Bonds:					
$1,205,000 2007 general obligation pool bonds, due in annual installments of $45,000 to $90,000 through 2027, plus interest at 3.875% to 5.5%	$ 995,000	$ -	$ 45,000	$ 950,000	$ 50,000
$197,540 2007 general obligation pool refunding bonds, due in annual installments of $17,504 to $24,172 through 2021, plus interest at 3.875% to 5.5%	178,370	-	15,837	162,533	17,504
$5,850,000 2005 general obligation school bonds, due in annual installments of $255,000 to $420,000 through 2026, plus interest at 4% to 5%	4,575,000	-	245,000	4,330,000	255,000
$3,507,000 2004 general obligation school bonds, due in final a installment of $165,000 in 2014, plus interest at 4%	325,000	-	160,000	165,000	165,000

June 30, 2013	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Due Within One Year
Governmental activities, continued					
General Obligation Bonds, continued:					
$2,010,000 2012 general obligation refunding school bonds, due in annual installments of $10,000 to $240,000 through 2025, plus interest at 2.0% to 5.0%	$ 2,010,000	$ -	$ 10,000	$ 2,000,000	$ -
$1,150,000 2013 general obligation library bonds, due in annual installments of $50,000 to $100,000 through 2028, plus interest at 2.0% to 5.0%	-	1,150,000	50,000	1,100,000	60,000
*Accrued leave (net)	388,672	-	21,358	367,314	367,314
Total governmental activities	$ 8,472,042	$ 1,150,000	$ 547,195	9,074,847	$ 914,818
Unamortized bond premium				520,625	
				$9,595,472	

* The ending balance includes $19,757 of accrued leave, related to the Motor Pool Internal Service Fund.

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

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June 30, 2013	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Due Within One Year
Business-type activities					
General Obligation Bonds:					
$987,460 2007 general obligation harbor refunding bonds, due in annual installments of $87,497 to $120,828 through 2021, plus interest at 3.875% to 5.5%	$ 891,631	$ -	$ 79,163	$ 812,468	$ 87,497
$3,420,000 2004 general obligation elderly housing and assisted living bonds, due in a final installment of to $160,000 in 2014, plus interest at 3.50% to 3.75%	315,000	-	155,000	160,000	160,000
$1,910,000 2012 general obligation elderly housing and assisted living refunding bonds, due in annual installments of $10,000 to $220,000 through 2024, plus interest at 2.0% to 5.0%	1,910,000	-	10,000	1,900,000	-
$2,800,000 2010 general obligation electric bonds, due in annual installments of $105,000 to $200,000 through 2031, plus interest at 2.0% to 6.34% with partial rebate subsidy of interest	2,700,000	-	100,000	2,600,000	105,000
Notes payable:					
$1,900,000 Water Utility note, due in annual installments of $94,766 through 2020, plus interest at 1.5%	758,128	-	94,766	663,362	94,766
$1,989,840 Water Utility note, due in annual installments of $122,320 through 2025, including interest at 1.5%	1,434,997	-	100,795	1,334,202	102,307
$643,823 Wastewater Utility note, due in annual installments of $39,093 through 2025, including interest at 1.5%	458,620	-	32,214	426,406	32,697
$1,317,577 Water Utility note, due in annual installments of $76,743 through 2029, including interest at 1.5%	1,144,061	-	59,582	1,084,479	60,476

June 30, 2013	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Due Within One Year
Business-type activities, continued					
Notes payable, continued:					
$600,000 (maximum) Water Utility note, terms not yet established; interest at 1.5%	$ 59,361	$ 491,487	$ -	$ 550,848	$ -
$642,460 (maximum) Water Utility note, terms not yet established; interest at 1.5%	553,902	88,558	-	642,460	-
$629,191 Wastewater Utility note, terms not yet established; interest at 1.5%	550,404	78,787	-	629,191	-
$728,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5%	11,982	184,020	-	196,002	-
$270,000 (maximum) Wastewater Utility note, terms not yet established; interest at 1.5%	-	118,627	-	118,627	-
Accrued leave (net)	278,877	-	4,592	274,285	274,285
Total business-type activities	$ 11,066,963	$ 961,479	$ 636,112	11,392,330	$ 917,028
Unamortized bond premium				358,529	
				$ 11,750,859	

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

Governmental activities

	General Obligation Bonds		
Year Ending June 30,	Principal	Interest	Total
2014	$ 547,504	$ 348,304	$ 835,808
2015	393,337	346,869	740,206
2016	583,337	324,185	902,522
2017	605,004	299,006	904,010
2018	635,004	274,492	904,496
2019-2023	3,543,347	936,830	4,460,177
2024-2028	2,400,000	173,184	2,663,184
	$ 8,707,533	$ 2,702,870	$ 11,410,403

Business-type activities

	General Obligation Bonds		
Year Ending June 30,	Principal	Interest	Total
2014	$ 352,497	$ 148,397	$ 500,894
2015	356,663	139,614	496,277
2016	366,663	131,316	497,979
2017	384.996	121,345	506,341
2018	394,996	110,846	505,842
2019-2023	2,011,653	389,604	2,401,257
2024-2028	1,030,000	174,445	1,204,445
2029-2031	575,000	36,936	611,936
	$ 5,472,468	$ 1,252,501	$ 6,724,971

	Notes Payable		
Year Ending June 30,	Principal	Interest	Total
2014	$ 290,246	$ 52,626	$ 342,872
2015	293,177	48,273	341,450
2016	296,154	43,875	340,029
2017	299,175	39,434	338,609
2018	302,241	34,945	337,186
2019-2023	1,274,535	110,042	1,384,577
2024-2028	677,316	29,227	706,543
2029-2031	75,605	1,134	76,739
	$ 3,508,449	$ 359,556	$ 3,868,005

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

The net proceeds of these advance refundings were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the old bonds. The 2007 refunding bonds were called. At June 30, 2013, the amount of defeased debt outstanding associated with the 2012 refundings was $4,145,000.

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8. Fund Balances

Fund balances reported for the Borough's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

June 30, 2013	General	Library Construction Capital Project Fund	Total Nonmajor Funds	Totals
Nonspendable –				
prepaid insurance	$ 61,800	$ -	$ -	$ 61,800
Restricted:				
School support	-	-	4,351,312	4,351,312
Streets and roads	-	-	74,449	74,449
Total restricted	-	-	4,425,761	4,425,761
Committed:				
Economic development	-	-	4,359,682	4,359,682
Public works	-	-	164,520	164,520
Public safety	-	-	742	742
Capital projects	-	649,728	388,573	1,038,381
Total committed	-	649,728	4,913,517	5,563,245
Assigned:				
General government	-	-	253,536	253,536
Debt service	-	-	137,626	137,626
Subsequent year's expenditures	-	-	306	306
Total assigned	-	-	391,468	391,468
Unassigned	3,951,287	-	-	3,951,287
Total Fund Balances	$4,013,087	$ 649,728	$9,730,746	$14,393,561

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.

The $92,333 reported as landfill closure costs payable at June 30, 2013 represents the total estimated closure cost. This amount is based on what it would cost to perform all closure and post-closure care in 2013. Actual costs may be higher due to inflation, changes in technology or changes in regulations. At June 30, 2013, 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.

However, the FY2014 Landfill Slope Stabilization Project will service to address long-standing State of Alaska concerns with the Borough's landfill and will also prepare the site for eventual site closure applications to the State. This project will likely decrease the effort required for final landfill closure.

10. Change in Accounting Principles – Adoption of GASB Pronouncements - Restatement

The Borough has adopted newly issued GASB pronouncement numbers 63 and 65, resulting in a change in presentation for the government-wide and enterprise fund financial statements. The new pronouncements require, among other things, that debt issuance costs be recognized as an expense in the year incurred, rather than capitalizing and amortizing these costs over the life of the debt. Retroactive restatement of net position is required in the year of adoption.

The beginning net position in the Electric, Harbor, Elderly Housing and Assisted Living Enterprise Funds and the Business-type Activities have been restated as follows:

	Electric Enterprise Fund	Harbor and Port Facilities Enterprise Fund	Assisted Living Enterprise Fund	Nonmajor Enterprise Funds	Business-type Activities
2013 beginning net position, as previously presented	$ 16,918,878	$ 18,677,589	$ 1,024,274	$ 2,845,101	$ 69,129,188
Restatement; write off unamortized debt issuance costs	(14,846)	(8,315)	(9,846)	(3,281)	(36,288)
2013 beginning net position, as restated	$ 16,904,032	$ 18,669,274	$ 1,015,128	$ 2,841,820	$ 69,092,900

11. Defined Benefit Pension Plan

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

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

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

Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed legislation which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers.

That same year, the State of Alaska passed additional legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

Employer and Other Contribution Rates

There are three contribution rates associated with the pension and healthcare contributions and related liabilities:

Contractual Rate: This is the required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate includes all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap. There are no constraints or restrictions on the actuarial cost method or other assumptions used in this valuation, other than those established and agreed to by the ARM Board.

Current legislation provides that the State of Alaska will contribute the difference between the ARM Board adopted rate and the contractual (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditure within the financial statements.

GASB 43 Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For FY13, the rate uses an 8.00% pension discount rate and a 6.88% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of differences in the actuarial valuation methodology and assumptions.

Contribution rates for the year ended June 30, 2013 were determined as part of the June 30, 2010 actuarial valuation and are as follows:

June 30, 2013	Contractual Rate	ARM Board Adopted Rate	GASB 43 Rate
Pension	9.67%	15.75%	24.95%
Postemployment healthcare	12.33%	20.09%	39.93%
Total contribution rate	22.00%	35.84%	64.88%

Annual Pension and Postemployment Healthcare Cost

The Borough is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.84% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the Borough has recorded the State on-behalf payment in the amount of $695,524 as revenue and expense/expenditures in these financial statements. However, because the Borough is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here.

Year Ended June 30,	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	Borough Contri-butions	% of TBC Contributed
2013	$ 388,794	$ 495,834	$ 884,628	$ 884,628	100%
2012	434,783	478,050	912,833	912,833	100%
2011	320,880	578,194	899,074	899,074	100%

12. Defined Contribution Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. The Plan 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 Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan.

Employee Contribution Rates

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rates

The Borough is required to contribute the following amounts based on covered salary:

June 30, 2013	Other Tier IV	Police/Fire Tier IV
Individual account	5.00%	5.00%
Retiree medical plan	0.48%	0.48%
Occupational death and disability benefits	0.14%	0.99%
	5.62%	6.47%

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2012, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates $1,848 per year for each full-time employee, and $1.18 per hour for part-time employees.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The Borough and employee contributions to PERS including the HRA contribution for the year ended June 30, 2013 were $162,611 and $137,819, respectively.

13. Deferred Compensation Plan

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

14. Risk Management

The Borough faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs and certain other coverages. The Borough is a member of Alaska Public Entity Insurance (APEI), a governmental insurance pool. APEI provides 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, 2013.

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.

16. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that that GASB Statement 68 will result in the biggest reporting change. Actual impacts have not yet been determined:

GASB 66 – Technical Corrections – 2012 – Effective for year-end June 30, 2014 – This statement contains certain technical corrections to prior GASB statements on the topics of Risk Financing, Operating Leases, Loan Purchases, and Servicing Fees.

GASB 67 – Financial Reporting for Pension Plans –Effective for year-end June 30, 2014 – This statement contains certain technical corrections to prior GASB statements on the topic of improving financial reporting by state and local governmental pension plans.

GASB 68 – Accounting and Financial Reporting for Pensions – Effective for year-end June 30, 2015 – This statement contains certain technical corrections to prior GASB statements on the topics of Net Pension Liability and Pension Expense.

GASB 69 – Government Combinations and Disposals of Government Operations –Effective for year-end June 30, 2015 – This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

GASB 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees – Effective for year-end June 30, 2014 – This statement contains reporting requirements when a government financially guarantees the obligations of another government, non-profit, or private entity without receiving equal value in exchange.

Required Supplementary Information

Petersburg Borough

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2013	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property taxes	$ 2,352,065	$ 2,865,481	$2,857,833	$ (7,648)
Sales taxes	2,770,164	2,770,164	2,822,595	52,431
Other taxes	73,032	73,032	72,670	(362)
Intergovernmental	2,266,164	2,261,164	2,752,320	491,156
Licenses and permits	10,700	10,700	8,002	(2,698)
Charges for services	331,971	336,971	325,454	(11,517)
Fines and forfeitures	22,600	22,600	12,096	(10,504)
Overhead charges	539,450	539,450	539,450	-
Investment income	90,500	90,500	36,435	(54,065)
Other revenues	8,000	8,000	40,101	32,101
Total revenues	8,464,646	8,978,062	9,466,956	488,894
Expenditures:				
General government	1,657,058	1,657,057	1,762,154	(105,097)
Public safety	1,993,319	2,056,319	1,981,563	74,756
Public works	1,828,443	1,851,833	1,769,762	82,071
Community services	177,000	177,000	175,381	1,619
Culture and recreation	1,105,740	1,118,740	1,096,949	21,791
Education - contribution to school district	1,800,000	1,800,000	1,800,000	-
Total expenditures	8,561,560	8,660,949	8,585,809	75,140
Excess of revenues over (under) expenditures	(96,914)	317,113	881,147	564,034
Other financing sources (uses):				
Transfers in	660,000	660,000	660,000	-
Transfers out	(450,000)	(963,417)	(1,248,739)	(285,322)
Net other financing sources (uses)	210,000	(303,417)	(588,739)	(285,322)
Net change in fund balance	$ 113,086	$ 13,696	292,408	$ 278,712
Fund Balance at beginning of year			3,720,679	
Fund Balance at end of year			$4,013,087	

See accompanying notes to basic financial statements.

Supplementary Financial Information

Petersburg Borough

Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue Funds							Capital Project Funds						
June 30, 2013	Miscel-laneous Grants	National Forest Receipts - School	National Forest Receipts - Streets and Roads	Property Develop-ment	E911 Surcharge	Borough Organiz-ational	Debt Service Fund	Fire/ EMS Facility	Fishing Park	Birch Street Rebuild	Paving Project	Rasmus Enge Bridge Rehab	Economic Development	Total Nonmajor Govern-mental Funds
Assets														
Cash and investments	$ 121,462	$ 4,351,312	$ 74,449	$ 164,520	$ 742	$ 258,007	$ 16,184	$ -	$ 99,674	$ 23,708	$ 309,351	$ 74,798	$ 4,354,782	$ 9,848,989
Receivables:														
Grants and shared revenues	56,931	-	-	-	-	-	121,442	29,007	-	-	-	2,518	-	209,898
Interest	-	-	-	-	-	-	-	-	-	-	-	-	4,900	4,900
Total Assets	$ 178,393	$ 4,351,312	$ 74,449	$ 164,520	$ 742	$ 258,007	$ 137,626	$ 29,007	$ 99,674	$ 23,708	$ 309,351	$ 77,316	$ 4,359,682	$ 10,063,787
Liabilities and Fund Balances														
Liabilities:														
Accounts payable	$ 10,984	$ -	$ -	$ -	$ -	$ 4,471	$ -	$ 4,858	$ -	$ -	$ 121,476	$ -	$ -	$ 141,789
Accrued payroll and related liabilities	1,853	-	-	-	-	-	-	-	-	-	-	-	-	1,853
Unearned revenue	165,250	-	-	-	-	-	-	-	-	-	-	-	-	165,250
Due to other funds	-	-	-	-	-	-	-	24,149	-	-	-	-	-	24,149
Total liabilities	178,087	-	-	-	-	4,471	-	29,007	-	-	121,476	-	-	333,041
Fund balances:														
Restricted:														
Streets and roads	-	-	74,449	-	-	-	-	-	-	-	-	-	-	74,449
School support	-	4,351,312	-	-	-	-	-	-	-	-	-	-	-	4,351,312
Committed:														
Economic development	-	-	-	-	-	-	-	-	-	-	-	-	4,359,682	4,359,682
Public works	-	-	-	164,520	-	-	-	-	-	-	-	-	-	164,520
Public safety	-	-	-	-	742	-	-	-	-	-	-	-	-	742
Capital projects	-	-	-	-	-	-	-	-	99,674	23,708	187,875	77,316	-	388,573
Assigned:														
General government	-	-	-	-	-	253,536	-	-	-	-	-	-	-	253,536
Debt service	-	-	-	-	-	-	137,626	-	-	-	-	-	-	137,626
Subsequent year's expenditures	306	-	-	-	-	-	-	-	-	-	-	-	-	306
Total fund balances	306	4,351,312	74,449	164,520	742	253,536	137,626	-	99,674	23,708	187,875	77,316	4,359,682	9,730,746
Total Liabilities and Fund Balances	$ 178,393	$ 4,351,312	$ 74,449	$ 164,520	$ 742	$ 258,007	$ 137,626	$ 29,007	$ 99,674	$ 23,708	$ 309,351	$ 77,316	$ 4,359,682	$ 10,063,787

Petersburg Borough

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

	Special Revenue Funds							Capital Project Funds						
Year Ended June 30, 2013	Miscel-laneous Grants	National Forest Receipts - School	National Forest Receipts - Streets and Roads	Property Develop-ment	E911 Surcharge	Borough Organiz-ational	Debt Service Fund	Fire/ EMS Facility	Fishing Park	Birch Street Rebuild	Paving Project	Rasmus Enge Bridge Rehab	Economic Development	Total Nonmajor Govern-mental Funds
Revenues:														
Intergovernmental	$ 593,707	$ 984,038	$ 91,267	$ -	$ -	$ 300,000	$ 490,525	$ 191,361	$ -	$ -	$ -	$ 27,194	$ -	$ 2,678,092
Investment income	-	12,825	414	826	-	-	-	-	1,339	-	-	-	432,753	448,157
Other revenues	-	-	-	100	30,040	-	-	-	-	-	-	-	-	30,140
Total revenues	593,707	996,863	91,681	926	30,040	300,000	490,525	191,361	1,339	-	-	27,194	432,753	3,156,389
Expenditures:														
General government	-	-	-	-	-	46,464	-	-	-	-	-	-	-	46,464
Public safety	191,079	-	-	-	130,043	-	-	-	-	-	-	-	-	321,122
Community services	12,389	-	-	-	-	-	-	-	-	-	-	-	170,660	183,049
Culture and recreation	390,239	-	-	-	-	-	-	-	-	-	-	-	-	390,239
Debt service:														
Principal	-	-	-	-	-	-	525,837	-	-	-	-	-	-	525,837
Interest	-	-	-	-	-	-	358,001	-	-	-	-	-	-	358,001
Capital outlay	-	-	198,000	-	-	-	-	191,361	-	6,031	276,279	30,190	-	701,861
Total expenditures	593,707	-	198,000	-	130,043	46,464	883,838	191,361	-	6,031	276,279	30,190	170,660	2,526,573
Excess of revenues over (under) expenditures	-	996,863	(106,319)	926	(100,003)	253,536	(393,313)	-	1,339	(6,031)	(276,279)	(2,996)	262,093	629,816
Other financing sources (uses):														
Transfers in	-	-	-	200,000	-	-	395,521	-	-	-	-	32,854	-	628,375
Transfers out	-	(660,000)	-	(400,000)	-	-	-	-	-	-	-	-	(165,000)	(1,225,000)
Net other financing sources (uses)	-	(660,000)	-	(200,000)	-	-	395,521	-	-	-	-	32,854	(165,000)	(596,625)
Net change in fund balances	-	336,863	(106,319)	(199,074)	(100,003)	253,536	2,208	-	1,339	(6,031)	(276,279)	29,858	97,093	33,191
Fund Balances at beginning of year	306	4,014,449	180,768	363,594	100,745	-	135,418	-	98,335	29,739	464,154	47,458	4,262,589	9,697,555
Fund Balances at end of year	$ 306	$4,351,312	$ 74,449	$ 164,520	$ 742	$ 253,536	$ 137,626	$ -	$ 99,674	$ 23,708	$ 187,875	$ 77,316	$ 4,359,682	$ 9,730,746

Petersburg Borough

Nonmajor Enterprise Funds
Combining Statement of Net Position

June 30, 2013	Sanitation Utility	Elderly Housing	Total
Assets			
Current assets:			
Cash and investments	$ 896,358	$ 569,511	$ 1,465,869
Receivables, net of allowance for doubtful accounts	100,901	-	100,901
Prepaid expenses	5,250	765	6,015
Total current assets	1,002,509	570,276	1,572,785
Restricted cash - security deposits	-	17,464	17,464
Property, plant and equipment:			
Land and land improvements	63,720	127,419	191,139
Buildings	2,211,180	2,891,573	5,102,753
Improvements other than buildings	115,220	145,723	260,943
Machinery and equipment	219,767	106,396	326,163
Construction in progress	40,244	-	40,244
Total property, plant and equipment	2,650,131	3,271,111	5,921,242
Accumulated depreciation	(1,108,555)	(2,156,315)	(3,264,870)
Net property, plant and equipment	1,541,576	1,114,796	2,656,372
Deferred Outflows			
Loss on refunding	-	31,594	31,594
Total Assets and Deferred Outflows	$ 2,544,085	$ 1,734,130	$ 4,278,215
Liabilities and Net Position			
Liabilities:			
Current liabilities:			
Accounts payable	$ 4,319	$ 998	$ 5,317
Accrued payroll and employee benefits	17,004	3,528	20,532
Accrued leave	13,078	2,511	15,589
Unearned revenue	-	874	874
Customer deposits	7,217	10,595	17,812
Accrued interest	-	7,417	7,417
Current portion of general obligation bonds	-	40,000	40,000
Total current liabilities	41,618	65,923	107,541
Long-term debt, net of current portion:			
General obligation bonds	-	475,000	475,000
Bond premium, net of accumulated amortization	-	73,887	73,887
Landfill closure costs	92,333	-	92,333
Total long-term debt	92,333	548,887	641,220
Total liabilities	133,951	614,810	748,761
Net position:			
Net investment in capital assets	1,541,576	557,503	2,099,079
Unrestricted	868,558	561,817	1,430,375
Total net position	2,410,134	1,119,320	3,529,454
Total Liabilities and Net Position	$ 2,544,085	$ 1,734,130	$ 4,278,215

Exhibit F-2

Petersburg Borough

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2013	Sanitation Utility	Elderly Housing	Total
Operating revenues	$ 1,092,154	$ 374,757	$ 1,466,911
Operating expenses:			
Salaries and benefits	383,881	85,823	469,704
Services, supplies, and other charges	434,344	179,720	614,064
Allocated overhead and motor pool charges	260,247	27,403	287,650
Depreciation	69,272	68,838	138,110
Total operating expenses	1,147,744	361,784	1,509,528
Income (loss) from operations	(55,590)	12,973	(42,617)
Nonoperating revenues (expenses):			
Investment income	2,482	2,515	4,997
Interest expense	-	(17,794)	(17,794)
State PERS relief	25,218	-	25,218
Net nonoperating revenues (expenses)	27,700	(15,279)	12,421
Loss before contributions and transfers	(27,890)	(2,306)	(30,196)
Capital contributions	-	317,830	317,830
Transfers in	400,000	-	400,000
Change in net position	372,110	315,524	687,634
Net Position at beginning of year	2,038,024	803,796	2,841,820
Net Position at end of year	$ 2,410,134	$ 1,119,320	$ 3,529,454

Petersburg Borough

Nonmajor Enterprise Funds
Combining Statement of Cash Flows

Year Ended June 30, 2013	Sanitation Utility	Elderly Housing	Total
Cash Flows from Operating Activities			
Receipts from customers and users	$ 1,091,252	$ 365,461	$ 1,456,713
Payments for interfund services used	(260,247)	(27,403)	(287,650)
Payments to suppliers	(443,563)	(188,110)	(631,673)
Payments to employees	(354,696)	(84,221)	(438,917)
Net cash flows from operating activities	32,746	65,727	98,473
Cash Flows from Capital and Related Financing Activities			
Principal paid on long-term debt	-	(41,250)	(41,250)
Interest paid on long-term debt	-	(19,123)	(19,123)
Purchase of property, plant and equipment	(61,211)	(332,696)	(393,907)
Capital contributions received	-	324,223	324,223
Transfers in	400,000	-	400,000
Net cash flows from capital and related financing activities	338,789	(68,846)	269,943
Cash Flows from Investing Activities			
Investment income received	2,482	2,515	4,997
Net increase (decrease) in cash and investments	374,017	(604)	373,413
Cash and Investments at beginning of year	522,341	587,579	1,109,920
Cash and Investments at end of year	$ 896,358	$ 586,975	$ 1,483,333
Cash and investments at end of year:			
Cash and investments	$ 896,358	$ 569,511	$ 1,465,869
Restricted cash	-	17,464	17,464
	$ 896,358	$ 586,975	$ 1,483,333
Reconciliation of income (loss) from operations to net cash flows from by operating activities:			
Income (loss) from operations	$ (55,590)	$ 12,973	$ (42,617)
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:			
Depreciation	69,272	68,838	138,110
Noncash expense - PERS relief	25,218	-	25,218
Increase in allowance for doubtful accounts	112	-	112
(Increase) decrease in assets:			
Accounts receivable	(940)	-	(940)
Prepaid expenses	(637)	(88)	(725)
Increase (decrease) in liabilities:			
Accounts payable	(8,582)	(8,302)	(16,884)
Accrued payroll and employee benefits	3,273	170	3,443
Accrued leave	694	1,432	2,126
Unearned revenue	-	(9,308)	(9,308)
Customer deposits	(74)	12	(62)
Net cash flows from operating activities	$ 32,746	$ 65,727	$ 98,473

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.

Exhibit G-1

Petersburg Borough

General Fund
Balance Sheet

June 30,	2013	2012
Assets		
Cash and investments	$ 3,742,879	$ 3,018,346
Receivables:		
Property taxes	50,902	27,764
Sales taxes	402,600	328,065
Accounts	65,303	53,122
Total receivables	518,805	408,951
Prepaid insurance	61,800	55,000
Due from other funds	24,149	560,698
Total Assets	$ 4,347,633	$ 4,042,995
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$ 93,660	$ 110,877
Accrued payroll and related liabilities	239,386	206,289
Unearned revenue	1,500	5,150
Total liabilities	334,546	322,316
Fund balance:		
Nonspendable - prepaid insurance	61,800	55,000
Unassigned	3,951,287	3,665,679
Total fund balance	4,013,087	3,720,679
Total Liabilities and Fund Balance	$ 4,347,633	$ 4,042,995

Petersburg Borough

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

Years Ended June 30,	2013			2012
	Final Budget	Actual	Variance with Budget	Actual
Revenues:				
Taxes:				
Property taxes	$ 2,865,481	$ 2,857,833	$ (7,648)	$ 2,858,725
Sales taxes	2,770,164	2,822,595	52,431	2,820,007
Motor vehicle registration	34,000	32,198	(1,802)	31,980
Transient room taxes	39,032	40,472	1,440	38,364
Total taxes	5,708,677	5,753,098	44,421	5,749,076
Intergovernmental:				
Payment in lieu of taxes	510,000	534,395	24,395	519,209
Library grants	6,250	10,027	3,777	9,265
Fisheries business tax	750,000	1,036,385	286,385	665,901
Shared fisheries business tax and landing tax	15,000	37,759	22,759	25,309
Liquor licenses	7,500	8,800	1,300	8,900
Jail and special services contract	252,710	263,297	10,587	263,297
State PERS relief	200,000	381,838	181,838	315,038
9th officer position	91,739	91,739	-	91,739
State revenue sharing	343,126	345,443	2,317	323,413
Community oriented policing services	84,839	42,637	(42,202)	81,756
Total intergovernmental	2,261,164	2,752,320	491,156	2,303,827
Licenses and permits	10,700	8,002	(2,698)	10,334
Charges for services:				
Police and public safety	16,300	17,266	966	17,358
Ambulance fees	30,000	38,949	8,949	28,363
Public works	11,500	5,404	(6,096)	70,840
SEACAD reimbursement	60,000	59,428	(572)	67,936
Recreation activity fees	202,921	192,449	(10,472)	154,562
Swimming pool fees	-	-	-	25,772
Community gym fees	-	-	-	29,260
Tent City and park charges	-	1,500	1,500	3,348
Cemetery charges	3,000	2,900	(100)	2,070

Petersburg Borough

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

Years Ended June 30,	2013			2012
	Final Budget	Actual	Variance with Budget	Actual
Revenues, continued:				
Charges for services, continued:				
Other services and charges	$ 7,500	$ -	$ (7,500)	$ 35,984
Sales	-	46	46	160
Library charges	2,750	3,812	1,062	3,672
Cemetery plot sales	1,000	1,800	800	1,300
Passport services	2,000	1,900	(100)	2,180
Total charges for services	336,971	325,454	(11,517)	442,805
Fines and forfeitures	22,600	12,096	(10,504)	19,689
Overhead charges	539,450	539,450	-	368,077
Investment income	90,500	36,435	(54,065)	102,550
Other revenues:				
Lease income	8,000	38,251	30,251	34,365
Library donations	-	1,850	1,850	1,064
Total other revenues	8,000	40,101	32,101	35,429
Total revenues	8,978,062	9,466,956	488,894	9,031,787
Expenditures:				
General government:				
Borough Assembly	141,961	138,081	3,880	176,093
Borough manager	372,451	370,379	2,072	376,983
Borough attorney	80,000	65,725	14,275	197,010
Information systems	81,452	88,217	(6,765)	166,451
Finance	584,424	530,117	54,307	514,539
Other	396,769	569,635	(172,866)	493,651
Total general government	1,657,057	1,762,154	(105,097)	1,924,727
Public safety:				
Police department	1,238,488	1,195,031	43,457	1,159,755
Jail	333,342	316,543	16,799	323,301
Fire department	484,489	469,989	14,500	466,235
Total public safety	2,056,319	1,981,563	74,756	1,949,291

Petersburg Borough

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

Years Ended June 30,	2013			2012
	Final Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Public works:				
Streets	$ 1,250,548	$ 1,216,947	$ 33,601	$ 1,186,302
Community development	188,989	180,163	8,826	178,200
Facilities maintenance	412,296	372,652	39,644	455,426
Total public works	1,851,833	1,769,762	82,071	1,819,928
Community services	177,000	175,381	1,619	204,763
Culture and recreation:				
Library	280,690	261,890	18,800	294,267
Parks and recreation	838,050	835,059	2,991	754,246
Total culture and recreation	1,118,740	1,096,949	21,791	1,048,513
Education - contribution to school district	1,800,000	1,800,000	-	1,800,000
Total expenditures	8,660,949	8,585,809	75,140	8,747,222
Excess of revenues over expenditures	317,113	881,147	564,034	284,565
Other financing sources (uses):				
Transfers in	660,000	660,000	-	648,361
Transfers out	(963,417)	(1,248,739)	(285,322)	(889,406)
Net other financing sources (uses)	(303,417)	(588,739)	(285,322)	(241,045)
Net change in fund balance	$ 13,696	292,408	$ 278,712	43,520
Fund Balance at beginning of year		3,720,679		3,677,159
Fund Balance at end of year		$ 4,013,087		$ 3,720,679

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.

Exhibit H-1

Petersburg Borough

Miscellaneous Grants Special Revenue Fund
Balance Sheet

June 30,	2013	2012
Assets		
Cash and investments	$ 121,462	$ 11,469
Receivables - grants	56,931	63,556
Total Assets	$ 178,393	$ 75,025
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$ 10,984	$ 3,184
Accrued payroll and related liabilities	1,853	2,228
Unearned revenue	165,250	69,307
Total liabilities	178,087	74,719
Fund balance - assigned for subsequent year's expenditures	306	306
Total Liabilities and Fund Balance	$ 178,393	$ 75,025

Petersburg Borough

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

Years Ended June 30,	2013			2012
	Budget	Actual	Variance with Budget	Actual
Revenues - intergovernmental	$1,628,814	$ 593,707	$ (1,035,107)	$ 115,741
Expenditures:				
Public safety:				
Fire department	-	6,420	(6,420)	6,000
Police department	350,000	165,641	184,359	-
Local emergency planning committee	19,018	19,018	-	19,018
Emergency management	20,000	-	20,000	20,000
Community services:				-
Mitigation - BPB	5,000	-	5,000	-
Hospital	167,648	12,389	155,259	-
Culture and recreation:				
Library materials	-	12,000	(12,000)	16,490
Owl Grant	-	5,945	(5,945)	-
Green's Camp	95,580	70,026	25,554	-
Banana Point	250,000	44,120	205,880	-
Shooting range	42,568	27,538	15,030	-
Campgrounds	4,000	7,415	(3,415)	4,331
Clausen Museum expansion	160,000	36,991	123,009	27,415
IMLS library enhancement	140,000	64,932	75,068	18,459
Wilson Creek repairs	65,000	41,782	23,218	4,028
SB Shelter Materials/Supplies	40,000	13,903	26,097	-
SB Bathroom Materials/Supplies	25,000	7,642	17,358	-
Sons of Norway	250,000	57,945	192,055	-
Total expenditures	1,633,814	593,707	1,040,107	115,741
Net change in fund balance	$ (5,000)	-	$ 5,000	-
Fund Balance at beginning of year		306		306
Fund Balance at end of year		$ 306		$ 306

Petersburg Borough

National Forest Receipts - School Special Revenue Fund
Balance Sheet

June 30,	2013	2012
Assets		
Cash and investments	$ 4,351,312	$ 4,014,449
Fund Balance		
Fund balance - restricted for school support	$ 4,351,312	$ 4,014,449

Petersburg Borough

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

Years Ended June 30,	2013			2012
	Budget	Actual	Variance with Budget	Actual
Revenues:				
Intergovernmental - national forest receipts	$ -	$ 984,038	$ 984,038	$1,259,784
Investment income	15,000	12,825	(2,175)	38,312
Total revenues	15,000	996,863	981,863	1,298,096
Excess of revenues over expenditures	15,000	996,863	981,863	1,298,096
Other financing uses - transfers out	(660,000)	(660,000)	-	(599,861)
Net change in fund balance	$ (645,000)	336,863	$ 981,863	698,235
Fund Balance at beginning of year		4,014,449		3,316,214
Fund Balance at end of year		$4,351,312		$4,014,449

Petersburg Borough

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

June 30,		2013	2012
Assets			
Cash and investments	$	74,449	$180,768
Fund Balance			
Fund balance - restricted for streets and roads	$	74,449	$180,768

Petersburg Borough

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

Years Ended June 30,	2013			2012
	Budget	Actual	Variance with Budget	Actual
Revenues:				
Intergovernmental - national forest receipts	$ -	$ 91,267	$ 91,267	$ 101,192
Investment income	1,000	414	(586)	2,390
Total revenues	1,000	91,681	90,681	103,582
Expenditures - public works - paving	198,000	198,000	-	-
Excess of revenues over (under) expenditures	(197,000)	(106,319)	90,681	103,582
Other financing uses - transfers out	-	-	-	(170,000)
Net change in fund balance	$(197,000)	(106,319)	$ 90,681	(66,418)
Fund Balance at beginning of year		180,768		247,186
Fund Balance at end of year		$ 74,449		$ 180,768

Petersburg Borough

Property Development Special Revenue Fund
Balance Sheet

June 30,	2013	2012
Assets		
Cash and investments	$ 164,520	$ 366,454
Accounts receivable	-	3,500
Total Assets	$ 164,520	$ 369,954
Liabilities and Fund Balance		
Liabilities - accounts payable	$ -	$ 6,360
Fund balance - committed for public works	164,520	363,594
Total Liabilities and Fund Balance	$ 164,520	$ 369,954

Petersburg Borough

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

Years Ended June 30,	2013			2012
	Budget	Actual	Variance with Budget	Actual
Revenues:				
Investment income	$ 2,000	$ 826	$ (1,174)	$ 3,421
Sale of property	-	-	-	39,380
Charges for services/rock sales	-	100	100	1,020
Total revenues	2,000	926	(1,074)	43,821
Expenditures:				
General government - other services and charges	-	-	-	520
Capital outlay	-	-	-	64,562
Total expenditures	-	-	-	65,082
Excess of revenues over (under) expenditures	2,000	926	(1,074)	(21,261)
Other financing sources (uses):				
Transfers in	-	200,000	200,000	185,834
Transfers out	(200,000)	(400,000)	(200,000)	(57,000)
Net other financing sources (uses)	(200,000)	(200,000)	-	128,834
Net change in fund balance	$ (198,000)	(199,074)	$ (1,074)	107,573
Fund Balance at beginning of year		363,594		256,021
Fund Balance at end of year		$ 164,520		$ 363,594

Petersburg Borough

E911 Surcharge Special Revenue Fund
Balance Sheet

June 30,	2013	2012
Assets		
Cash and investments	$ 742	$ 100,745
Fund Balance		
Fund balance - committed for public safety	$ 742	$ 100,745

Exhibit H-10

Petersburg Borough

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

Years Ended June 30,	2013			2012
	Budget	Actual	Variance with Budget	Actual
Revenues:				
Intergovernmental	$ 100,000	$ -	$ (100,000)	$ 100,000
Charges for services	30,000	30,040	40	31,887
Total revenues	130,000	30,040	(99,960)	131,887
Expenditures - public safety - professional services	200,000	130,043	69,957	104,277
Net change in fund balance	$ (70,000)	(100,003)	$ (30,003)	27,610
Fund Balance at beginning of year		100,745		73,135
Fund Balance at end of year		$ 742		$ 100,745

Petersburg Borough

Borough Organizational Special Revenue Fund
Balance Sheet

June 30,	2013
Assets	
Cash and investments	$ 258,007
Liabilities and Fund Balance	
Liabilities - accounts payable	$ 4,471
Fund balance - assigned for general government	253,536
Total Liabilities and Fund Balance	$ 258,007

Petersburg Borough

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

Year Ended June 30, 2013	Budget	Actual	Variance with Budget
Revenues:			
Intergovernmental	$ 300,000	$ 300,000	$ -
Total revenues	300,000	300,000	-
Expenditures - general government:			
Materials and supplies	8,000	1,180	6,820
Professional services	2,500	1,320	1,180
Assessment services	30,000	27,500	2,500
Comprehensive plan/zoning/mapping	20,000	4,450	15,550
Attorney	40,000	9,613	30,387
Advertising and communications	2,000	2,401	(401)
Total expenditures	102,500	46,464	56,036
Net change in fund balance	$ 197,500	253,536	$ 56,036
Fund Balance at beginning of year		-	
Fund Balance at end of year		$ 253,536	

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.

Exhibit I-1

Petersburg Borough

Debt Service Fund
Balance Sheet

June 30,	2013	2012
Assets		
Cash and investments	$ 16,184	$ 15,086
Receivables - grants and shared revenues	121,442	120,332
Total Assets	$ 137,626	$ 135,418
Fund Balance		
Fund Balance - assigned for debt service	$ 137,626	$ 135,418

Petersburg Borough

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

Years Ended June 30,	2013			2012
	Budget	Actual	Variance with Budget	Actual
Revenues - intergovernmental - State of Alaska	$ 500,612	$ 490,525	$ (10,087)	$ 469,492
Expenditures - debt service:				
2004 general obligation school bonds:				
Principal	160,000	170,000	(10,000)	155,000
Interest	107,406	82,995	24,411	66,791
2005 general obligation aquatic center/voc.ed bonds:				
Principal	245,000	245,000	-	235,000
Interest	191,204	191,204	-	200,804
2007 general obligation aquatic center refunding bonds:				
Principal	45,000	45,000	-	45,000
Interest	43,556	43,556	-	45,357
2007 general obligation pool refunding bonds:				
Principal	15,837	15,837	-	15,837
Interest	7,830	7,830	-	8,463
2007 general obligation library bonds:				
Principal	-	50,000	(50,000)	15,837
Interest	37,500	32,416	5,084	8,463
Other debt service charges	-	-	-	25,627
Total expenditures	853,333	883,838	(30,505)	822,179
Excess of revenues over (under) expenditures	(352,721)	(393,313)	(40,592)	(328,387)
Other financing sources (uses):				
Transfers in	513,417	395,521	(117,896)	514,581
Transfers out	(198,197)	-	198,197	(198,103)
Proceeds from bond issuance:				
Par value	-	-	-	2,010,000
Premium on issuance	-	-	-	358,955
Payment to refunded bond escrow agent	-	-	-	(2,344,801)
Net other financing sources (uses)	315,220	395,521	80,301	340,632
Net change in fund balance	$ (37,501)	2,208	$ 39,709	12,245
Fund Balance at beginning of year		135,418		123,173
Fund Balance at end of year		$ 137,626		$ 135,418

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.

Fire/EMS Facility
This fund accounts for the costs associated with replacing the Fire/EMS building.

Library Construction
This fund accounts for the library project.

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

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

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

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

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

Petersburg Borough

Capital Project Funds
Combining Balance Sheet

June 30, 2013	Fire/ EMS Facility	Library Construc- tion	Fishing Park	Birch Street Rebuild	Paving Project	Rasmus Enge Bridge Reconstruction	Economic Development	Totals
Assets								
Cash and investments	$ -	$ 188,516	$ 99,674	$ 23,708	$ 309,351	$ 74,798	$ 4,354,782	$ 5,050,829
Receivables:								
Grants	29,007	769,085	-	-	-	2,518	-	800,610
Accrued interest	-	-	-	-	-	-	4,900	4,900
Total Assets	29,007	957,601	99,674	23,708	309,351	77,316	4,359,682	5,856,339
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	4,858	307,873	-	-	121,476	-	-	434,207
Due to other funds	24,149	-	-	-	-	-	-	24,149
Total liabilities	29,007	307,873	-	-	121,476	-	-	458,356
Fund balances:								
Committed:								
Economic development	-	-	-	-	-	-	4,359,682	4,359,682
Capital projects	-	649,728	99,674	23,708	187,875	77,316	-	1,038,301
Total fund balances	-	649,728	99,674	23,708	187,875	77,316	4,359,682	5,397,983
Total Liabilities and Fund Balances	$ 29,007	$ 957,601	$ 99,674	$ 23,708	$ 309,351	$ 77,316	$ 4,359,682	$ 5,856,339

Petersburg Borough

Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2013	Fire/ EMS Facility	Library Construc- tion	Fishing Park	Birch Street Rebuild	Paving Project	Rasmus Enge Bridge Reconstruction	Economic Development	Totals
Revenues:								
Intergovernmental	$ 191,361	$ 3,543,966	$ -	$ -	$ -	$ 27,194	$ -	$ 3,762,521
Other grants	-	20,000	-	-	-	-	-	20,000
Investment income	-	-	1,339	-	-	-	432,753	434,092
Total revenues	191,361	3,563,966	1,339	-	-	27,194	432,753	4,216,613
Expenditures - capital projects and improvements:								
Professional services	5,319	293,209	-	5,000	117,907	30,190	20,660	472,285
Construction	173,044	3,589,929	-	1,031	158,372	-	-	3,922,376
Contributions	-	-	-	-	-	-	150,000	150,000
Debt issuance costs	-	5,175	-	-	-	-	-	5,175
Materials and supplies	12,998	250,142	-	-	-	-	-	263,140
Total expenditures	191,361	4,138,455	-	6,031	276,279	30,190	170,660	4,812,976
Excess of revenues over (under) expenditures	-	(574,489)	1,339	(6,031)	(276,279)	(2,996)	262,093	(596,363)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	32,854	-	32,854
Transfers out	-	(82,416)	-	-	-	-	(165,000)	(247,416)
Bond issuance	-	1,150,000	-	-	-	-	-	1,150,000
Premium on issuance	-	155,882	-	-	-	-	-	155,882
Net other financing sources (uses)	-	1,223,466	-	-	-	32,854	(165,000)	1,091,320
Net change in fund balances	-	648,977	1,339	(6,031)	(276,279)	29,858	97,093	494,957
Fund Balances at beginning of year	-	751	98,335	29,739	464,154	47,458	4,262,589	4,903,026
Fund Balances at end of year	$ -	$ 649,728	$ 99,674	$ 23,708	$ 187,875	$ 77,316	$ 4,359,682	$ 5,397,983

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

Electric Utility Enterprise Fund
Statement of Net Position

June 30,	2013	(Restated) 2012
Assets		
Current assets:		
Cash and investments	$ 6,111,512	$ 7,983,353
Accounts receivable	432,278	434,043
Allowance for doubtful accounts	(6,572)	(4,377)
Inventories	243,913	290,587
Prepaid expenses	63,212	62,638
Total current assets	6,844,343	8,766,244
Property, plant and equipment:		
Land and land improvements	1,848,295	735,045
Buildings	1,067,261	1,067,261
Improvements other than buildings	5,003,044	4,140,610
Machinery and equipment	17,018,539	17,018,539
Construction in progress	1,722,843	3,115,839
Total property, plant and equipment	26,659,982	26,077,294
Accumulated depreciation	(15,134,017)	(14,480,077)
Net property, plant and equipment	11,525,965	11,597,217
Total Assets	$ 18,370,308	$ 20,363,461
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	$ 124,572	$ 434,801
Accrued payroll and employee benefits	66,508	58,885
Accrued leave	138,580	147,526
Accrued interest	33,999	34,499
Customer deposits	29,350	28,252
Current portion of general obligation bonds	105,000	100,000
Total current liabilities	498,009	803,963
Long term debt, net of current portion:		
General obligation bonds	2,495,000	2,600,000
Bond premium, net of accumulated amortization	52,385	55,466
Total liabilities	3,045,394	3,459,429
Net position:		
Net investment in capital assets	8,873,580	8,841,751
Unrestricted	6,451,334	8,062,281
Total net position	15,324,914	16,904,032
Total Liabilities and Net Position	$ 18,370,308	$ 20,363,461

Petersburg Borough

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

Years Ended June 30,	2013	(Restated) 2012
Operating revenues:		
Residential electric	$ 2,007,972	$ 1,995,097
Industrial electric	2,173,119	2,308,812
Commercial electric	733,466	733,495
Street and highway lighting	77,280	141,213
Harbor electric	222,182	211,962
Pole rental	47,920	47,920
Other	38,842	55,738
Total operating revenues	5,300,781	5,494,237
Operating expenses:		
Power production:		
Salaries	93,266	76,393
Employee benefits	40,040	17,730
Materials and supplies	278,115	256,370
Services and charges	32,358	50,394
SEAPA/Thomas Bay Power Authority Cost	2,831,639	2,992,144
Total power production	3,275,418	3,393,031
Distribution:		
Salaries	419,669	376,686
Employee benefits	179,556	78,233
Materials and supplies	30,505	34,111
Services and charges	12,317	12,934
Total distribution	642,047	501,964
General and administrative:		
Salaries	290,000	338,420
Employee benefits	312,117	381,710
Materials and supplies	249,151	169,860
Services and charges	150,408	178,561
Allocated overhead	190,696	129,467
Motor pool charges:		
Operation and maintenance	70,068	70,613
Equipment replacement	46,414	57,865
Total general and administrative	1,308,854	1,326,496

Petersburg Borough

Electric Utility Enterprise Fund

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

Years Ended June 30,	2013	(Restated) 2012
Operating expenses, continued:		
Depreciation	$ 653,940	$ 663,415
Total operating expenses	5,880,259	5,884,906
Loss from operations	(579,478)	(390,669)
Nonoperating revenues (expenses):		
Investment income	23,168	94,903
SEAPA distribution	198,650	427,791
Interest expense	(133,413)	(135,413)
Federal interest subsidy	33,318	33,318
Loss on disposal of capital assets	-	(253,386)
State PERS relief	138,637	114,993
Net nonoperating revenues (expenses)	260,360	282,206
Loss before transfers	(319,118)	(108,463)
Transfers out	(1,260,000)	(48,500)
Change in net position	(1,579,118)	(156,963)
Net Position at beginning of year, as restated	16,904,032	17,060,995
Net Position at end of year	$ 15,324,914	$ 16,904,032

Petersburg Borough

Electric Utility Enterprise Fund
Statement of Cash Flows

Years Ended June 30,	2013	2012
Cash Flows from Operating Activities		
Receipts from customers and users	$ 5,504,489	$ 5,871,166
Payments for interfund services used	(307,178)	(257,945)
Payments to suppliers	(3,848,622)	(3,353,110)
Payments to employees	(1,197,334)	(1,153,187)
Net cash flows from operating activities	151,355	1,106,924
Cash Flows from Noncapital Financing Activities		
Transfers out	(1,260,000)	(48,500)
Cash Flows from Capital and Related Financing Activities		
Purchase of property, plant and equipment	(582,688)	(1,399,829)
Principal paid on long-term debt	(100,000)	(100,000)
Interest paid on long-term debt	(136,994)	(138,994)
Federal interest subsidy received	33,318	33,318
Net cash flows from capital and related financing activities	(786,364)	(1,605,505)
Cash Flows from Investing Activities		
Investment income received	23,168	94,903
Net decrease in cash and investments	(1,871,841)	(452,178)
Cash and Investments at beginning of year	7,983,353	8,435,531
Cash and Investments at end of year	$ 6,111,512	$ 7,983,353
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	$ (579,478)	$ (390,669)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	653,940	663,415
Noncash expense - PERS relief	138,637	114,993
Nonoperating revenues received	198,650	427,791
Increase in allowance for doubtful accounts	2,195	423
(Increase) decrease in assets:		
Accounts receivable	1,765	(47,814)
Inventories	46,674	(5,931)
Prepaid expenses	(574)	(1,812)
Increase (decrease) in liabilities:		
Accounts payable	(310,229)	349,007
Accrued payroll and employee benefits	7,623	7,319
Accrued leave	(8,946)	(6,327)
Customer deposits	1,098	(3,471)
Net cash flows from operating activities	$ 151,355	$ 1,106,924

Petersburg Borough

Electric Utility Enterprise Fund
Schedule of Electric Utility
Capital Projects

Year Ended June 30, 2013	Electric Rebuild	Auto Control System	Hydro Station Upgrade	Standby Diesel Generator	Totals
Funding Sources -					
Electric Utility	$ 72,434	$ 3,797	$ 51,247	$ 455,210	$ 582,688
Expenditures:					
Salaries and employee benefits	$ 33,894	$ 1,655	$ 7,484	$ 17,647	$ 60,680
Professional services	194	820	4,275	1,866	7,155
Construction and contractors	-	-	-	382,337	382,337
Other	38,346	1,322	39,488	53,360	132,516
Total Expenditures	$ 72,434	$ 3,797	$ 51,247	$ 455,210	$ 582,688

Petersburg Borough

Water Utility Enterprise Fund
Statement of Net Position

June 30,	2013	2012
Assets		
Current assets:		
Cash and investments	$ 366,633	$ 83,930
Receivables:		
Grants and loans	203,211	383,629
Accounts	89,895	83,965
Allowance for doubtful accounts	(1,869)	(920)
Inventories	68,015	72,525
Prepaid expenses	2,625	3,259
Total current assets	728,510	626,388
Property, plant and equipment:		
Buildings	5,178,330	5,178,330
Improvements other than buildings	24,281,418	24,956,557
Machinery and equipment	3,000,849	3,096,434
Construction in progress	2,474,714	785,284
Total property, plant and equipment	34,935,311	34,016,605
Accumulated depreciation	(11,296,576)	(11,303,068)
Net property, plant and equipment	23,638,735	22,713,537
Total Assets	$ 24,367,245	$ 23,339,925
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	$ 86,296	$ 124,490
Accrued payroll and employee benefits	11,387	10,341
Accrued leave	9,521	9,432
Customer deposits	6,255	5,468
Accrued interest	37,403	40,201
Current portion - ADEC loans	257,549	255,143
Total current liabilities	408,411	445,075
Long term debt, net of current portion - ADEC loans	4,017,802	3,695,306
Total liabilities	4,426,213	4,140,381
Net position:		
Net investment in capital assets	19,363,384	18,763,088
Unrestricted	577,648	436,456
Total net position	19,941,032	19,199,544
Total Liabilities and Net Position	$ 24,367,245	$ 23,339,925

Petersburg Borough

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

Years Ended June 30,	2013	2012
Operating revenues:		
Residential water	$ 494,965	$ 491,518
Commercial water	360,599	393,287
Water delivery	8,831	5,094
Other	5,887	6,172
Total operating revenues	870,282	896,071
Operating expenses:		
Salaries	195,713	185,437
Employee benefits	108,903	93,554
Materials and supplies	127,832	140,397
Services and charges	120,381	164,279
Allocated overhead	69,682	35,142
Motor pool charges:		
Operation and maintenance	6,813	7,410
Equipment replacement	16,699	16,699
Depreciation	764,232	791,799
Total operating expenses	1,410,255	1,434,717
Loss from operations	(539,973)	(538,646)
Nonoperating revenues (expenses):		
Investment income	-	709
Interest expense	(47,260)	(51,084)
State PERS relief	17,773	15,662
Net nonoperating revenues (expenses)	(29,487)	(34,713)
Loss before contributions and transfers	(569,460)	(573,359)
Capital contributions	1,146,803	124,807
Transfers in	164,145	165,000
Change in net position	741,488	(283,552)
Net Position at beginning of year	19,199,544	19,483,096
Net Position at end of year	$ 19,941,032	$ 19,199,544

Petersburg Borough

Water Utility Enterprise Fund
Statement of Cash Flows

Year Ended June 30,	2013	2012
Cash Flows from Operating Activities		
Receipts from customers and users	$ 866,088	$ 889,950
Payments for interfund services used	(93,194)	(59,251)
Payments to suppliers	(281,263)	(190,948)
Payments to employees	(285,708)	(262,459)
Net cash flows from operating activities	205,923	377,292
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(255,143)	(252,773)
Interest paid on long-term debt	(50,060)	(53,849)
Purchase of property, plant and equipment	(1,689,428)	(715,793)
Proceeds from issuance of debt	580,045	244,507
Transfers in	164,145	165,000
Capital contributions received	1,327,221	123,637
Net cash flows from capital and related financing activities	76,780	(489,271)
Cash Flows from Investing Activities		
Investment income received	-	709
Net increase (decrease) in cash and investments	282,703	(111,270)
Cash and Investments at beginning of year	83,930	195,200
Cash and Investments at end of year	$ 366,633	$ 83,930
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	$ (539,973)	$ (538,646)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	764,232	791,799
Noncash expense - PERS relief	17,773	15,662
Increase (decrease) in allowance for doubtful accounts	949	372
(Increase) decrease in assets:		
Accounts receivable	(5,930)	(5,200)
Inventories	4,510	2,428
Prepaid expenses	634	1,362
Increase (decrease) in liabilities:		
Accounts payable	(38,194)	109,938
Accrued payroll and employee benefits	1,046	720
Accrued leave	89	150
Customer deposits	787	(1,293)
Net cash flows from operating activities	$ 205,923	$ 377,292

Petersburg Borough

Water Utility Enterprise Fund
Schedule of Water Utility
Capital Projects

Year Ended June 30, 2013	Water Treatment Plant Upgrade	Water Projects	Totals
Funding Sources:			
Intergovernmental	$ 1,146,803	$ -	$ 1,146,803
Water Utility	491,487	62,742	554,229
Total Funding Sources	$ 1,638,290	$ 62,742	$1,701,032
Expenditures:			
Contractor	$ 1,403,231	$ 53,771	$1,457,002
Professional services	224,939	8,971	233,910
Small tools and equipment	10,120	-	10,120
Total Expenditures	$ 1,638,290	$ 62,742	$ 1,701,032

Petersburg Borough

Wastewater Utility Enterprise Fund
Statement of Net Position

June 30,	2013	2012
Assets		
Current assets:		
Cash and investments	$ 998,768	$ 903,877
Receivables:		
Grants and loan	207,499	149,223
Accounts	71,219	79,969
Allowance for doubtful accounts	(2,303)	(869)
Inventories	32,721	34,016
Prepaid expenses	3,877	3,349
Total current assets	1,311,781	1,169,565
Property, plant and equipment:		
Buildings	9,091,647	9,109,560
Improvements other than buildings	7,729,465	7,766,001
Machinery and equipment	348,530	335,211
Construction in progress	1,036,393	716,540
Total property, plant and equipment	18,206,035	17,927,312
Accumulated depreciation	(9,961,089)	(9,724,119)
Net property, plant and equipment	8,244,946	8,203,193
Total Assets	$ 9,556,727	$ 9,372,758
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	$ 39,206	$ 35,492
Accrued payroll and employee benefits	16,665	11,459
Accrued leave	13,379	14,012
Customer deposits	5,293	4,557
Accrued interest	5,863	6,306
Current portion of ADEC loans	32,697	32,214
Total current liabilities	113,103	104,040
Long term debt, net of current portion - ADEC loans	1,337,529	988,792
Total liabilities	1,450,632	1,092,832
Net position:		
Net investment in capital assets	6,874,720	7,182,187
Unrestricted	1,231,375	1,097,739
Total net position	8,106,095	8,279,926
Total Liabilities and Net Position	$ 9,556,727	$ 9,372,758

Petersburg Borough

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

Years Ended June 30,	2013	2012
Operating revenues:		
Residential sewer	$ 488,836	$ 471,343
Commercial sewer	164,206	159,121
Other	12,565	15,649
Total operating revenues	665,607	646,113
Operating expenses:		
Salaries	168,332	177,532
Employee benefits	102,618	80,302
Materials and supplies	58,447	52,603
Services and charges	111,370	135,046
Allocated overhead	50,420	34,217
Motor pool charges:		
Operation and maintenance	15,171	15,032
Equipment replacement	30,767	33,971
Depreciation	317,167	330,123
Total operating expenses	854,292	858,826
Loss from operations	(188,685)	(212,713)
Nonoperating revenues (expenses):		
Investment income	3,310	11,589
Interest expense	(6,436)	(6,919)
State PERS relief	17,125	13,627
Net nonoperating revenues (expenses)	13,999	18,297
Loss before transfers	(174,686)	(194,416)
Transfers in	855	-
Transfers out	-	(2,500)
Change in net position	(173,831)	(196,916)
Net Position at beginning of year	8,279,926	8,476,842
Net Position at end of year	$ 8,106,095	$ 8,279,926

Petersburg Borough

Wastewater Utility Enterprise Fund
Statement of Cash Flows

Years Ended June 30,	2013	2012
Cash Flows from Operating Activities		
Receipts from customers and users	$ 676,527	$ 627,951
Payments for interfund services used	(96,358)	(83,220)
Payments to suppliers	(165,336)	(154,777)
Payments to employees	(249,252)	(246,441)
Net cash flows from operating activities	165,581	143,513
Cash Flows from Noncapital Financing Activities		
Transfers in (out)	855	(2,500)
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(32,214)	(31,738)
Interest paid on long-term debt	(6,879)	(7,355)
Purchase of property, plant and equipment	(358,920)	(729,338)
Proceeds from issuance of debt	344,212	400,830
Capital contributions received	(21,054)	-
Net cash flows from capital and related financing activities	(74,855)	(367,601)
Cash Flows from Investing Activities		
Investment income received	3,310	11,589
Net increase (decrease) in cash and investments	94,891	(214,999)
Cash and Investments at beginning of year	903,877	1,118,876
Cash and Investments at end of year	$ 998,768	$ 903,877
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	$ (188,685)	$ (212,713)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	317,167	330,123
Noncash expense - PERS relief	17,125	13,627
Increase (decrease) in allowance for doubtful accounts	1,434	273
(Increase) decrease in assets:		
Accounts receivable	8,750	(17,792)
Inventories	1,295	(1,270)
Prepaid expenses	(528)	(800)
Increase (decrease) in liabilities:		
Accounts payable	3,714	34,942
Accrued payroll and employee benefits	5,206	2,477
Accrued leave	(633)	(4,711)
Customer deposits	736	(643)
Net cash flows from operating activities	$ 165,581	$ 143,513

Petersburg Borough

Wastewater Utility Enterprise Fund
Schedule of Wastewater Utility
Capital Projects

Year Ended June 30, 2013	Pumpstation #1 Upgrade	Pumpstation #5 Upgrade	Sewer Projects	Totals
Funding source - Wastewater Utility	$ 118,627	$ 184,973	$ 17,102	$320,702
Expenditures:				
Contractor	$ -	$ 88,798	$ 8,131	$ 96,929
Professional services	118,627	96,175	8,971	223,773
Total Expenditures	$ 118,627	$ 184,973	$ 17,102	$320,702

Petersburg Borough

Sanitation Utility Enterprise Fund
Statement of Net Position

June 30,	2013	2012
Assets		
Current assets:		
Cash and investments	$ 896,358	$ 522,341
Accounts receivable	101,885	100,945
Allowance for doubtful accounts	(984)	(872)
Prepaid expenses	5,250	4,613
Total current assets	1,002,509	627,027
Property, plant and equipment:		
Land and land improvements	63,720	63,720
Buildings	2,211,180	2,211,180
Improvements other than buildings	115,220	103,365
Machinery and equipment	219,767	213,272
Construction in progress	40,244	12,645
Total property, plant and equipment	2,650,131	2,604,182
Accumulated depreciation	(1,108,555)	(1,054,545)
Net property, plant and equipment	1,541,576	1,549,637
Total Assets	$ 2,544,085	$ 2,176,664
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	$ 4,319	$ 12,901
Accrued payroll and employee benefits	17,004	13,731
Accrued leave	13,078	12,384
Customer deposits	7,217	7,291
Total current liabilities	41,618	46,307
Long-term debt - estimated landfill closure costs	92,333	92,333
Total liabilities	133,951	138,640
Net position:		
Net investment in capital assets	1,541,576	1,549,637
Unrestricted	868,558	488,387
Total net position	2,410,134	2,038,024
Total Liabilities and Net Position	$ 2,544,085	$ 2,176,664

Petersburg Borough

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

Years Ended June 30,	2013	2012
Operating revenues:		
Refuse collection	$ 810,029	$ 805,339
Landfill charges	262,695	255,759
Other	19,430	14,415
Total operating revenues	1,092,154	1,075,513
Operating expenses:		
Salaries	238,930	231,701
Employee benefits	144,951	122,981
Materials and supplies	39,906	40,250
Services and charges	149,325	158,506
Bale disposal	245,113	217,673
Allocated overhead	87,219	58,910
Motor pool charges:		
Operation and maintenance	89,638	73,197
Equipment replacement	83,390	84,198
Depreciation	69,272	61,324
Total operating expenses	1,147,744	1,048,740
Income (loss) from operations	(55,590)	26,773
Nonoperating revenues:		
Investment income	2,482	5,608
State PERS relief	25,218	21,331
Total nonoperating revenues	27,700	26,939
Income (loss) before transfers	(27,890)	53,712
Transfers in	400,000	21,665
Change in net position	372,110	75,377
Net Position at beginning of year	2,038,024	1,962,647
Net Position at end of year	$ 2,410,134	$ 2,038,024

Petersburg Borough

Sanitation Utility Enterprise Fund
Statement of Cash Flows

Years Ended June 30,	2013	2012
Cash Flows from Operating Activities		
Receipts from customers and users	$ 1,091,252	$ 1,070,198
Payments for interfund services used	(260,247)	(216,305)
Payments to suppliers	(443,563)	(435,259)
Payments to employees	(354,696)	(335,148)
Net cash flows from operating activities	32,746	83,486
Cash Flows from Capital and Related Financing Activities		
Purchase of property, plant and equipment	(61,211)	(20,282)
Transfers in	400,000	21,665
Net cash flows from capital and related financing activities	338,789	1,383
Cash Flows from Investing Activities		
Investment income received	2,482	5,608
Net increase in cash and investments	374,017	90,477
Cash and Investments at beginning of year	522,341	431,864
Cash and Investments at end of year	$ 896,358	$ 522,341
Reconciliation of income (loss) from operations to net cash flows from operating activities:		
Income (loss) from operations	$ (55,590)	$ 26,773
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:		
Depreciation	69,272	61,324
Noncash expense - PERS relief	25,218	21,331
Increase in allowance for doubtful accounts	112	78
(Increase) decrease in assets:		
Accounts receivable	(940)	(4,363)
Prepaid expenses	(637)	(32)
Increase (decrease) in liabilities:		
Accounts payable	(8,582)	(18,798)
Accrued payroll and employee benefits	3,273	111
Accrued leave	694	(1,908)
Customer deposits	(74)	(1,030)
Net cash flows from operating activities	$ 32,746	$ 83,486

Petersburg Borough

Harbor and Port Facilities Enterprise Fund
Statement of Net Position

June 30,	2013	(Restated) 2012
Assets		
Current assets:		
Cash and investments	$ 3,867,780	$ 1,267,094
Receivables:		
Grants	176,119	1,063
Accounts	157,536	160,156
Interest	3,182	3,389
Allowance for doubtful accounts	(32,688)	(28,311)
Prepaid expenses	8,649	8,894
Total current assets	4,180,578	1,412,285
Restricted cash - capital projects	1,169,700	2,879,182
Property, plant and equipment:		
Land and land improvements	360,059	353,039
Buildings	339,690	339,690
Improvements other than buildings	19,773,450	22,440,619
Machinery and equipment	528,492	539,408
Construction in progress	1,587,984	2,564,848
Total property, plant and equipment	22,589,675	26,237,604
Accumulated depreciation	(7,803,860)	(8,335,929)
Net property, plant and equipment	14,785,815	17,901,675
Deferred Outflows		
Loss on refunding	21,396	24,072
Total Assets and Deferred Outflows	$ 20,157,489	$ 22,217,214
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	$ 100,280	$ 111,282
Accrued payroll and employee benefits	27,720	26,597
Accrued leave	71,563	72,806
Prepaid moorage	99,025	109,191
Unearned revenue	1,935,330	2,320,439
Accrued interest	3,130	4,077
Current portion of general obligation bonds	87,497	79,164
Total current liabilities	2,324,545	2,723,556
Long-term debt, net of current portion:		
General obligation bonds	724,971	812,467
Bond premium, net of accumulated amortization	10,593	11,917
Total liabilities	3,060,109	3,547,940
Net position:		
Net investment in capital assets	13,984,150	17,022,199
Unrestricted	3,113,230	1,647,075
Total net position	17,097,380	18,669,274
Total Liabilities and Net Position	$ 20,157,489	$ 22,217,214

Petersburg Borough

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

Years Ended June 30,	2013	(Restated) 2012
Operating revenues:		
Harbor charges	$ 854,531	$ 798,516
Port charges and leases	170,006	142,157
Other	3,854	55,904
Total operating revenues	1,028,391	996,577
Operating expenses:		
Salaries	388,240	378,781
Employee benefits	222,379	198,057
Materials and supplies	42,216	65,974
Services and charges	234,481	201,212
Allocated overhead	72,022	51,447
Motor pool charges:		
Operation and maintenance	20,059	22,195
Equipment replacement	4,381	3,457
Depreciation	727,426	844,446
Total operating expenses	1,711,204	1,765,569
Loss from operations	(682,813)	(768,992)
Nonoperating revenues (expenses):		
Investment income	10,945	40,466
Interest expense	(39,543)	(44,075)
Loss on disposal of capital assets	(3,937,518)	-
State PERS relief	48,540	38,313
Net nonoperating revenues (expenses)	(3,917,576)	34,704
Loss before contributions and transfers	(4,600,389)	(734,288)
Capital contributions	1,364,964	1,133,061
Transfers in	1,663,531	385,901
Transfers out	-	(21,665)
Change in net position	(1,571,894)	763,009
Net Position at beginning of year, as restated	18,669,274	17,906,265
Net Position at end of year	$ 17,097,380	$ 18,669,274

Petersburg Borough

Harbor and Port Facilities Enterprise Fund
Statement of Cash Flows

Years Ended June 30,	2013	2012
Cash Flows from Operating Activities		
Receipts from customers and users	$ 1,025,222	$ 981,318
Payments for interfund services used	(96,462)	(77,099)
Payments to suppliers	(287,452)	(180,791)
Payments to employees	(562,199)	(534,571)
Net cash flows from operating activities	79,109	188,857
Cash Flows from Noncapital Financing Activities		
Transfers out	-	(21,665)
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(79,164)	(79,164)
Interest paid on long-term debt	(39,137)	(42,305)
Purchase of property, plant and equipment	(1,549,086)	(1,220,602)
Decrease in unearned revenue	(385,109)	(143,048)
Transfers in	1,663,531	385,901
Capital contributions received	1,189,908	1,177,071
Net cash flows from capital and related financing activities	800,943	77,853
Cash Flows from Investing Activities		
Investment income received	11,152	41,968
Net increase in cash and investments	891,204	287,013
Cash and Investments at beginning of year	4,146,276	3,859,263
Cash and Investments at end of year	$ 5,037,480	$ 4,146,276
Cash and investments at end of year:		
Cash and investments	$ 3,867,780	$ 1,267,094
Restricted cash - capital projects	1,169,700	2,879,182
	$ 5,037,480	$ 4,146,276
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	$ (682,813)	$ (768,992)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	727,426	844,446
Noncash expense - PERS relief	48,540	38,313
Increase (decrease) in allowance for doubtful accounts	4,377	(11,036)
(Increase) decrease in assets:		
Accounts receivable	2,620	(8,580)
Prepaid expenses	245	(417)
Increase (decrease) in liabilities:		
Accounts payable	(11,000)	86,812
Accrued payroll and employee benefits	1,123	7,317
Accrued leave	(1,243)	(3,363)
Prepaid moorage	(10,166)	4,357
Net cash flows from operating activities	$ 79,109	$ 188,857

Petersburg Borough

Harbor and Port Facilities Enterprise Fund
Schedule of Harbor and Port Facilities
Capital Projects

Year Ended June 30, 2013	Commercial Dock Drive	Passenger Vessel Port	North Harbor Replacement	Crane Dock Upgrade	Anode Project	Totals
Funding sources:						
Intergovernmental	$ 418,739	$ 97,920	$ 735,109	$ 37,690	$ 75,506	$ 1,364,964
Harbor and Port Facilities	-	83,080	7,270	-	90,759	181,109
Total Funding Sources	$ 418,739	$ 181,000	$ 742,379	$ 37,690	$ 166,265	$ 1,546,073
Expenditures:						
Professional services	$ 414,951	$ 13,969	$ 419,071	$ 37,690	$ 166,265	$ 1,051,946
Construction and contractors	-	167,031	321,316	-	-	488,347
Other	3,788	-	1,992	-	-	5,780
Total Expenditures	$ 418,739	$ 181,000	$ 742,379	$ 37,690	$ 166,265	$ 1,546,073

Petersburg Borough

Elderly Housing Enterprise Fund
Statement of Net Position

June 30,	2013	(Restated) 2012
Assets		
Current assets:		
Cash and investments	$ 569,511	$ 570,148
Grant receivable	-	6,393
Prepaid expenses	765	677
Total current assets	570,276	577,218
Restricted cash - security deposits	17,464	17,431
Property, plant and equipment:		
Land and land improvements	127,419	127,419
Buildings	2,891,573	2,553,413
Improvements other than buildings	145,723	145,723
Machinery and equipment	106,396	100,150
Construction in progress	-	15,288
Total property, plant and equipment	3,271,111	2,941,993
Accumulated depreciation	(2,156,315)	(2,091,053)
Net property, plant and equipment	1,114,796	850,940
Deferred Outflows		
Loss on refunding	31,594	34,753
Total Assets and Deferred Outflows	$ 1,734,130	$ 1,445,589
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	$ 998	$ 9,300
Accrued payroll and employee benefits	3,528	3,358
Accrued leave	2,511	1,079
Unearned revenue	874	10,182
Customer deposits	10,595	10,583
Accrued interest	7,417	4,518
Current portion of general obligation bonds	40,000	41,250
Total current liabilities	65,923	80,270
Long-term debt, net of current portion:		
General obligation bonds	475,000	515,000
Bond premium, net of accumulated amortization	73,887	81,276
Total liabilities	614,810	641,793
Net position:		
Net investment in capital assets	557,503	248,167
Unrestricted	561,817	555,629
Total net position	1,119,320	803,796
Total Liabilities and Net Position	$ 1,734,130	$ 1,445,589

Petersburg Borough

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

Years Ended June 30,	2013	(Restated) 2012
Operating revenues:		
Federal government - rental subsidies	$ 251,787	$ 224,448
Rental income	122,970	123,964
Total operating revenues	374,757	348,412
Operating expenses:		
Salaries	61,292	54,061
Employee benefits	24,531	20,133
Materials and supplies	47,362	54,201
Services and charges	132,358	136,179
Allocated overhead	24,911	14,937
Motor pool charges:		
Operation and maintenance	1,868	3,057
Equipment replacement	624	624
Depreciation	68,838	68,641
Total operating expenses	361,784	351,833
Income (loss) from operations	12,973	(3,421)
Nonoperating revenues (expenses):		
Investment income	2,515	6,329
Interest expense	(17,794)	(24,311)
Net nonoperating revenues (expenses)	(15,279)	(17,982)
Loss before contributions	(2,306)	(21,403)
Capital contributions	317,830	15,288
Change in net position	315,524	(6,115)
Net Position at beginning of year, as restated	803,796	809,911
Net Position at end of year	$1,119,320	$ 803,796

Petersburg Borough

Elderly Housing Enterprise Fund
Statement of Cash Flows

Year Ended June 30,	2013	2012
Cash Flows from Operating Activities		
Receipts from customers and users	$ 365,461	$ 357,606
Payments for interfund services used	(27,403)	(18,618)
Payments to suppliers	(188,110)	(189,262)
Payments to employees	(84,221)	(74,381)
Net cash flows from operating activities	65,727	75,345
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(41,250)	(37,500)
Interest paid on long-term debt	(19,123)	(26,043)
Purchase of property, plant and equipment	(332,696)	(15,288)
Capital contributions received	324,223	8,895
Net cash flows from capital and related financing activities	(68,846)	(69,936)
Cash flows from investing activities -		
Investment income received	2,515	6,329
Net increase (decrease) in cash and investments	(604)	11,738
Cash and Investments at beginning of year	587,579	575,841
Cash and Investments at end of year	$ 586,975	$ 587,579
Cash and investments at end of year:		
Cash and investments	$ 569,511	$ 570,148
Restricted cash	17,464	17,431
	$ 586,975	$ 587,579
Reconciliation of income (loss) from operations to net cash flows from operating activities:		
Income (loss) from operations	$ 12,973	$ (3,421)
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:		
Depreciation	68,838	68,641
Increase in assets - prepaid expenses	(88)	(25)
Increase (decrease) in liabilities:		
Accounts payable	(8,302)	1,143
Accrued payroll and employee benefits	170	451
Accrued leave	1,432	(638)
Unearned revenue	(9,308)	9,696
Customer deposits	12	(502)
Net cash flows from operating activities	$ 65,727	$ 75,345
Noncash capital and related financing activities - the City issued $477,500 in refunding bonds at a premium of $81,276 to advance refund $506,250 of previously issued outstanding bonds.	$ -	$ (28,750)

Petersburg Borough

Assisted Living Enterprise Fund
Statement of Net Position

June 30,	2013	(Restated) 2012
Assets		
Current assets:		
Cash and investments	$ 79,684	$ -
Accounts receivable	8,433	8,433
Prepaid items	10,720	8,198
Total current assets	98,837	16,631
Property, plant and equipment:		
Buildings	3,907,471	3,907,471
Machinery and equipment	89,262	89,262
Total property, plant and equipment	3,996,733	3,996,733
Accumulated depreciation	(997,222)	(890,225)
Net property, plant and equipment	2,999,511	3,106,508
Deferred Outflows		
Loss on refunding	94,782	104,260
Total Assets and Deferred Outflows	$ 3,193,130	$ 3,227,399
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	$ 1,698	$ 4,508
Accrued payroll and employee benefits	30,738	25,505
Accrued leave	25,653	21,638
Unearned revenue	5,981	4,881
Customer deposits	5,400	5,100
Accrued interest	22,250	13,553
Due to other funds	-	224,506
Current portion of general obligation bonds	120,000	123,750
Total current liabilities	211,720	423,441
Long-term debt, net of current portion:		
General obligation bonds	1,425,000	1,545,000
Bond premium, net of accumulated amortization	221,664	243,830
Total liabilities	1,858,384	2,212,271
Net position:		
Net investment in capital assets	1,327,629	1,298,188
Unrestricted (deficit)	7,117	(283,060)
Total net position	1,334,746	1,015,128
Total Liabilities and Net Position	$ 3,193,130	$ 3,227,399

Petersburg Borough

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

Years Ended June 30,	2013	(Restated) 2012
Operating revenues:		
Rents and royalties	$ 266,137	$ 221,835
Fees for services	708,075	492,144
Other revenues	4,094	3,698
Total operating revenues	978,306	717,677
Operating expenses:		
Salaries	404,155	374,893
Employee benefits	226,698	186,539
Materials and supplies	73,192	61,918
Services and charges	95,495	114,015
Allocated overhead	45,100	44,061
Motor pool charges:		
Operation and maintenance	1,846	3,057
Equipment replacement	624	624
Depreciation	106,997	105,871
Total operating expenses	954,107	890,978
Income (loss) from operations	24,199	(173,301)
Nonoperating revenues (expenses):		
Interest expense	(53,381)	(72,932)
State PERS relief	49,551	38,109
Net nonoperating revenues (expenses)	(3,830)	(34,823)
Income (loss) before contributions and transfers	20,369	(208,124)
Capital contributions	-	11,262
Transfers in	299,249	198,103
Change in net position	319,618	(1,241)
Net Position at beginning of year, as restated	1,015,128	1,016,369
Net Position at end of year	$ 1,334,746	$ 1,015,128

Petersburg Borough

Assisted Living Enterprise Fund
Statement of Cash Flows

Years Ended June 30,	2013	2012
Cash Flows from Operating Activities		
Receipts from customers and users	$ 979,706	$ 718,578
Payments for interfund services used	(47,570)	(47,742)
Payments to suppliers	(174,019)	(177,610)
Payments to employees	(572,054)	(506,264)
Net cash flows from operating activities	186,063	(13,038)
Cash Flows from Capital and Related Financing Activities		
Principal paid on long term debt	(123,750)	(112,500)
Interest paid on long term debt	(57,372)	(78,129)
Purchase of property, plant and equipment	-	(11,262)
Increase (decrease) in due to other funds	(224,506)	5,564
Transfers in	299,249	198,103
Capital contributions received	-	11,262
Net cash flows from capital and related financing activities	(106,379)	13,038
Net increase in cash and investments	79,684	-
Cash and Investments at beginning of year	-	-
Cash and Investments at end of year	$ 79,684	$ -
Reconciliation of income (loss) from operations to net cash flows from operating activities:		
Income (loss) from operations	$ 24,199	$ (173,301)
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:		
Depreciation	106,997	105,871
Noncash expense - PERS relief	49,551	38,109
Increase in assets - prepaid expenses	(2,522)	(1,355)
Increase (decrease) in liabilities:		
Accounts payable	(2,810)	(322)
Accrued payroll and employee benefits	5,233	10,304
Accrued leave	4,015	6,755
Unearned revenue	1,100	1,101
Customer deposits	300	(200)
Net cash flows from operating activities	$ 186,063	$ (13,038)
Noncash capital and related financing activities - the City issued $1,432,500 in refunding bonds at a premium of $243,830 to advance refund $1,518,750 of previously issued outstanding bonds.	$ -	$ (86,250)

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

Motor Pool Internal Service Fund
Statement of Net Position

June 30,	2013	2012
Assets		
Current assets:		
Cash and investments	$ 4,193,693	$ 3,722,408
Receivables - other	-	306
Prepaid expenses	2,625	2,672
Total current assets	4,196,318	3,725,386
Equipment	6,032,766	6,018,976
Accumulated depreciation	(3,716,389)	(3,385,575)
Net equipment	2,316,377	2,633,401
Total Assets	$ 6,512,695	$ 6,358,787
Liabilities and Net Position		
Current liabilities:		
Accounts payable	$ 1,497	$ 1,001
Accrued payroll and employee benefits	8,198	7,837
Accrued leave	19,757	19,757
Total current liabilities	29,452	28,595
Net position:		
Net investment in capital assets	2,316,377	2,633,401
Unrestricted	4,166,866	3,696,791
Total net position	6,483,243	6,330,192
Total Liabilities and Net Position	$ 6,512,695	$ 6,358,787

Petersburg Borough

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

Year Ended June 30,	2013	2012
Operating revenues:		
Operation and maintenance charges	$ 455,817	$ 507,825
Replacement reserve charges	492,142	498,358
Other	-	106
Total operating revenues	947,959	1,006,289
Operating expenses:		
Salaries	122,699	121,490
Employee benefits	72,563	66,551
Materials and supplies	218,924	240,792
Services and charges	55,179	54,941
Motor pool charges:		
Operation and maintenance	9,156	13,973
Equipment replacement	2,414	2,414
Depreciation	330,814	351,294
Total operating expenses	811,749	851,455
Income from operations	136,210	154,834
Nonoperating revenues:		
Gain on disposal of equipment	-	11,993
State PERS relief	16,841	13,530
Total nonoperating revenues	16,841	25,523
Income before contributions	153,051	180,357
Capital contributions	-	60,000
Change in net position	153,051	240,357
Net Position at beginning of year	6,330,192	6,089,835
Net Position at end of year	$ 6,483,243	$ 6,330,192

Petersburg Borough

Motor Pool Internal Service Fund
Statement of Cash Flows

Years Ended June 30,	2013	2012
Cash Flows from Operating Activities		
Receipts from interfund services provided	$ 948,265	$ 1,005,983
Payments for interfund services used	(11,570)	(16,387)
Payments to suppliers	(273,560)	(299,168)
Payments to employees	(178,060)	(174,570)
Net cash flows from operating activities	485,075	515,858
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of equipment	-	11,993
Purchase of equipment	(13,790)	(230,239)
Capital contributions received	-	60,000
Net cash flows from capital and related financing activities	(13,790)	(158,246)
Net increase in cash and investments	471,285	357,612
Cash and Investments at beginning of year	3,722,408	3,364,796
Cash and Investments at end of year	$ 4,193,693	$ 3,722,408
Reconciliation of income from operations to net cash flows from operating activities:		
Income from operations	$ 136,210	$ 154,834
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation	330,814	351,294
Noncash expense - PERS relief	16,841	13,530
(Increase) decrease in assets:		
Accounts receivable - other	306	(306)
Prepaid expenses	47	(123)
Increase (decrease) in liabilities:		
Accounts payable	496	(3,312)
Accrued payroll and employee benefits	361	(155)
Accrued leave	-	96
Net cash flows from operating activities	$ 485,075	$ 515,858

Petersburg Borough

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	July 1, 2012 Receivable (Deferred)	Federal Share of Expend-itures	Federal Receipts	June 30, 2013 Receivable (Deferred)
Department of Homeland Security							
Emergency Management Program	11-EMPG-GR35584	97.042	$ 20,000	8,547	-	8,547	-
Department of Agriculture							
USDA Forest Service - Green's Camp Phases I & II	10-DG-11100521-216	10.665	95,580	-	70,026	70,026	-
USDA Forest Service RAC Grant: Wilson Creek	12-DG-11100521-011	10.665	65,000	4,028	41,782	45,810	-
USDA Forest Service - Banana Point Site Improvements	12-DG-11100521-528	10.665	44,418	-	44,120	40,348	3,772
Pasesd through the State of Alaska Department of Commerce, Community and Economic Development - National Forest Receipts	N/A	10.665	1,075,305	-	1,075,305	1,075,305	-
Total CFDA 10.665				4,028	1,231,233	1,231,489	3,772
Pasesd through the State of Alaska Department of Natural Resources - Volunteer Fire Assistance Grant - Wildfire Equipment	N/A	10.664	6,420	(6,420)	6,420	-	-
Total Department of Agriculture				(2,392)	1,237,653	1,231,489	3,772
Department of Defense							
Passed through the State of Alaska Department of Transportation and Public Facilities - Banana Point Breakwater Reconstruction	2007	12.101	5,000	(5,000)	-	-	(5,000)
Environmental Protection Agency							
Passed through the State of Alaska Department of Environmental Conservation:							
Water Treatment Plant Upgrade Grant (62% Federal)	MMG 68534	66.202	900,000	26,728	796,118	780,144	42,702
Water Treatment Plant Upgrade Loan (Approx 84% Federa	685241	66.468	500,000	12,726	420,409	380,988	52,147
ACWF Pumpstation 5, Upgrade Loan (80% Federal)	685221	66.458	583,732	10,043	155,176	90,354	74,865
ACWF Pumpstation 1, Upgrade Loan (80% Federal)	685261	66.458	216,000	-	97,858	-	97,858
ACWF Sewer Projects Loan (80% Federal)	685211	66.458	509,488	132,828	68,165	200,993	-
Total CFDA 66.458				142,871	321,199	291,347	172,723
Total Environmental Protection Agency				182,325	1,537,726	1,452,479	267,572
Institute of Museum and Library Services							
Passed through the State of Alaska Department of Education and Early Development:							
Continuing Education - Alcock	N/A	45.310	1,500	1,500	-	1,500	-
Continuing Education - Alcock	N/A	45.310	1,000	-	1,000	-	1,000
Total Institute of Museum and Library Services				1,500	1,000	1,500	1,000
Department of Commerce							
Passed through the State of Alaska Department of Education and Early Development:							
OWL Project - Aide Award Funds	OWL-13-761-01	11.557	5,600	-	2,967	5,600	(2,633)
OWL Project - Equipment	OWL-13-761-02	11.557	2,978	-	2,978	2,978	-
Total Department of Commerce				-	5,945	8,578	(2,633)

Petersburg Borough

Schedule of Expenditures of Federal Awards, continued

Year Ended June 30, 2013	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	July 1, 2012 Receivable (Deferred)	Federal Share of Expend-itures	Federal Receipts	June 30, 2013 Receivable (Deferred)
Department of Justice							
COPS Hiring Grant Program	2010UMWX0001	16.710	$ 244,884	16,572	42,637	41,190	18,019
Denali Commission							
Birch Street Rehabilitation - Construction	01378-00	90.100	375,495	4,147	-	4,147	-
Sing Lee Alley Bridge Design	01377-00	90.100	63,679	21,921	27,194	46,597	2,518
Total Denali Commission				26,068	27,194	50,744	2,518
Department of Energy							
Passed through Alaska Energy Authority -							
Energy Efficiency & Conservation Block Grant ARRA	7510040	81.128	245,200	-	156,466	156,466	-
Department of the Interior							
Passed through the State of Alaska Department							
of Commerce, Community and Economic Development -							
Payment in Lieu of Taxes	N/A	15.226	522,163	-	522,163	522,163	-
Total Federal Financial Assistance			$	227,620	3,530,784	3,473,156	285,248

Petersburg Borough

Schedule of State Financial Assistance

Year Ended June 30, 2013	Grant Number	Total Grant Award	July 1, 2012 Receivable (Deferred)	State Share of Expend-itures	State Receipts	June 30, 2013 Receivable (Deferred)
Department of Commerce, Community and Economic Development						
Shooting Range Improvements	09-DC-101	$ 25,000	-	17,568	-	17,568
Commercial Passenger Vessel Berthing/ Power Upgrades	09-DC-558	1,250,000	1,062	97,921	98,983	-
*Community Dock/Vehicle Drive Down Design/Construction	10-DC-022	3,390,000	22,476	418,739	294,412	146,803
Clausen Museum Storage	11-DC-333	55,000	27,415	27,585	55,000	-
*Fire & EMS Facility	11-DC-334	6,700,000	324,756	191,361	487,110	29,007
*Public Library Construction	11-DC-630	3,300,000	37,959	3,043,966	2,312,840	769,085
*Elderly Housing Roof Replacement	12-DC-419	370,000	6,393	308,465	314,858	-
Hospital Roof Replacement Phase I	12-DC-420	167,648	-	12,389	12,389	-
Clausen Museum Retaining Wall	12-DC-421	75,000	-	9,406	9,406	-
Elderly Housing Kitchen Rehab	12-DM-136	11,000	(9,365)	9,365	-	-
Clausen Museum Expansion Site Prep	12-DM-137	30,000	(30,000)	-	-	(30,000)
Rifle Range Improvements	12-DM-138	25,000	(25,000)	9,970	-	(15,030)
Sons of Norway Hall Renovation/Improvements	13-DC-300	250,000	-	57,945	51,202	6,743
*Police Department Design, Planning and Pre-Construction	13-DC-341	350,000	-	165,641	165,641	-
Crane Dock Upgrade	13-DC-425	800,000	-	37,690	8,376	29,314
Sandy Beach Bathroom Remodel	13-DM-093	25,000	-	7,642	25,000	(17,358)
Sandy Beach Shelter	13-DM-186	40,000	-	13,903	40,000	(26,097)
Shooting Range Improvements	13-DM-226	50,000	-	-	50,000	(50,000)
Fish Resource Landing Tax		37,759	-	37,759	37,759	-
*Shared Fisheries Business Tax		1,036,385	-	1,036,385	1,036,385	-
Total Department of Commerce, Community and Economic Development			355,696	5,503,700	4,999,361	860,035
Department of Education and Early Development						
Debt Retirement Program	2012	469,492	120,332	-	119,179	1,153
*Debt Retirement Program	2013	490,525	-	490,525	369,083	121,442
Public Library Assistance Grant	PLA-13-761-59	6,500	-	6,500	6,500	-
Total Department of Education and Early Development			120,332	497,025	494,762	122,595
Department of Natural Resources						
E. Haugen Public Use Area Maintenance	2012	4,040	(2,887)	2,887	-	-
Bear Resistant Cans	2012	4,418	-	4,418	4,418	-
E. Haugen Public Use Area Maintenance	2013	6,242	-	110	6,242	(6,132)
Total Department of Natural Resources			(2,887)	7,415	10,660	(6,132)
Department of Environmental Conservation						
*Water Treatment Plant Upgrade (25% State up to $1.2M)	MMG 68534	545,000	8,910	350,685	260,048	99,547
Department of Military and Veteran's Affairs						
LEPC Petersburg/Wrangell	12 LEPC-GR35602	19,018	6,010	-	6,010	-
LEPC Petersburg/Wrangell	13 LEPC-GR35602	19,018	-	19,018	13,351	5,667
Total Department of Military and Veteran's Affairs			6,010	19,018	19,361	5,667
Department of Transportation and Public Facilities						
*North Harbor Deferred Maintenance	PSG 02-003	2,475,000	(2,320,439)	550,290	-	(1,770,149)
*North Harbor Rehabilitation	13-HG-005	3,500,000	-	184,819	350,000	(165,181)
South Harbor Anodes	12-HG-003	75,506	-	75,506	75,506	-
Total Department of Transportation and Public Facilities			(2,320,439)	810,615	425,506	(1,935,330)

Petersburg Borough

Schedule of State Financial Assistance, continued

Year Ended June 30, 2013	Grant Number	Total Grant Award	July 1, 2012 Receivable (Deferred)	State Share of Expend-itures	State Receipts	June 30, 2013 Receivable (Deferred)
Department of Revenue						
*Revenue Sharing	2012	$ 345,443	-	345,443	345,443	-
Liquor Licenses	2012	300	-	300	300	-
Liquor Licenses	2013	8,500	-	8,500	8,500	-
Total Department of Revenue			-	354,243	354,243	-
Department of Administration						
*Borough Organizational Grant	N/A	600,000	-	300,000	300,000	
*PERS Relief	N/A	695,524	-	695,524	695,524	-
Total Department of Administration			-	995,524	995,524	-
Total State Financial Assistance			$ (1,832,378)	8,538,225	7,559,465	(853,618)

* Major Program

1. Basis of Presentation

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

Single Audit Section

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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

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 aggregate 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, 2013, and the related notes to the financial statements, which collectively comprise Petersburg Borough's basic financial statements and have issued our report thereon dated November 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

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
November 6, 2013

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Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Honorable Mayor and Borough Council
Petersburg Borough

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 Circular A-133 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, 2013. 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 which received $607,228 in federal awards which is not included in the schedule during the year ended June 30, 2013. Our audit, described below, did not include the operations of the Petersburg School District because it was subjected to a separate audit in accordance with OMB Circular A-133. In addition, Petersburg Borough's basic financial statements also include to 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 OMB Circular A-133.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

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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, 2013.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 with OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
November 6, 2013

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

Honorable Mayor and Borough Council
Petersburg Borough

Report on Compliance for Each Major State Program

We have audited Petersburg Borough's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of Petersburg Borough's major state programs for the year ended June 30, 2013. Petersburg Borough's major state programs are identified in the accompanying Schedule of State Financial Assistance. Petersburg Borough's basic financial statements include the operations of the Petersburg School District which received $7,554,547 in state awards which is not included in the schedule during the year ended June 30, 2013. Our audit, described below, did not include the operations of the Petersburg School District because it was subjected to a separate audit in accordance with *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Our audit, described below, did not include the operations of the Petersburg School District because it was subjected to a separate audit in accordance with *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. In addition, Petersburg Borough's basic financial statements also include to 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 *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

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

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

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

Opinion on Each Major State Program
In our opinion, Petersburg Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

BDO USA, LLP

Anchorage, Alaska
November 6, 2013

Petersburg Borough

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___yes	X no
Significant deficiency(ies) identified?	___yes	X (none reported)
Noncompliance material to financial statements noted?	___yes	X no

Federal Financial Assistance

Internal control over major programs:		
Material weakness(es) identified?	___yes	X no
Significant deficiency(ies) identified?	___yes	X (none reported)
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	___yes	X no

Identification of major programs:

CFDA Number	*Name of Federal Program or Cluster*	*Agency*
10.665	National Forest Receipts	Department of Agriculture
66.468	Drinking Water Revolving Loan Funds	Environmental Protection Agency
66.202	Water Treatment Plant Upgrades	Environmental Protection Agency

Dollar threshold used to distinguish between a major program:		$ 300,000
Auditee qualified as low-risk auditee?	X yes	___no

State Financial Assistance

Internal control over major programs:		
Material weakness(es) identified?	___yes	X no
Significant deficiency(ies) identified?	___yes	X (none reported)
Type of auditor's report issued on compliance for major programs:	Unmodified	
Dollar threshold used to distinguish between a major program:		$ 100,000

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

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

Section IV – State Award Findings and Questioned Costs

None noted.

Petersburg Borough

Schedule of Prior Audit Findings

Year Ended June 30, 2013

Federal Award Findings and Questioned Costs

None noted.

State of Alaska Award Findings and Questioned Costs

None noted.

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