

City of Saint Paul, Alaska

Basic Financial Statements, Required Supplemental Information,
Supplemental Information, and Single Audit Reports

Year Ended December 31, 2018



CITY OF SAINT PAUL, ALASKA

Financial Statements

Year Ended December 31, 2018

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Financial Statements

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CITY OF SAINT PAUL, ALASKA

Financial Statements

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Saint Paul, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Saint Paul, Alaska, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City of Saint Paul'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Saint Paul, Alaska, as of December 31, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding a Change in Accounting Principle

As described in Note 2 to the financial statements, in 2018 the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Emphasis of Matter - Loan Repayment Moratorium Status

As described in Note 5 to the financial statements, the Department of Commerce revenue bond repayment moratorium expired in September 2016. The City has applied for an additional extension of the moratorium, but has not yet received approval or denial of this request. The financial statements have been prepared assuming the moratorium terms remain in place. If the extension request is not approved, it is unclear what repayment terms would be established which could raise doubts about the City's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT, continued

Other Matters - Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund on page 39, the Public Employees' Retirement System Schedule of the City's Information on the Net Pension Liability on page 40, the Schedule of City Contributions on page 41, the Public Employees' Retirement System Schedule of the City's Information on the Net OPEB Liability on page 42 and the Schedule of City Contributions on page 43 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 supplemental 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Matters – Supplemental and Other Information

Our audit for the year ended December 31, 2018 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Saint Paul's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, and the combining and individual fund financial statements and schedules for the year ended December 31, 2018, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The accompanying Schedule of Expenditures of Federal Awards, and the combining and individual fund financial statements and schedules listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2018, 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2018.

The City of Saint Paul's basic financial statements for the year ended December 31, 2017 (not presented herein), were audited by other auditors whose report thereon dated January 21, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated January 21, 2019, stated that the combining and individual fund financial statements and schedules for the year ended December 31, 2017 was subjected to the auditing procedures applied in the audit of the 2017 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 the 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, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2017.

INDEPENDENT AUDITORS' REPORT, continued

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019 on our consideration of City of Saint Paul's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Saint Paul's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Saint Paul's internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

Anchorage, Alaska
September 27, 2019

CITY OF SAINT PAUL, ALASKA

Statement of Net Position

December 31, 2018

Exhibit A-1

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and Investments	\$ 6,637,512	\$ 6,771,360	\$ 13,408,872
Receivables:			
Accounts	127,913	487,832	615,745
Intergovernmental	-	56,555	56,555
Taxes	13,771	-	13,771
Interest	25,603	-	25,603
Other	74,095	-	74,095
Allowance for doubtful accounts	(9,251)	(3,954)	(13,205)
Internal Balances	1,457,819	(1,457,819)	-
Inventory	46,460	338,331	384,791
Restricted Cash - Bond Redemption and Depreciation Reserve	-	150,000	150,000
Capital Assets:			
Land and construction in progress	-	1,654,548	1,654,548
Other capital assets, net of depreciation	25,282,616	10,329,422	35,612,038
Total Assets	<u>33,656,538</u>	<u>18,326,275</u>	<u>51,982,813</u>
Deferred Outflows of Resources:			
Pension related	90,443	29,301	119,744
Other postemployment benefits related	72,599	23,520	96,119
Total Deferred Outflows of Resources	<u>163,042</u>	<u>52,821</u>	<u>215,863</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 33,819,580</u>	<u>\$ 18,379,096</u>	<u>\$ 52,198,676</u>
LIABILITIES			
Accounts Payable	\$ 78,570	\$ 224,533	\$ 303,103
Accrued Liabilities	64,224	9,154	73,378
Customer Deposits	22,010	37,610	59,620
Unearned Revenue	782,146	50,351	832,497
Noncurrent Liabilities:			
Due within one year:			
Accrued leave	51,054	23,941	74,995
Revenue bonds	-	97,431	97,431
Due in more than one year:			
Revenue bonds, net of unamortized discount	-	6,360,472	6,360,472
Note payable - USACE	-	1,635,012	1,635,012
Accrued interest payable	-	1,905,144	1,905,144
Landfill closure and postclosure care costs	-	13,781	13,781
Net pension liability	1,388,499	449,841	1,838,340
Net other postemployment benefits liability	283,535	91,858	375,393
Total Liabilities	<u>2,670,038</u>	<u>10,899,128</u>	<u>13,569,166</u>
Deferred Inflows of Resources:			
Pension related	166,338	53,888	220,226
Other postemployment benefits related	150,542	48,772	199,314
Total Deferred Inflows of Resources	<u>316,880</u>	<u>102,660</u>	<u>419,540</u>
NET POSITION			
Net Investment in Capital Assets	25,282,616	5,526,067	30,808,683
Restricted for Debt Service and Depreciation Reserve	-	950,000	950,000
Unrestricted	5,550,046	901,241	6,451,287
Total Net Position	<u>30,832,662</u>	<u>7,377,308</u>	<u>38,209,970</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 33,819,580</u>	<u>\$ 18,379,096</u>	<u>\$ 52,198,676</u>

See accompanying notes to basic financial statements.

CITY OF SAINT PAUL, ALASKA

Statement of Activities

Year Ended December 31, 2018

Exhibit A-2

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 2,107,565	\$ 413,421	\$ 18,664	\$ -	\$ (1,675,480)	\$ -	\$ (1,675,480)
Public safety	713,497	-	15,744	-	(697,753)	-	(697,753)
Public works	923,121	140,200	13,184	-	(769,737)	-	(769,737)
Total Governmental Activities	<u>3,744,183</u>	<u>553,621</u>	<u>47,592</u>	<u>-</u>	<u>(3,142,970)</u>	<u>-</u>	<u>(3,142,970)</u>
Business-type Activities:							
Electric	1,513,934	1,376,069	5,730	-	-	(132,135)	(132,135)
Water and sewer	2,174,861	336,725	2,749	-	-	(1,835,387)	(1,835,387)
Bulk fuel farm	336,294	2,007,690	3,963	-	-	1,675,359	1,675,359
Harbor	233,722	44,161	717	-	-	(188,844)	(188,844)
Marine sales	22,314	51,929	11	-	-	29,626	29,626
Refuse	210,660	205,805	2,249	-	-	(2,606)	(2,606)
Total Business-type Activities	<u>4,491,785</u>	<u>4,022,379</u>	<u>15,419</u>	<u>-</u>	<u>-</u>	<u>(453,987)</u>	<u>(453,987)</u>
Total Activities	<u>\$ 8,235,968</u>	<u>\$ 4,576,000</u>	<u>\$ 63,011</u>	<u>\$ -</u>	<u>(3,142,970)</u>	<u>(453,987)</u>	<u>(3,596,957)</u>
General Revenues:							
Sales and fisheries taxes					1,463,915	-	1,463,915
Grants and entitlements not restricted to a specific purpose					713,419	-	713,419
Federal payment in lieu of taxes					77,198	-	77,198
Investment income					57,376	57,521	114,897
Other revenue					57,634	-	57,634
Transfers					88,239	(88,239)	-
Total General Revenues and Transfers					<u>2,457,781</u>	<u>(30,718)</u>	<u>2,427,063</u>
Change in Net Position					(685,189)	(484,705)	(1,169,894)
Net Position, beginning, a restated (Note 2)					<u>31,517,851</u>	<u>7,862,013</u>	<u>39,379,864</u>
Net Position, ending					<u>\$ 30,832,662</u>	<u>\$ 7,377,308</u>	<u>\$ 38,209,970</u>

See accompanying notes to basic financial statements.

CITY OF SAINT PAUL, ALASKA
Government Funds - Balance Sheet
December 31, 2018

Exhibit B-1

ASSETS	<u>General Funds</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Cash and Investments	\$ 6,328,126	\$ 309,386	\$ 6,637,512
Receivables:			
Accounts	127,913	-	127,913
Taxes	13,771	-	13,771
Interest	25,603	-	25,603
Other	74,095	-	74,095
Allowance for doubtful accounts	(9,251)	-	(9,251)
Advances to other funds	1,457,819	-	1,457,819
Inventory	<u>46,460</u>	<u>-</u>	<u>46,460</u>
 Total Assets	 <u>\$ 8,064,536</u>	 <u>\$ 309,386</u>	 <u>\$ 8,373,922</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 78,570	\$ -	\$ 78,570
Accrued liabilities	64,224	-	64,224
Customer deposits	22,010	-	22,010
Unearned revenue	<u>687,745</u>	<u>94,401</u>	<u>782,146</u>
 Total Liabilities	 <u>852,549</u>	 <u>94,401</u>	 <u>946,950</u>
Fund Balances:			
Nonspendable	1,504,279	-	1,504,279
Committed	-	214,985	214,985
Unassigned	<u>5,707,708</u>	<u>-</u>	<u>5,707,708</u>
 Total Fund Balances	 <u>7,211,987</u>	 <u>214,985</u>	 <u>7,426,972</u>
 Total Liabilities and Fund Balances	 <u>\$ 8,064,536</u>	 <u>\$ 309,386</u>	 <u>\$ 8,373,922</u>

CITY OF SAINT PAUL, ALASKA**Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position**

December 31, 2018

Exhibit B-2

Total Fund Balances for Governmental Funds	\$ 7,426,972
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Total Net Position reported in 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 and related accumulated depreciation are as follows:

Breakwater	\$ 47,642,984	
Buildings	7,453,612	
Machinery and equipment	3,082,446	
Accumulated depreciation and amortization	<u>(32,896,426)</u>	
Total Capital Assets		25,282,616

Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities:

Accrued leave	(51,054)	
Net pension liability	(1,388,499)	
Net other postemployment benefits liability	<u>(283,535)</u>	
Total Long-term Liabilities		(1,723,088)

Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time:

Deferred outflows of resources - pension related	90,443	
Deferred inflows of resources - pension related	(166,338)	
Deferred outflows of resources - other postemployment benefits related	72,599	
Deferred inflows of resources - other postemployment benefits related	<u>(150,542)</u>	
		<u>(153,838)</u>

Total Net Position of Governmental Activities	\$ <u><u>30,832,662</u></u>
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CITY OF SAINT PAUL, ALASKA**Governmental Funds****Statement of Revenues, Expenditures and Changes in Fund Balances**

Year Ended December 31, 2018

Exhibit B-3

	<u>General Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 1,463,915	\$ -	\$ 1,463,915
Intergovernmental	838,209	-	838,209
Charges for services	553,621	-	553,621
Investment income	57,376	-	57,376
Other revenue	57,634	-	57,634
	<u>2,970,755</u>	<u>-</u>	<u>2,970,755</u>
Total Revenues	<u>2,970,755</u>	<u>-</u>	<u>2,970,755</u>
Expenditures:			
General government	1,195,732	-	1,195,732
Public safety	761,876	-	761,876
Public works	874,636	-	874,636
	<u>2,832,244</u>	<u>-</u>	<u>2,832,244</u>
Total Expenditures	<u>2,832,244</u>	<u>-</u>	<u>2,832,244</u>
Excess of revenues over expenditures	138,511	-	138,511
Other Financing Uses:			
Transfers in	78,799	-	78,799
	<u>78,799</u>	<u>-</u>	<u>78,799</u>
Net Change in Fund Balances	217,310	-	217,310
Fund Balances, beginning	<u>6,994,677</u>	<u>214,985</u>	<u>7,209,662</u>
Fund Balances, ending	<u>\$ 7,211,987</u>	<u>\$ 214,985</u>	<u>\$ 7,426,972</u>

CITY OF SAINT PAUL, ALASKA

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

Year Ended December 31, 2018

Exhibit B-4

Net Change in Fund Balances - Total Governmental Funds	\$	217,310
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 depreciating (\$1,257,365) and loss on disposal of capital assets (\$45,299) exceeded capital outlays (\$67,050).		
		(1,235,614)
Transfer of landfill closure and postclosure care costs		9,440
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Decrease in accrued leave	\$	11,306
Net decrease in net pension liability and related deferred accounts		256,891
Net decrease in net other postemployment benefits liability and related deferred accounts		55,478
		<u>323,675</u>
Change in Net Position of Governmental Activities	\$	<u>(685,189)</u>

CITY OF SAINT PAUL, ALASKA

Enterprise Funds

Statement of Net Position

December 31, 2018

Exhibit C-1

	Major Funds					Nonmajor Funds	Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor	Refuse		
ASSETS							
Current Assets:							
Cash and investments	\$ 6,365,919	\$ -	\$ 975	\$ -	\$ -	\$ 404,466	\$ 6,771,360
Receivables:							
Accounts	154,049	26,220	223,416	40,539	40,722	2,886	487,832
Intergovernmental	56,555	-	-	-	-	-	56,555
Allowance for doubtful accounts	(705)	(606)	(2,643)	-	-	-	(3,954)
Inventory	53,308	-	259,201	3,649	-	22,173	338,331
Total Current Assets	6,629,126	25,614	480,949	44,188	40,722	429,525	7,650,124
Noncurrent Assets:							
Restricted cash - bond redemption and depreciation reserve	-	-	150,000	-	-	-	150,000
Capital Assets:							
Property, plant and equipment	7,329,583	10,465,746	6,813,579	5,103,431	3,301,691	46,708	33,060,738
Accumulated depreciation	(3,861,908)	(6,127,831)	(5,630,865)	(3,903,105)	(1,514,526)	(38,533)	(21,076,768)
Net Property, Plant, and Equipment	3,467,675	4,337,915	1,182,714	1,200,326	1,787,165	8,175	11,983,970
Total Noncurrent Assets	3,467,675	4,337,915	1,332,714	1,200,326	1,787,165	8,175	12,133,970
Total Assets	10,096,801	4,363,529	1,813,663	1,244,514	1,827,887	437,700	19,784,094
Deferred Outflows of Resources:							
Pension related	10,888	5,225	7,531	1,363	4,274	20	29,301
Other postemployment benefits related	8,740	4,194	6,045	1,094	3,431	16	23,520
Total Deferred Outflows of Resources	19,628	9,419	13,576	2,457	7,705	36	52,821
Total Assets and Deferred Outflows of Resources	\$ 10,116,429	\$ 4,372,948	\$ 1,827,239	\$ 1,246,971	\$ 1,835,592	\$ 437,736	\$ 19,836,915

See accompanying notes to basic financial statements.

CITY OF SAINT PAUL, ALASKA
Enterprise Funds
Statement of Net Position, continued
December 31, 2018

Exhibit C-1, cont.

	Major Funds					Nonmajor Funds	Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor	Refuse		
LIABILITIES							
Current Liabilities:							
Accounts payable	\$ 13,797	\$ 6,484	\$ 201,182	\$ 1,876	\$ 1,125	\$ 69	\$ 224,533
Accrued liabilities	2,377	2,891	1,564	2,322	-	-	9,154
Accrued leave	(427)	3,834	10,365	7,461	2,708	-	23,941
Customer deposits	37,610	-	-	-	-	-	37,610
Unearned revenue	-	4,157	-	46,194	-	-	50,351
Current portion of revenue bonds	97,431	-	-	-	-	-	97,431
Total Current Liabilities	150,788	17,366	213,111	57,853	3,833	69	443,020
Noncurrent Liabilities, net of current portion:							
Advances from Other Funds	-	267,606	659,310	443,835	87,068	-	1,457,819
Revenue bonds, net of unamortized discount	354,594	-	4,539,672	1,466,206	-	-	6,360,472
Note payable - USACE	-	-	-	1,635,012	-	-	1,635,012
Accrued interest payable	-	-	1,377,175	527,969	-	-	1,905,144
Landfill closure and postclosure care costs	-	-	-	-	13,781	-	13,781
Net pension liability	167,159	80,215	115,614	20,920	65,623	310	449,841
Net other postemployment benefits liability	34,134	16,380	23,609	4,272	13,400	63	91,858
Total Noncurrent Liabilities	555,887	364,201	6,715,380	4,098,214	179,872	373	11,913,927
Total Liabilities	706,675	381,567	6,928,491	4,156,067	183,705	442	12,356,947
Deferred Inflows of Resources:							
Pension related	20,025	9,609	13,850	2,506	7,861	37	53,888
Other postemployment benefits related	18,124	8,696	12,535	2,268	7,115	34	48,772
Total Deferred Inflows of Resources	38,149	18,305	26,385	4,774	14,976	71	102,660
NET POSITION							
Net Investment in Capital Assets Restricted for Debt Service and Depreciation Reserve	3,015,650	4,337,915	(3,356,958)	(265,880)	1,787,165	8,175	5,526,067
Unrestricted (Deficit)	6,355,955	(364,839)	(2,720,679)	(2,647,990)	(150,254)	429,048	901,241
Total Net Position	9,371,605	3,973,076	(5,127,637)	(2,913,870)	1,636,911	437,223	7,377,308
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 10,116,429	\$ 4,372,948	\$ 1,827,239	\$ 1,246,971	\$ 1,835,592	\$ 437,736	\$ 19,836,915

See accompanying notes to basic financial statements.

CITY OF SAINT PAUL, ALASKA

Enterprise Funds

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2018

Exhibit C-2

	Major Funds					Nonmajor Funds	Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor	Refuse		
Operating Revenues	\$ 1,376,069	\$ 336,725	\$ 2,007,690	\$ 44,161	\$ 205,805	\$ 51,929	\$ 4,022,379
Cost of Goods Sold	-	-	(1,621,599)	-	-	(13,569)	(1,635,168)
Net Operating Revenues	<u>1,376,069</u>	<u>336,725</u>	<u>386,091</u>	<u>44,161</u>	<u>205,805</u>	<u>38,360</u>	<u>2,387,211</u>
Operating Expenses:							
Salaries and benefits	179,499	37,748	4,883	128,231	(5,933)	(20,725)	323,703
Other operating expenses	1,002,886	91,908	167,601	23,471	52,635	14,748	1,353,249
Administrative cost allocation	130,009	60,671	125,675	17,334	43,336	13,001	390,026
Depreciation and amortization	<u>185,514</u>	<u>362,935</u>	<u>38,135</u>	<u>64,686</u>	<u>120,622</u>	<u>1,721</u>	<u>773,613</u>
Total Operating Expenses	<u>1,497,908</u>	<u>553,262</u>	<u>336,294</u>	<u>233,722</u>	<u>210,660</u>	<u>8,745</u>	<u>2,840,591</u>
Operating Income/Loss	(121,839)	(216,537)	49,797	(189,561)	(4,855)	29,615	(453,380)
Nonoperating Revenues (Expenses):							
State PERS relief	5,730	2,749	3,963	717	2,249	11	15,419
Investment income	54,085	-	-	-	-	3,436	57,521
Interest expense	<u>(16,026)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,026)</u>
Net Nonoperating Revenues (Expenses)	<u>43,789</u>	<u>2,749</u>	<u>3,963</u>	<u>717</u>	<u>2,249</u>	<u>3,447</u>	<u>56,914</u>
Income (Loss) Before Capital Contributions and Transfers	(78,050)	(213,788)	53,760	(188,844)	(2,606)	33,062	(396,466)
Transfers Out	-	(59,299)	(3,500)	-	(25,440)	-	(88,239)
Change in Net Position	(78,050)	(273,087)	50,260	(188,844)	(28,046)	33,062	(484,705)
Net Position (Deficit), beginning, as restated (Note 2)	<u>9,449,655</u>	<u>4,246,163</u>	<u>(5,177,897)</u>	<u>(2,725,026)</u>	<u>1,664,957</u>	<u>404,161</u>	<u>7,862,013</u>
Net Position (Deficit), ending	<u>\$ 9,371,605</u>	<u>\$ 3,973,076</u>	<u>\$ (5,127,637)</u>	<u>\$ (2,913,870)</u>	<u>\$ 1,636,911</u>	<u>\$ 437,223</u>	<u>\$ 7,377,308</u>

See accompanying notes to basic financial statements.

CITY OF SAINT PAUL, ALASKA

Enterprise Funds

Statement of Cash Flows

Year Ended December 31, 2018

Exhibit C-3

	Major Funds					Nonmajor Funds	Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor	Refuse		
Cash Flows from (for) Operating Activities:							
Receipts from customers and users	\$ 1,442,602	\$ 347,737	\$ 1,888,239	\$ 22,765	\$ 181,480	\$ 49,928	\$ 3,932,751
Payments for interfund services used	(130,009)	(60,671)	(125,675)	(17,334)	(43,336)	(13,001)	(390,026)
Payments to suppliers	(1,101,695)	(92,816)	(1,857,125)	(26,515)	(126,244)	(26,669)	(3,231,064)
Payments to employees	(199,147)	(78,296)	(146,051)	(106,921)	(66,010)	(465)	(596,890)
Net Cash Flows from (for) Operating Activities	11,751	115,954	(240,612)	(128,005)	(54,110)	9,793	(285,229)
Cash Flows from (for) Noncapital Financial Activities -							
Increase (decrease) in advances from other funds	-	(42,082)	480,570	128,005	83,973	-	650,466
Cash Flows for Capital and Related Financing Activities:							
Additions to property, plant and equipment	(279,297)	(14,573)	(241,487)	-	(13,863)	-	(549,220)
Transfers out	-	(59,299)	(3,500)	-	(16,000)	-	(78,799)
Principal paid	(97,214)	-	-	-	-	-	(97,214)
Interest paid	(1,400)	-	-	-	-	-	(1,400)
Net Cash Flows for Capital and Related Financing Activities	(377,911)	(73,872)	(244,987)	-	(29,863)	-	(726,633)
Cash Flows from Investing Activities -							
Investment income received	54,085	-	-	-	-	3,436	57,521
Net Increase (Decrease) in Cash and Investments	(312,075)	-	(5,029)	-	-	13,229	(303,875)
Cash and Investments, beginning	6,677,994	-	156,004	-	-	391,237	7,225,235
Cash and Investments, ending	\$ 6,365,919	\$ -	\$ 150,975	\$ -	\$ -	\$ 404,466	\$ 6,921,360
Reconciliation of Cash and Investments to Statement of Net Position:							
Cash and investments	\$ 6,365,919	\$ -	\$ 975	\$ -	\$ -	\$ 404,466	\$ 6,771,360
Restricted cash	-	-	150,000	-	-	-	150,000
Total Cash and Investments	\$ 6,365,919	\$ -	\$ 150,975	\$ -	\$ -	\$ 404,466	\$ 6,921,360

See accompanying notes to basic financial statements.

CITY OF SAINT PAUL, ALASKA

Enterprise Funds

Statement of Cash Flows, continued

Year Ended December 31, 2018

Exhibit C-3, cont.

	Major Funds					Nonmajor Funds	Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor	Refuse		
Reconciliation of Operating Income (Loss) to Net Cash Flows from (for) Operating Activities:							
Operating income (loss)	\$ (121,839)	\$ (216,537)	\$ 49,797	\$ (189,561)	\$ (4,855)	\$ 29,615	\$ (453,380)
Adjustments to reconcile operating income (loss) to net cash flows from (for) operating activities:							
Depreciation and amortization	185,514	362,935	38,135	64,686	120,622	1,721	773,613
Noncash expense - PERS relief	5,730	2,749	3,963	717	2,249	11	15,419
Increase in allowance for doubtful accounts	-	-	(145)	-	-	-	(145)
(Increase) decrease in assets and deferred outflows of resources:							
Accounts receivable	63,728	11,012	(86,197)	(21,396)	(24,325)	(2,001)	(59,179)
Inventory	(2,038)	-	(90,284)	-	-	2,589	(89,733)
Deferred outflows of resources - pension related	6,479	1,152	9,121	885	5,655	4,047	27,339
Deferred outflows of resources - other postemployment benefits related	(6,715)	(3,178)	(4,117)	(1,086)	(2,243)	79	(17,260)
Increase (decrease) in liabilities and deferred inflows of resources:							
Accounts payable	(96,771)	(908)	22,504	(3,044)	313	(941)	(78,847)
Accounts payable for capital assets	-	-	-	-	(73,922)	-	(73,922)
Accrued liabilities	(878)	1,892	458	603	-	-	2,075
Accrued leave	(5,854)	(1,751)	1,987	1,314	286	-	(4,018)
Unearned revenue	-	-	(33,254)	-	-	-	(33,254)
Customer deposits	2,805	-	-	-	-	-	2,805
Net pension liability	(29,582)	(39,234)	(132,022)	10,328	(66,710)	(22,454)	(279,674)
Net other postemployment benefits liability	4,852	1,682	(4,264)	4,158	(3,773)	(1,308)	1,347
Deferred inflows of resources - pension related	3,002	(5,125)	(14,736)	2,181	(5,839)	(906)	(21,423)
Deferred inflows of resources - other postemployment benefits related	3,318	1,265	(1,558)	2,210	(1,568)	(659)	3,008
Net Cash Flows from (for) Operating Activities	\$ <u>11,751</u>	\$ <u>115,954</u>	\$ <u>(240,612)</u>	\$ <u>(128,005)</u>	\$ <u>(54,110)</u>	\$ <u>9,793</u>	\$ <u>(285,229)</u>
Noncash Capital and Related Financing Activities-							
Transfer of Landfill Closure and Post Closure Care Costs	\$ -	\$ -	\$ -	\$ -	\$ 13,781	\$ -	\$ 13,781

See accompanying notes to basic financial statements.

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Saint Paul, Alaska (the City) was incorporated as a fourth-class city under Alaska State Law (Title 29) on June 29, 1971. In September 1972, all incorporated fourth-class cities were reclassified as second-class cities by the State of Alaska. The City operates under a council-manager form of government and provides or supports the following services: public services (electric utilities, refuse collection, sewer, water, Harbor of Saint Paul, bulk fuel delivery, and marine sales); road and street maintenance; recreation; planning and zoning; public improvements; economic development, and general administrative services. Education services are provided by the Pribilof Islands School District (the School District). The School District is a separate governmental entity and the City has no oversight responsibility. Accordingly, the School District's financial statements are not included herein.

For financial reporting purposes, the City includes all funds and activities that are controlled by or dependent on the City's governing body. Management has determined the City to be a single reporting entity for financial reporting purposes by applying the criteria established by the Governmental Accounting Standards Board. By applying these criteria, management has determined that the City has no component units.

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 City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income, grants and entitlements not restricted to a specific purpose, other than 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 government 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. 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 City generally considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to accrued leave are recorded only to the extent they have matured.

Sales and fish 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.

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

The City reports the following major funds:

Major Governmental Funds:

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

Major Propriety Funds:

- The Electric Utility Enterprise Fund is used to account for the operations of the electric utility.
- The Water and Sewer Utility Enterprise Fund is used to account for the operations of the City water and sewer systems.
- The Bulk Fuel Farm Enterprise Fund is used to account for the operations of the local fueling facility.
- The Harbor Enterprise Fund is used to account for the activities of the local port and harbor.
- The Refuse Enterprise Fund is used to account for the operations of the pickup and disposal of refuse into the City's solid waste landfill site and burn box operations. The Refuse Enterprise Fund did not meet the quantitative criteria for a major fund presentation; however, the City has elected to report it as major for consistency and due to public interest.

As a general rule, the effect of the interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise 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.

Accounts 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. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes, investment income, and state and federal entitlement revenue.

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.

Budgets

An operating budget is adopted each year for the General Fund on the same modified accrual basis used to reflect actual revenues and expenditures in the fund financial statements. Appropriations lapse at year end to the extent that they have not been expended or encumbered. Budgetary control is exercised at the department level. The City Manager is authorized to transfer budget amounts between line items within any department; however, any supplemental appropriations that amend the total expenditures or fund require Council approval.

Central Treasury

A central treasury is used to account for cash from most funds of the City to maximize interest income. Investments are stated at fair value. Investment earnings are allocated to most funds based on their respective cash balances.

Cash and Cash Equivalents

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

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies, continued

Inventory

Inventory is valued at cost in governmental funds and at the lower of cost and net realizable value in the proprietary funds. Cost is determined by the first-in first-out method. The cost is recorded as an expenditure or 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 Revenue

In applying the measurable and available concepts to grants and intergovernmental revenue, 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.

Interfund Transactions

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

Accrued Leave

The City allows employees to accumulate earned but unused vacation and sick leave benefits. All sick and vacation pay is accrued when incurred 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).

Deferred Inflows/Outflows of Resources

A deferred outflow of resources represents the consumption of the government's net position or fund balance that is applicable to a future period. A deferred inflow of resources 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 government funds are reported as deferred inflows.

Capital Assets

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

The cost of normal maintenance and repair that does not add to the value of the asset or materially extend the useful life of the asset is not capitalized.

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.

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies, continued

Capital Assets, continued

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

Breakwater and improvements	50 years
Plant in service	35-60 years
Fuel tanks and lines	25 years
Dock and mooring	10 years
Buildings	35-60 years
Machinery and equipment	5-15 years
Landfill	20 years

Unearned Grant Revenue

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

Long-term Debt

In the government-wide and the 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. Bonds payable are reported net of the applicable bond premium or discount.

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 City Council-the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies, continued

Fund Balances, continued

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

Encumbrances

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

Pension Plan and Other Postemployment Benefits (OPEB) Plan

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

Note 2 - Change in Accounting Principle

As discussed in Note 10 to the financial statements, the City participates in the Alaska Public Employees Retirement System (PERS) plan. In 2018, the City adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net OPEB Liability (and related deferred inflows of resources and deferred outflows of resources), as of the beginning of the City's fiscal year. As a result of the implementation of this statement, the City has recorded an opening balance adjustment to reflect opening balance OPEB liabilities and related accounts and to decrease opening net position as follows:

	Opening Net Position (Deficit), as Originally Presented	Change in Accounting Principle Adjustment	Opening Net Position (Deficit), as Restated
Governmental Activities	\$ 31,934,807	\$ (416,956)	\$ 31,517,851
Business-type Activities	7,992,027	(130,014)	7,862,013
Electric Utility	9,491,717	(42,062)	9,449,655
Water and Sewer Utility	4,267,276	(21,113)	4,246,163
Bulk Fuel Farm	(5,137,859)	(40,038)	(5,177,897)
Harbor	(2,724,862)	(164)	(2,725,026)
Refuse	1,689,625	(24,668)	1,664,957
Nonmajor funds	406,130	(1,969)	404,161

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 3 - Cash and Investments

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

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of December 31, 2018.

Deposits	\$	1,991,692	Cash and investments	\$	13,408,872
Investments		<u>11,567,180</u>	Restricted cash		<u>150,000</u>
Total	\$	<u><u>13,558,872</u></u>	Total	\$	<u><u>13,558,872</u></u>

General Investments

Investment Policy

The City's investment policy authorizes investments in:

- A. U.S. Treasury securities that mature in four years or less;
- B. Other obligations by the U.S. Government, its agencies and instrumentalities that mature in four years or less;
- C. Repurchase agreements of acceptable securities specified in Category A or B above which meet a margin requirement of 102%;
- D. Collateralized certificates of deposit and other deposits at banks and savings and loan associations;
- E. Uncollateralized deposits at banks and savings and loan associations, to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC);
- F. Bonds and notes which are issued by any state or political subdivision thereof, and which are General Obligation Bonds graded A or higher by Moody's Investor's Service, Inc., or M by Standard and Poor's Corporation which mature in four years or less;
- G. Prime bankers' acceptances offered by the fifty largest banks which mature in 180 days or less;
- H. Money market mutual funds whose portfolios consist entirely of instruments specified in Category A, B, or C above;
- I. The Alaska Municipal League Investment Pool, Inc. (AMLIP), made in accordance with the terms of that pool's "Common Investment Agreement".

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 the market interest rates.

Investment maturities in general investments at December 31, 2018 are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1 - 5
Certificates of deposits	\$ 10,447,286	\$ 3,446,839	\$ 7,000,447
U.S. government agency bonds	960,008	-	960,008
AMLIP pooled investments	<u>159,886</u>	<u>159,886</u>	-
Total Subject to Interest Rate Risk	<u><u>\$ 11,567,180</u></u>	<u><u>\$ 3,606,725</u></u>	<u><u>\$ 7,960,455</u></u>

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 3 - Cash and Investments, continued

Fair Value Measurement

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

The City has the following recurring fair value measurements as of December 31, 2018:

U.S. government agency securities of \$960,008 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs).

The City has investments in certificates of deposits totaling \$10,447,286 that are not held at fair value, but instead recorded at amortized cost, at December 31, 2018. The City's investment in AMLIP totaling \$159,886 is measured at net asset value as of December 31, 2018. Management believes these values approximate fair value.

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 above are rated Aaa by Moody's.

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 Pool is incorporated in the State of Alaska as a nonprofit corporation and reports to a board of directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

The manager is required to produce monthly disclosure statements on the Pool. The Pool also has retained an investment adviser who monitors the performance of the investment manager to ensure compliance with investment policies. All participation in the Pool is voluntary. The Pool must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments in the Pool are reviewed for fair value by an independent pricing service. As of December 31, 2018, the fair value of the investments in the Pool approximates amortized cost and is equal to the value of Pool shares.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. Of the bank balance at December 31, 2018, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$1,796,199 was subject to a collateral agreement. The City maintains a collateral agreement with its depository financial institution, Federal Home Loan Bank, of up to \$4,468,556. As a result, all money was insured as of December 31, 2018.

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2018 follows:

Governmental Activities	Balance January 1, 2018	Additions/ Reclassifications	Deletions/ Reclassifications	Balance December 31, 2018
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	45,299	-	(45,299)	-
Total assets not being depreciated	45,299	-	(45,299)	-
Capital assets being depreciated:				
Breakwater	47,642,984	-	-	47,642,984
Buildings	7,446,941	6,671		7,453,612
Machinery and equipment	3,107,803	60,379	(85,736)	3,082,446
Total assets being depreciated	58,197,728	67,050	(85,736)	58,179,042
Less accumulated depreciation for:				
Breakwater	26,146,156	952,860		27,099,016
Buildings	3,633,413	159,554		3,792,967
Machinery and equipment	1,945,228	144,951	(85,736)	2,004,443
Total accumulated depreciation	31,724,797	1,257,365	(85,736)	32,896,426
Total capital assets being depreciated, net	26,472,931	(1,190,315)	-	25,282,616
Governmental Activities Capital Assets, net	\$ 26,518,230	\$ (1,190,315)	\$ (45,299)	\$ 25,282,616

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 4 - Capital Assets continued

Capital asset activity for the year ended December 31, 2018 follows, continued:

Business-type Activities	Balance January 1, 2018	Additions/ Reclassifications	Deletions/ Reclassifications	Balance December 31, 2018
Capital assets not being depreciated:				
Land	\$ 256,236	\$ -	\$ -	\$ 256,236
Construction in progress	950,985	523,249	(75,922)	1,398,312
Total assets not being depreciated	<u>1,207,221</u>	<u>523,249</u>	<u>(75,922)</u>	<u>1,654,548</u>
Capital assets being depreciated:				
Plant in service	14,030,243	-	-	14,030,243
Fuel tanks and lines	5,249,823	-	-	5,249,823
Dock and mooring	5,045,532	-	-	5,045,532
Buildings	4,534,014	-	-	4,534,014
Machinery and equipment	2,444,685	101,893	-	2,546,578
Total assets being depreciated	<u>31,304,297</u>	<u>101,893</u>	<u>-</u>	<u>31,406,190</u>
Less accumulated depreciation for:				
Plant in service	8,101,344	464,583	-	8,565,927
Fuel tanks and lines	5,193,815	6,366	-	5,200,181
Dock and mooring	3,786,812	61,781	-	3,848,593
Buildings	1,633,805	103,682	-	1,737,487
Machinery and equipment	1,591,720	132,860	-	1,724,580
Total accumulated depreciation	<u>20,307,496</u>	<u>769,272</u>	<u>-</u>	<u>21,076,768</u>
Total capital assets being depreciated, net	<u>10,996,801</u>	<u>(667,379)</u>	<u>-</u>	<u>10,329,422</u>
Business-type Activities Capital Assets, net	<u>\$ 12,204,022</u>	<u>\$ (144,130)</u>	<u>\$ (75,922)</u>	<u>\$ 11,983,970</u>

Depreciation expense was charged to the functions as follows:

Government Activities:	
General government	\$ 1,039,990
Public safety	57,062
Public works	160,313
Total Depreciation Expense - Governmental Activities	<u>\$ 1,257,365</u>
Business-type Activities:	
Electric utility	\$ 185,514
Water and sewer utility	362,935
Bulk fuel farm	38,135
Harbor	64,686
Marine sales	1,721
Refuse	116,281
Total Depreciation Expense - Business-type Activities	<u>\$ 769,272</u>

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 5 - Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2018:

Governmental Activities	Balance January 1, 2018	Additions	Retired	Balance December 31, 2018	Due Within One Year
Accrued leave	\$ 62,360	\$ 60,140	\$ 71,446	\$ 51,054	\$ 51,054
Landfill closure and postclosure care costs	9,440	-	9,440	-	-
Net pension liability	1,631,756	-	243,257	1,388,499	-
Net other postemployment benefits liability	290,265	-	6,730	283,535	-
Total Governmental Activities	\$ 1,993,821	\$ 60,140	\$ 330,873	\$ 1,723,088	\$ 51,054
Business-type Activities	Balance January 1, 2018	Additions	Retired	Balance December 31, 2018	Due Within One Year
Revenue Bonds:					
\$6,562,878 revenue bonds payable to the U.S. Department of Commerce with interest at 5% (see note below for moratorium on payments)	\$ 6,005,878	\$ -	\$ -	\$ 6,005,878	\$ -
\$150,000 electric revenue bonds payable to the State of Alaska in 25 equal annual installments of \$8,614 including 3% interest	47,068	-	7,215	39,853	7,431
\$2,250,000 electric revenue bonds payable to the State of Alaska in 25 equal annual installments of \$90,000, discounted at an imputed interest rate of 3% with an unamortized discount of \$37,828 at December 31, 2018	540,000	-	90,000	450,000	90,000
Less unamortized discount	(52,454)	-	(14,626)	(37,828)	-
Total revenue bonds payable	6,540,492	-	82,589	6,457,903	97,431
Note payable to U.S. Army Corps of Engineers (USACE), payable in 30 equal annual installments of \$86,135 including interest of 3.25% interest beginning July 1, 2020	1,635,012	-	-	1,635,012	-
Accrued interest payable	1,905,144	-	-	1,905,144	-
Accrued leave	27,959	16,600	20,618	23,941	23,941
Landfill closure and postclosure care costs	-	18,122	4,341	13,781	-
Net pension liability	729,515	-	279,674	449,841	-
Net other postemployment benefits liability	90,510	1,348	-	91,858	-
Total Business-type Activities	\$ 10,928,632	\$ 36,070	\$ 387,222	\$ 10,577,480	\$ 121,372

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 5 - Long-term Liabilities, continued

On March 17, 2009, the National Oceanic and Atmospheric Administration (NOAA) and the City reached an agreement regarding the Department of Commerce revenue bonds whereby there is a moratorium on interest accrual and principal payments retroactive to April 18, 2005, and continuing for five years from the date of the order or until March 18, 2016. In March 2016, that agreement was extended until September 18, 2016. As of December 2016, an application for an additional extension of the moratorium has been filed with NOAA. To date, such extension has not been approved; however, management believes that this extension will be approved and, therefore, has not reported any portion of the loan balance or the accrued interest payable as a current liability.

As a result of the 2009 decision, \$811,404 of accrued interest previously recorded on the books was forgiven leaving \$1,905,144 of accrued interest on the City's financial statements related to the bonds. This accrued interest payable of \$1,905,144 is reflected as a long-term liability, as it is uncertain when the City will be required to pay these amounts. Additionally, the outstanding balance of the bond principal is also reflected as a long-term liability. It is critical to note that if the moratorium is not extended, it is unclear what repayment terms would be established and could impact the City's ability to continue as a going concern.

The annual debt service requirements of the electric revenue bonds outstanding and the note payable to USACE at December 31, 2018, are scheduled out below. The Department of Commerce revenue bond has not been included in the future payments.

Business-type Activities	Principal	Interest	Total Requirements
Year Ending December 31,			
2019	\$ 97,431	\$ 13,549	\$ 110,980
2020	130,651	64,195	194,846
2021	131,953	60,433	192,386
2022	133,297	56,618	189,915
2023	135,086	52,690	187,776
Thereafter	1,496,447	743,069	2,239,516
	\$ 2,124,865	\$ 990,554	\$ 3,115,419

Note 6 - Landfill Closure and Postclosure Liability

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, accounting principles generally accepted in the United States of America require that the City report a portion of these closure and postclosure care costs each period based on landfill capacity used as of each balance sheet date.

The future total estimated closure cost of the landfill is approximately \$139,690. The \$13,781 reported as landfill closure costs payable at December 31, 2018 for the landfill represents the cumulative amount reported to date based on the expected usage of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$125,909 as the remaining expected usage is filled. These amounts are based on an estimate of cost to perform all closure and postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The remaining life of the landfill is estimated to be approximately 30 years.

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 7 - Fund Balances

Fund balances, reported for the major fund and the nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	General Fund	Nonmajor Funds	Totals
Nonspendable:			
Inventory	\$ 46,460	\$ -	\$ 46,460
Advance to Water and Sewer Utility Enterprise Fund	267,606	-	267,606
Advance to Bulk Fuel Farm Enterprise Fund	659,310	-	659,310
Advance to Harbor Enterprise Fund	443,835	-	443,835
Advance to Refuse Enterprise Fund	87,068	-	87,068
Total Nonspendable	<u>\$1,504,279</u>	<u>-</u>	<u>\$1,504,279</u>
Committed for capital projects	-	214,985	214,985
Unassigned	5,707,708	-	5,707,708
Total Fund Balances	<u>\$ 7,211,987</u>	<u>\$ 214,985</u>	<u>\$ 7,426,972</u>

The following funds had fund deficits at December 31, 2018:

Bulk Fuel Farm Enterprise Fund	\$ 5,127,637
Harbor Enterprise Fund	2,913,870

Note 8 - Defined Benefit (DB) Pension Plan

General Information about the Plan

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

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

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

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

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 8 - Defined Benefit (DB) Pension Plan, continued

Historical Context and Special Funding Situation

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

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

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

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

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

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

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

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 8 - Defined Benefit (DB) Pension Plan, continued

Employer and Other Contribution Rates, continued

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For fiscal year 2018, the rate uses an 8% pension discount rate and a 4.30% healthcare discount rate.

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

Contribution rates for the year ended June 30, 2018 and June 30, 2019 were determined in the June 30, 2015 and June 30, 2016 actuarial valuations, respectively. City contribution rates for the 2018 calendar year were as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
<u>January 1, 2018 to June 30, 2018</u>				
Pension	17.12%	21.90%	3.01%	29.07%
Other postemployment benefits (see Note 10)	4.88%	3.11%	0.00%	66.85%
Total Contribution Rates	<u>22.00%</u>	<u>25.01%</u>	<u>3.01%</u>	<u>95.92%</u>
<u>July 1, 2018 to December 31, 2018</u>				
Pension	16.17%	23.21%	5.58%	29.07%
Other postemployment benefits(see Note 10)	5.83%	4.37%	0.00%	66.85%
Total Contribution Rates	<u>22.00%</u>	<u>27.58%</u>	<u>5.58%</u>	<u>95.92%</u>

In 2018, the City was credited with the following contributions into the pension plan.

	Measurement Period July 1, 2017 to June 30, 2018	City Fiscal Year January 1, 2018 to December 31, 2018
Employer contributions (including DBUL)	\$ 159,797	\$ 159,398
Nonemployer contributions (on-behalf)	41,751	63,011
Total Contributions	<u>\$ 201,548</u>	<u>\$ 222,409</u>

In addition, employee contributions to the Plan totaled \$34,130 during the City's fiscal year.

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 8 - Defined Benefit (DB) Pension Plan, continued

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

At December 31, 2018, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

City proportionate share of NPL	\$	1,838,340
State's proportionate share of NPL associated with the City		<u>533,475</u>
Total Net Pension Liability	\$	<u><u>2,371,815</u></u>

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net pension liability as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2018 measurement date, the City's proportion was 0.03700 percent, which was a decrease of 0.00868 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized a pension benefit of \$369,702. Of this amount, \$24,978 was recorded as on-behalf revenue and expense for additional contributions paid by the State. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (46,138)
Net difference between projected and actual earnings on pension plan investments	40,600	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(174,088)
City contributions subsequent to the measurement date	<u>79,144</u>	<u>-</u>
Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions	\$ <u><u>119,744</u></u>	\$ <u><u>(220,226)</u></u>

The \$79,144 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2019	\$ (168,588)
2020	22,200
2021	(31,458)
2022	(1,780)

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 8 - Defined Benefit (DB) Pension Plan, continued

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018. The actuarial assumptions used in the June 30, 2017 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry age normal; level percentage of payroll
Amortization Method	Level dollar, closed
Inflation	3.12%
Salary Increases	Graded by service, from 9.66% to 4.92% for peace officer/firefighter Graded by age and service, from 8.55% to 4.34% for all others
Allocation Methodology	Amounts for FY18 were allocated to employers based on the projected present value of contributions for FY 2019-2039. The liability is expected to go to zero at 2039.
Investment Return/Discount Rate	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.

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

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	8.90%
Global ex-U.S. equity	7.85%
Intermediate Treasuries	1.25%
Opportunistic	4.76%
Real assets	6.20%
Absolute return	4.76%
Private equity	12.08%
Cash equivalents	0.66%

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 8 - Defined Benefit (DB) Pension Plan, continued

Discount Rate

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

Discount Rate Sensitivity

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

	<u>Proportional</u>	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>Share</u>	<u>(7.00%)</u>	<u>Discount</u>	<u>(9.00%)</u>
			<u>Rate (8.00%)</u>	
City's proportionate share of the net pension liability	0.03700%	\$ 2,434,426	\$ 1,838,340	\$ 1,334,123

Pension Plan Fiduciary Net Position

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

Note 9 - Defined Contribution (DC) Pension Plan

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

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

Benefit Terms

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

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended December 31, 2018, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended December 31, 2018 were \$43,591 and \$69,747, respectively.

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 9 - Defined Contribution (DC) Pension Plan, continued

Employer Contribution Rate, continued

In 2018, the State allowed the usage of forfeitures for employer contributions to non-vested, terminated employee DC plans. Forfeited contributions are only available to cover future payrolls related to employer contributions to the DC plan. At December 31, 2018, the City had forfeitures in the amount of \$21,511.

Note 10 - Other Postemployment Benefit (OPEB) Plans

As part of its participation in the PERS DB Plan (Tiers I, 11, 111), the City participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the DB Plan. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration.

Defined Benefit OPEB Plan - Employer Contribution Rate

For the year ended December 31, 2018, the City was required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

In 2018, the City was credited with the following contributions to the OPEB plan:

	Measurement Period July 1, 2017 to June 30, 2018	City Fiscal Year January 1, 2018 to December 31, 2018
Employer contributions	\$ 54,410	\$ 62,807
Nonemployer contributions (on-behalf)	-	-
	<u>54,410</u>	<u>62,807</u>
Total Contributions	<u>\$ 54,410</u>	<u>\$ 62,807</u>

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

At December 31, 2018, the City reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the City. The amount recognized by the City for its proportionate share, the related State proportion, and the total were as follows:

City's proportionate share of NOL - ARHCT	\$ 379,694
City's proportionate share of NOL - RMP	8,173
City's proportionate share of NOL - ODD	(12,474)
State's proportionate share of NOL associated with the City	<u>110,950</u>
Total Net OPEB Liabilities	<u>\$ 486,343</u>

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 10 - Other Postemployment Benefit (OPEB) Plans, continued

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

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

	June 30, 2017 Measurement Date Employer Portion	June 30, 2018 Measurement Date Employer Portion	Change
City's proportionate share of the net OPEB liabilities:			
ARHCT	0.04570%	0.03700%	-0.00870%
RMP	0.05744%	0.06423%	0.00679%
ODD	0.05744%	0.06423%	0.00679%

As a result of its requirement to contribute to the Plan, the City recognized OPEB benefit of \$2,440 and an on-behalf revenue of \$14,565 for support provided by the State. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (44,518)
Net difference between projected and actual earnings on OPEB plan investments	-	(82,092)
Change in assumptions	61,389	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(72,704)
City contributions subsequent to the measurement date	34,730	-
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	<u>\$ 96,119</u>	<u>\$ (199,314)</u>

The \$34,730 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	
2019	\$ (74,349)
2020	(35,701)
2021	(26,652)
2022	(1,635)
2023	126
Thereafter	286

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 10 - Other Postemployment Benefit (OPEB) Plans, continued

Actuarial Assumptions

The total OPEB liability for the measurement period ended June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018. The actuarial assumptions used in the June 30, 2017 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry age normal; level percentage of payroll
Amortization Method	Level dollar, closed
Inflation	3.12%
Salary Increases	Graded by service, from 9.66% to 4.92% for peace officer/firefighter Graded by age and service, from 8.55% to 4.34% for all others.
Allocation Methodology	Amounts for FY18 were allocated to employers based on the projected present value of contributions for FY 2019-2039. The liability is expected to go to zero at 2039.
Investment Return/Discount Rate	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Healthcare Cost Trend Rates	Pre-65 medical: 8.0% grading down to 4.0% Post-65 medical: 5.5% grading down to 4.0% Prescription drug: 9.0% grading down to 4.0% Retiree Drug Subsidy/Employer Group Waiver Plans: 6.5% grading down to 4.0%
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 10 - Other Postemployment Benefit (OPEB) Plans, continued

Actuarial Assumptions, continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	24.00%	8.90%
Global ex-U.S.equity	22.00%	7.85%
Intermediate Treasuries	10.00%	1.25%
Opportunistic	10.00%	4.76%
Real assets	17.00%	6.20%
Absolute return	7.00%	4.76%
Private equity	9.00%	12.08%
Cash equivalents	1.00%	0.66%

Discount Rate

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

Discount Rate Sensitivity

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

	<u>Proportional Share</u>	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's proportionate share of the net OPEB liabilities:				
ARHCT	0.03700%	\$ 768,691	\$ 379,695	\$ 53,636
RMP	0.06423%	24,407	8,173	(4,489)
ODD	0.06423%	(11,714)	(12,474)	(13,100)

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 10 - Other Postemployment Benefit (OPEB) Plans, continued

Healthcare Cost Trend Rates Sensitivity

The following presents the City's proportionate share of the net OPEB liabilities calculated using the healthcare cost trend rate, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net OPEB liabilities:				
ARHCT	0.03700%	\$ 7,371	\$ 379,695	\$ 828,195
RMP	0.06423%	(6,949)	8,173	28,411
ODD	0.06423%	-	(12,474)	-

OPEB Plan Fiduciary Net Position

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

Defined Contribution OPEB Plan

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

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2018 were as follows:

	Tier IV	Tier IV
Retiree medical plan	1.03%	1.03%
Occupational death and disability benefits	0.16%	0.43%
Total Contribution Rates	<u>1.19%</u>	<u>1.46%</u>

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of all employees of all employers in the plan". As of July 1, 2018, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,103 per year for each full-time employee, and \$1.35 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2018, the City contributed \$35,601 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 11 - Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees.

The City is a member of the Alaska Public Entity Insurance Association (APEI), a governmental insurance pool. The APEI provides the City coverage for property, including building and contents, automobiles, mobile equipment, data processing equipment and boiler and machinery; casualty, including general liability, public officials and employees liability, law enforcement professional liability, auto liability and employee benefit liability; workers' compensation, including employers liability; and commercial blanket bond. The City maintains supplemental marine insurance and firefighter's group accident coverage with insurance companies placed through APEI.

The 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 on each member's deposit contribution in comparison to the aggregate deposit contributions of all members. The Association made no supplemental assessments during the year ended December 31, 2018.

Note 12 - Interfund Balances

Fund balance in the General Fund has been classified as nonspendable for the amount of the advances to other funds.

A schedule of interfund balances at December 31, 2018 follows:

Advances to Other Funds

Advance from the General Fund to:

Water and Sewer Utility Enterprise Fund	\$ 267,606
Bulk Fuel Farm Enterprise Fund	659,310
Harbor Enterprise Fund	443,835
Refuse Enterprise Fund	87,068
Total Advances to Other Funds	<u>\$ 1,457,819</u>

Note 13 - Contingencies

Litigation

The City is involved in various claims and pending litigation as part of the normal course of its activities. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the City's financial statements.

CITY OF SAINT PAUL, ALASKA
Notes to Basic Financial Statements
Year Ended December 31, 2018

Note 14 - New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Actual impacts have not yet been determined.

GASB 83 - Certain Asset Retirement Obligations - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

GASB 84 - Fiduciary Activities - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses criteria for identifying and reporting fiduciary activities.

GASB 87 - Leases - Effective for year-end December 31, 2020, with earlier application encouraged - This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses note disclosures related to debt, clarifies which liabilities to include when disclosing information related to debt, and defines debt for the purpose of disclosure. It requires additional essential information related to debt be disclosed in the notes, as well as information for direct borrowings and direct placements.

GASB 89 - Accounting for Interest Cost Incurred Before the End of a Construction Period- Effective for the year-end December 31, 2020, with earlier application encouraged – The statement establishes accounting requirements for the interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB 90 – Majority Equity Interests - Effective for year-end December 31, 2020, with earlier application encouraged – This statement seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority interest, specifies that a majority interest in a legally separate organization should be reported as an investment if the government's holding of the equity interest meets the definition of an investment and requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired the 100 percent equity interest in the component unit.

GASB 91 – Conduit Debt Obligations – Effective for year-end 2021, with earlier application encouraged – This statement seeks to provide a single method of reporting conduit debt obligations by issuers and eliminate the diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards of accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement also addresses arrangements, often characterized as leases, that are associated with conduit debt obligations.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF SAINT PAUL, ALASKA

General Fund

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

Year Ended December 31, 2018

Exhibit D-1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes:				
Sales	\$ 251,500	\$ 301,995	\$ 342,997	\$ 41,002
Fish	1,084,000	1,120,803	1,120,918	115
Total Taxes	<u>1,335,500</u>	<u>1,422,798</u>	<u>1,463,915</u>	<u>41,117</u>
Intergovernmental:				
State fisheries taxes	441,863	638,862	630,938	(7,924)
State PERS relief	-	-	47,592	47,592
State liquor licenses	4,000	4,000	-	(4,000)
Federal payment in lieu of taxes	75,000	77,198	77,198	-
State revenue sharing	90,000	90,000	82,481	(7,519)
Total Intergovernmental	<u>610,863</u>	<u>810,060</u>	<u>838,209</u>	<u>28,149</u>
Charges for services:				
Building/housing revenue	118,584	134,824	140,200	5,376
Allocated administrative charges	390,026	390,026	390,026	-
Other contract and labor revenues	179,809	24,769	23,395	(1,374)
Total Charges for Services	<u>688,419</u>	<u>549,619</u>	<u>553,621</u>	<u>4,002</u>
Investment income	90,000	14,129	57,376	43,247
Other revenue	337,013	57,387	57,634	247
Total Revenues	<u>3,061,795</u>	<u>2,853,993</u>	<u>2,970,755</u>	<u>116,762</u>
Expenditures:				
General government	1,292,330	1,142,178	1,195,732	(53,554)
Public safety	914,763	859,974	761,876	98,098
Public works	1,017,487	952,870	874,636	78,234
Total Expenditures	<u>3,224,580</u>	<u>2,955,022</u>	<u>2,832,244</u>	<u>122,778</u>
Excess of Revenues over Expenditures	(162,785)	(101,029)	138,511	239,540
Other Financing Uses:				
Transfers in	-	-	78,799	78,799
Net Change in Fund Balance	<u>\$ (162,785)</u>	<u>\$ (101,029)</u>	217,310	<u>\$ 318,339</u>
Fund Balance, beginning			<u>6,994,677</u>	
Fund Balance, ending			<u>\$ 7,211,987</u>	

CITY OF SAINT PAUL, ALASKA

Public Employees' Retirement System Pension Plan

Schedule of the City's Information on the Net Pension Liability

Exhibit E-1

Year Ended December 31,	Measurement Period Ended June 30,	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of the Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	2018	0.03700%	\$ 1,838,340	\$ 533,475	\$ 2,371,815	\$ 1,369,752	134.21%	65.19%
2017	2017	0.04568%	2,361,271	880,458	3,241,729	1,191,633	198.15%	63.37%
2016	2016	0.05252%	2,935,604	367,692	3,303,296	1,421,459	206.52%	59.55%
2015	2015	0.06157%	2,986,268	800,510	3,786,778	1,623,160	233.03%	63.96%
2014	*	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*	*

* Information not available for this period

CITY OF SAINT PAUL, ALASKA
Public Employees' Retirement System Pension Plan
Schedule of the City Contributions

Exhibit E-2

Year Ended December 31,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 158,646	\$ 158,646	\$ -	\$ 1,369,752	11.582%
2017	139,695	139,695	-	1,160,380	12.039%
2016	118,075	118,075	-	1,222,885	9.655%
2015	128,719	128,719	-	1,491,677	8.629%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*

* Information not available for this period

CITY OF SAINT PAUL, ALASKA

Public Employees' Retirement System OPEB Plan

Schedule of the City's Information on the Net OPEB Liability

Exhibit E-3

Year Ended December 31,	Measurement Period Ended June 30,	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of the Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Alaska Retirement Healthcare Trust								
2018	2018	0.03700%	\$ 379,695	\$ 110,950	\$ 490,645	\$ 1,369,752	27.72%	88.12%
2009 - 2017	*	*	*	*	*	*	*	*
Retiree Medical Plan								
2018	2018	0.06423%	8,173	-	8,173	1,369,752	0.60%	270.62%
2009 - 2017	*	*	*	*	*	*	*	*
Occupational Death and Disability								
2018	2018	0.06423%	(12,474)	-	(12,474)	1,369,752	-0.91%	88.71%
2009 - 2017	*	*	*	*	*	*	*	*

* Information not available for this period

CITY OF SAINT PAUL, ALASKA
Public Employees' Retirement System OPEB Plan
Schedule of the City Contributions

Exhibit E-4

Year Ended December 31,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
Alaska Retirement Healthcare Trust					
2018	\$ 51,411	\$ 51,411	-	\$ 1,369,752	3.753%
2009 - 2017	*	*	*	*	*
Retiree Medical Plan					
2018	2,834	2,834	-	1,369,752	0.207%
2009 - 2017	*	*	*	*	*
Occupational Death and Disability					
2018	8,561	8,561	-	1,369,752	0.625%
2009 - 2017	*	*	*	*	*

* Information not available for this period

CITY OF SAINT PAUL, ALASKA

Notes to Required Supplemental Information

Year Ended December 31, 2018

Note 1 - Budgetary Comparison Schedule

An operating budget is adopted each fiscal year for the General Fund on the same modified accrual basis used to reflect actual revenues and expenditures.

The City follows these procedures in establishing the budgetary data reflected in the required budgetary comparison Schedule:

- a. Starting in September, the Finance Director meets with Department Heads and assembles the needs of the coming year, including maintenance and deferred maintenance needs, supplies, projects, equipment replacement or repair needs, regulation requirements, etc. By the end of September, the Finance Director meets with the City Manager and works to prioritize the list assembled. At times, Department Heads may be called in to answer questions regarding their requests.
- b. By the third week in October, the City Manager presents the budget proposal for the next fiscal year to the Council, in a workshop. Workshops are open to the public, but are not recorded, allowing free discussion and questions, from the Council, the workforce, and/or the public.
- c. By the end of November, the City Manager presents the budget to the Council for a first reading of a budget ordinance. Additional information regarding any significant changes in line items is provided.
- d. By the middle of December, the City Manager and Finance Director finalize the budget and present it to Council for a second reading and adoption of the Ordinance in a regular meeting. Upon adoption, the funds are appropriated.
- e. Public comment is taken in all meetings, and a public hearing is posted with the second reading in December to obtain taxpayer/citizen comments.
- f. The Council may increase or decrease appropriations during the course of the year and may amend the budget using the same method as for initial adoption (two readings at Council meetings).
- g. The City Manager may establish line item expenditures within an authorized department, fund or project appropriation, and/or transfer from one authorized department, fund, or project appropriation to another any amount which would not annually exceed ten percent of that department, fund or project appropriation. Expenditures may not exceed appropriations at the fund level.
- h. Appropriations lapse at the end of the fiscal year to the extent they have not been fully expended or fully encumbered. Capital appropriations remain in force until the project is finished or abandoned.

Note 2 - Public Employees' Retirement System Pension Plan

In accordance with GASB Statement 82, "Covered Payroll" is defined as payroll on which contributions to the pension plan are based. Because a portion of the City's contributions to the Plan (the DBUL) are based on Defined Contribution Wages, covered payroll reported here includes all PERS participating wages (both DB and DC).

Both tables are intended to present 10 years of information. Additional year's information will be added to the schedules as it becomes available.

Schedule of City's Information on the Net Pension Liability

- This table is presented based on the Plan measurement date. For December 31, 2018, the Plan measurement date is June 30, 2018.
- There were no changes in benefit terms from the prior measurement period.
- There were no material changes in assumptions from the prior measurement period.
- There were no changes in allocation methodology.

CITY OF SAINT PAUL, ALASKA

Notes to Required Supplemental Information

Year Ended December 31, 2018

Note 2 - Public Employees' Retirement System Pension Plan, continued

Schedule of City Contributions

This table is based on the City's contributions for each year presented. A portion of these contributions are included in the plan measurement results, while a portion of the contributions are reported as a deferred outflow of resources on the Statements of Net Position.

Note 3 - Public Employees' Retirement System OPEB Plan

Both tables are intended to present 10 years of information. Additional year's information will be added to the schedules as it becomes available.

Schedule of City's Information on the Net OPEB Liability

- This table is presented based on the Plan measurement date. For December 31, 2018, the Plan measurement date is June 30, 2018.
- There were no changes in benefit terms from the prior measurement period.
- There were no material changes in assumptions from the prior measurement period.
- There were no changes in allocation methodology.

Schedule of City Contributions

This table is based on the City's contributions for each year presented. A portion of these contributions are included in the plan measurement results, while a portion of the contributions are reported as a deferred outflow of resources on the Statements of Net Position.

SUPPLEMENTAL INFORMATION

CITY OF SAINT PAUL, ALASKA
Nonmajor Governmental Funds
Balance Sheet
December 31, 2018

Exhibit F-1

	<u>Special Revenue Fund Harbor Navigation</u>
ASSETS	
Cash Investments	\$ <u>309,386</u>
LIABILITES	
Unearned Revenue	\$ <u>94,401</u>
Fund Balance	
Committed	<u>214,985</u>
Total Liabilities and Fund Balance	\$ <u>309,386</u>

CITY OF SAINT PAUL, ALASKA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended December 31, 2018

Exhibit F-2

	<u>Special Revenue Funds Harbor Navigation</u>
Net Change in Fund Balances	\$ -
Fund Balances, beginning	<u>214,985</u>
Fund Balances, ending	<u>\$ 214,985</u>

CITY OF SAINT PAUL, ALASKA
Nonmajor Enterprise Funds
Combining Statement of Net Position
December 31, 2018

Exhibit G-1

	Marine Sales	Home Energy Loan	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and investments	\$ 404,351	\$ 115	\$ 404,466
Accounts receivable	2,886	-	2,886
Inventory	22,173	-	22,173
Total Current Assets	<u>429,410</u>	<u>115</u>	<u>429,525</u>
Property, Plant and Equipment:			
Machinery and equipment	46,708	-	46,708
Accumulated depreciation	(38,533)	-	(38,533)
Net Property, Plant and Equipment	<u>8,175</u>	<u>-</u>	<u>8,175</u>
Total Assets	<u>437,585</u>	<u>115</u>	<u>437,700</u>
Deferred Outflows of Resources:			
Pension related	20	-	20
Other postemployment benefits related	16	-	16
Total Deferred Outflows of Resources	<u>36</u>	<u>-</u>	<u>36</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 437,621</u>	<u>\$ 115</u>	<u>\$ 437,736</u>
LIABILITIES			
Current Liabilities - accounts payable			
	\$ 69	\$ -	\$ 69
Noncurrent Liabilities:			
Net pension liability	310	-	310
Net other postemployment benefits liability	63	-	63
Total Noncurrent Liabilities	<u>373</u>	<u>-</u>	<u>373</u>
Total Liabilities	<u>442</u>	<u>-</u>	<u>442</u>
Deferred Inflows of Resources:			
Pension related	37	-	37
Other postemployment benefits related	34	-	34
Total Deferred Inflows of Resources	<u>71</u>	<u>-</u>	<u>71</u>
Net Position:			
Net investment in capital assets	8,175	-	8,175
Unrestricted	428,933	115	429,048
Total Net Position	<u>437,108</u>	<u>115</u>	<u>437,223</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 437,621</u>	<u>\$ 115</u>	<u>\$ 437,736</u>

CITY OF SAINT PAUL, ALASKA**Nonmajor Enterprise Funds****Combining Statement of Revenues, Expenses and Changes in Net Position**

Year Ended December 31, 2018

Exhibit G-2

	<u>Marine Sales</u>	<u>Home Energy Loan</u>	<u>Total Nonmajor Enterprise</u>
Operating Revenues:			
Operating revenues	\$ 51,929	\$ -	\$ 51,929
Cost of goods sold	<u>(13,569)</u>	<u>-</u>	<u>(13,569)</u>
Net Operating Revenues	<u>38,360</u>	<u>-</u>	<u>38,360</u>
Operating Expenses:			
Salaries and wages	371	-	371
Employee benefits	(21,096)	-	(21,096)
Material and supplies	3,407	-	3,407
Fuel and utilities	22	-	22
Depreciation	1,721	-	1,721
Insurance	11,319	-	11,319
Administrative cost allocation	<u>13,001</u>	<u>-</u>	<u>13,001</u>
Total Operating Expenses	<u>8,745</u>	<u>-</u>	<u>8,745</u>
Operating Loss	<u>29,615</u>	<u>-</u>	<u>29,615</u>
Nonoperating Revenues:			
State PERS relief	11	-	11
Investment income	<u>3,436</u>	<u>-</u>	<u>3,436</u>
Total Nonoperating Revenues	<u>3,447</u>	<u>-</u>	<u>3,447</u>
Change in Net Position	<u>33,062</u>	<u>-</u>	<u>33,062</u>
Net Position, beginning, as restated (Note 2)	<u>404,046</u>	<u>115</u>	<u>404,161</u>
Net Position, ending	<u>\$ 437,108</u>	<u>\$ 115</u>	<u>\$ 437,223</u>

CITY OF SAINT PAUL, ALASKA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year Ended December 31, 2018

Exhibit G-3

	<u>Marine Sales</u>	<u>Home Energy Loan</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash Flows for Operating Activities:			
Receipts from customers and users	\$ 49,928	\$ -	\$ 49,928
Payments for interfund service used	(13,001)	-	(13,001)
Payments to suppliers	(26,669)	-	(26,669)
Payments to employees	<u>(465)</u>	<u>-</u>	<u>(465)</u>
Net Cash Flows from Operating Activities	<u>9,793</u>	<u>-</u>	<u>9,793</u>
Cash Flows from Investing Activities:			
Investment income received	<u>3,436</u>	<u>-</u>	<u>3,436</u>
Net Increase in Cash and Investments	13,229		13,229
Cash and Investments, beginning	<u>391,122</u>	<u>115</u>	<u>391,237</u>
Cash and Investments, ending	<u>\$ 404,351</u>	<u>\$ 115</u>	<u>\$ 404,466</u>
Reconciliation of Operating Income to Net Cash Flows for Operating Activities:			
Operating income	\$ 29,615	\$ -	\$ 29,615
Adjustments to reconciles operating income to net cash flows from operating activities:			
Depreciation	1,721	-	1,721
Noncash expense - PERS relief	11	-	11
(Increase) decrease in assets and deferred outflows of resources:			-
Accounts receivable	(2,001)	-	(2,001)
Inventory	2,589	-	2,589
Deferred outflows of resources - pension related	4,047	-	4,047
Deferred outflows of resources - other postemployment benefits related	79	-	79
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable	(941)	-	(941)
Net pension liability	(22,454)	-	(22,454)
Net other postemployment benefits liability	(1,308)	-	(1,308)
Deferred inflows of resources - pension related	(906)	-	(906)
Deferred inflows of resources - other postemployment benefits related	<u>(659)</u>	<u>-</u>	<u>(659)</u>
Net Cash Flows for Operating Activities	<u>\$ 9,793</u>	<u>\$ -</u>	<u>\$ 9,793</u>

CITY OF SAINT PAUL, ALASKA**General Fund****Balance Sheet**

December 31, 2018 and 2017

Exhibit H-1

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Investments	\$ 6,328,126	\$ 6,930,375
Receivables:		
Accounts	127,913	-
Taxes	13,771	20,893
Interest	25,603	21,406
Other	<u>74,095</u>	<u>3,686</u>
Total Receivables	241,382	45,985
Allowance for doubtful accounts	<u>(9,251)</u>	<u>(9,265)</u>
Net Receivables	<u>232,131</u>	<u>36,720</u>
Advances to Other Funds	1,457,819	807,353
Inventory	<u>46,460</u>	<u>47,031</u>
Total Assets	<u>\$ 8,064,536</u>	<u>\$ 7,821,479</u>
LIABILITIES AND FUND BALANCES		
Accounts Payable	\$ 78,570	\$ 79,482
Accrued Liabilities	64,224	34,938
Customer Deposits	22,010	19,360
Unearned Revenue	<u>687,745</u>	<u>693,022</u>
Total Liabilities	<u>852,549</u>	<u>826,802</u>
Fund Balance:		
Nonspendable	1,504,279	854,384
Unassigned	<u>5,707,708</u>	<u>6,140,293</u>
Total Fund Balance	<u>7,211,987</u>	<u>6,994,677</u>
Total Liabilities and Fund Balance	<u>\$ 8,064,536</u>	<u>\$ 7,821,479</u>

CITY OF SAINT PAUL, ALASKA

General Fund

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

Year Ended December 31, 2018

Exhibit H-2

	2018		Variance with Final Budget	2017
	Budget	Actual		Actual
Revenues:				
Taxes:				
Sales	\$ 301,995	\$ 342,997	\$ 41,002	\$ 307,869
Fish	1,120,803	1,120,918	115	1,271,697
Total Taxes	<u>1,422,798</u>	<u>1,463,915</u>	<u>41,117</u>	<u>1,579,566</u>
Intergovernmental:				
State liquor licenses	4,000	-	(4,000)	4,000
State fisheries taxes	638,862	630,938	(7,924)	910,085
State PERS relief	-	47,592	47,592	34,795
Federal payment in lieu of taxes	77,198	77,198	-	75,318
State revenue - sharing	90,000	82,481	(7,519)	84,836
Total Intergovernmental	<u>810,060</u>	<u>838,209</u>	<u>28,149</u>	<u>1,109,034</u>
Charges for services:				
Building/housing revenue	134,824	140,200	5,376	136,120
Allocated administrative charges	390,026	390,026	-	305,559
Other contract and labor revenues	24,769	23,395	(1,374)	10,671
Total Charges from Services	<u>549,619</u>	<u>553,621</u>	<u>4,002</u>	<u>452,350</u>
Investment income	14,129	57,376	43,247	46,972
Other revenue	57,387	57,634	247	57,049
Total Revenues	<u>2,853,993</u>	<u>2,970,755</u>	<u>116,762</u>	<u>3,244,971</u>
Expenditures:				
General government:				
Mayor and council:				
Salaries and wages	7,202	5,498	1,704	10,725
Employee benefits	1,200	934	266	2,559
Material and supplies	150	444	(294)	2,030
Fuel, utilities and telephone	1,981	2,095	(114)	2,390
Other services and charges	17,786	18,588	(802)	24,570
Total Major and Council	<u>28,319</u>	<u>27,559</u>	<u>760</u>	<u>42,274</u>

CITY OF SAINT PAUL, ALASKA

General Fund

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

Year Ended December 31, 2018

Exhibit H-2 cont.

	2018		Variance with Final Budget	2017
	Budget	Actual		Actual
Expenditures, continued:				
General government, continued:				
City manager:				
Salaries and wages	\$ 117,998	\$ 118,452	\$ (454)	\$ 111,173
Employee benefits	51,150	54,132	(2,982)	51,121
Material and supplies	1,429	1,702	(273)	955
Fuel, utilities and telephone	3,481	3,277	204	3,616
Repairs and maintenance	-	-	-	690
Insurance	594	542	52	594
Legal and consulting	170,000	178,939	(8,939)	205,548
Other services and charges	18,490	17,818	672	16,222
Total City Manager	<u>363,142</u>	<u>374,862</u>	<u>(11,720)</u>	<u>389,919</u>
Planning and zoning:				
Salaries and wages	-	-	-	60
Employee benefits	-	-	-	20
Other services and charges	-	-	-	726
Total Planning and Zoning	<u>-</u>	<u>-</u>	<u>-</u>	<u>806</u>
City clerk:				
Salaries and wages	81,593	83,531	(1,938)	109,771
Employee benefits	39,830	40,432	(602)	50,017
Material and supplies	7,802	6,234	1,568	5,830
Fuel, utilities and telephone	3,391	3,149	242	3,667
Insurance	261	269	(8)	261
Other services and charges	3,580	2,897	683	5,855
Total City Clerk	<u>136,457</u>	<u>136,512</u>	<u>(55)</u>	<u>175,401</u>
Finance:				
Salaries and wages	236,098	229,015	7,083	204,928
Employee benefits	87,007	101,701	(14,694)	90,757
Material and supplies	7,059	6,034	1,025	5,337
Fuel, utilities and telephone	11,891	10,934	957	12,082
Insurance	762	337	425	762
Legal and consulting	62,775	64,025	(1,250)	68,080
Other services and charges	39,559	43,954	(4,395)	43,962
Total Finance	<u>445,151</u>	<u>456,000</u>	<u>(10,849)</u>	<u>425,908</u>

CITY OF SAINT PAUL, ALASKA

General Fund

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

Year Ended December 31, 2018

Exhibit H-2 cont.

	2018		Variance with Final Budget	2017
	Budget	Actual		Actual
Expenditures, continued:				
General government, continued:				
Housing:				
Salaries and wages	\$ 15,309	\$ 15,073	\$ 236	\$ 19,694
Employee benefits	5,131	4,177	954	6,500
Material and supplies	4,993	3,108	1,885	3,572
Fuel, utilities and telephone	53,618	45,866	7,752	50,215
Repairs and maintenance	11,000	14,173	(3,173)	750
Insurance	12,110	12,632	(522)	12,110
Other services and charges	10,028	10,974	(946)	7,298
Capital outlay	7,050	6,996	54	7,695
Total Housing	<u>119,239</u>	<u>112,999</u>	<u>6,240</u>	<u>107,834</u>
Nondepartmental:				
Material and supplies	930	825	105	966
Insurance	28,998	33,228	(4,230)	24,359
Legal and consulting	62,129	62,436	(307)	66,188
Other services and charges	(42,187)	(8,689)	(33,498)	5,717
Total Nondepartmental	<u>49,870</u>	<u>87,800</u>	<u>(37,930)</u>	<u>97,230</u>
Total General Government	<u>1,142,178</u>	<u>1,195,732</u>	<u>(53,554)</u>	<u>1,239,372</u>
Public safety:				
Salaries and wages	467,324	407,755	59,569	371,932
Employee benefits	243,812	206,130	37,682	172,391
Material and supplies	64,754	58,307	6,447	20,505
Fuel, utilities and telephone	31,918	34,091	(2,173)	31,403
Insurance	17,953	18,277	(324)	17,953
Other services and charges	34,213	37,316	(3,103)	23,473
Capital outlay	-	-	-	3,035
Total Public Safety	<u>859,974</u>	<u>761,876</u>	<u>98,098</u>	<u>640,692</u>
Public works:				
Machine shop and motor pool:				
Salaries and wages	86,769	87,717	(948)	50,005
Employee benefits	49,503	48,159	1,344	28,565
Material and supplies	9,417	10,267	(850)	14,204
Fuel, utilities and telephone	15,672	16,429	(757)	20,962
Repairs and maintenance	2,865	2,986	(121)	8,302
Insurance	14,803	15,344	(541)	14,803
Other services and charges	16,980	17,246	(266)	16,939
Capital outlay	7,000	6,670	330	16,528
Total Machine Shop and Motor Pool	<u>203,009</u>	<u>204,818</u>	<u>(1,809)</u>	<u>170,308</u>

CITY OF SAINT PAUL, ALASKA

General Fund

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

Year Ended December 31, 2018

Exhibit H-2 cont.

	2018		Variance with Final Budget	2017
	Budget	Actual		Actual
Expenditures, continued:				
Public works, continued:				
Maintenance and labor pool:				
Salaries and wages	169,542	120,912	48,630	83,057
Employee benefits	67,346	48,324	19,022	41,200
Material and supplies	10,042	16,860	(6,818)	18,891
Fuel, utilities and telephone	134,616	108,389	26,227	100,027
Repairs and maintenance	44,500	47,383	(2,883)	4,886
Insurance	29,387	30,708	(1,321)	29,387
Other services and charges	5,596	9,995	(4,399)	4,324
Capital outlay	60,379	60,379	-	-
Total Maintenance and Labor Pool	<u>521,408</u>	<u>442,950</u>	<u>78,458</u>	<u>281,772</u>
Administration:				
Salaries and wages	140,400	135,284	5,116	122,958
Employee benefits	44,179	56,312	(12,133)	64,609
Material and supplies	1,703	1,373	330	1,880
Fuel, utilities and telephone	33,059	24,922	8,137	32,286
Insurance	440	427	13	440
Other services and charges	8,672	8,550	122	13,238
Total Administration	<u>228,453</u>	<u>226,868</u>	<u>1,585</u>	<u>235,411</u>
Total Public Works	<u>952,870</u>	<u>874,636</u>	<u>78,234</u>	<u>687,491</u>
Total Expenditures	<u>2,955,022</u>	<u>2,832,244</u>	<u>122,778</u>	<u>2,567,555</u>
Excess of Revenues Over Expenditures	(101,029)	138,511	239,540	677,416
Other Financing Uses:				
Transfers in	-	78,799	78,799	-
Net Change in Fund Balance	\$ <u>(101,029)</u>	217,310	\$ <u>318,339</u>	677,416
Fund Balance, beginning		<u>6,994,677</u>		<u>6,317,261</u>
Fund Balance, ending		\$ <u><u>7,211,987</u></u>		\$ <u><u>6,994,677</u></u>

CITY OF SAINT PAUL, ALASKA

Electric Utility Enterprise Fund

Statement of Net Position

December 31, 2018 and 2017

Exhibit I-1

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and investments	\$ 6,365,919	\$ 6,677,994
Receivables:		
Accounts	154,049	211,693
Intergovernmental	56,555	62,639
Allowance for doubtful accounts	(705)	(705)
Inventory	53,308	51,270
Total Current Assets	<u>6,629,126</u>	<u>7,002,891</u>
Property, Plant and Equipment:		
Buildings	3,091,433	3,091,433
Machinery and equipment	598,279	598,279
Plant in service	3,099,326	3,099,326
Construction in progress	540,545	261,248
Total Property, Plant, and Equipment	<u>7,329,583</u>	<u>7,050,286</u>
Accumulated depreciation	<u>(3,861,908)</u>	<u>(3,676,394)</u>
Net Property, Plant and Equipment	<u>3,467,675</u>	<u>3,373,892</u>
Total Assets	<u>10,096,801</u>	<u>10,376,783</u>
Deferred Outflows of Resources:		
Pension related	10,888	17,367
Other postemployment benefits related	8,740	-
Total Deferred Outflows of Resources	<u>19,628</u>	<u>17,367</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 10,116,429</u>	<u>\$ 10,394,150</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 13,797	\$ 110,568
Accrued liabilities	2,377	3,255
Accrued leave	(427)	5,427
Customer deposits	37,610	34,805
Current portion of revenue bonds	97,431	97,214
Total Current Liabilities	<u>150,788</u>	<u>251,269</u>
Noncurrent Liabilities, net of current portion:		
Revenue bonds, net of unamortized discount of \$37,828 in 2018 (\$52,454 in 2017)	354,594	437,400
Net pension liability	167,159	196,741
Net other postemployment benefits liability	34,134	-
Total Noncurrent Liabilities	<u>555,887</u>	<u>634,141</u>
Total Liabilities	<u>706,675</u>	<u>885,410</u>
Deferred Inflows of Resources:		
Pension related	20,025	17,023
Other postemployment benefits related	18,124	-
Total Deferred Inflows of Resources	<u>38,149</u>	<u>17,023</u>
Net Position:		
Net investment in capital assets	3,015,650	2,839,278
Unrestricted	6,355,955	6,652,439
Total Net Position	<u>9,371,605</u>	<u>9,491,717</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 10,116,429</u>	<u>\$ 10,394,150</u>

CITY OF SAINT PAUL, ALASKA
Electric Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

Exhibit I-2

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Electric services	\$ <u>1,376,069</u>	\$ <u>1,520,074</u>
Operating Expenses:		
Salaries and wages	128,134	156,545
Employee benefits	51,365	59,658
Material and supplies	34,754	33,304
Fuel and utilities	846,693	889,971
Depreciation	185,514	172,716
Repairs and maintenance	58,420	95,988
Insurance	18,947	16,913
Legal and consulting	23,801	94,807
Administrative cost allocation	130,009	127,316
Other services and charges	<u>20,271</u>	<u>20,792</u>
Total Operating Expenses	<u>1,497,908</u>	<u>1,668,010</u>
Operating Loss	<u>(121,839)</u>	<u>(147,936)</u>
Nonoperating Revenues (Expenses):		
State PERS relief	5,730	5,375
Investment income	54,085	41,969
Interest expense	<u>(16,026)</u>	<u>(18,834)</u>
Net Nonoperating Revenues (Expenses)	<u>43,789</u>	<u>28,510</u>
Change in Net Position	(78,050)	(119,426)
Net Position, beginning, 2018 restated (Note 2)	<u>9,449,655</u>	<u>9,611,143</u>
Net Position, ending	\$ <u><u>9,371,605</u></u>	\$ <u><u>9,491,717</u></u>

CITY OF SAINT PAUL, ALASKA

Electric Utility Enterprise Fund

Statement of Cash Flows

Years Ended December 31, 2018 and 2017

Exhibit I-3

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,442,602	\$ 1,480,177
Payments for interfund services used	(130,009)	(127,316)
Payments to suppliers	(1,101,695)	(1,059,693)
Payments to employees	<u>(199,147)</u>	<u>(239,432)</u>
Net Cash Flows from Operating Activities	<u>11,751</u>	<u>53,736</u>
Cash Flows for Capital and Related Financing Activities:		
Additions to property, plant and equipment	(279,297)	(364,961)
Principal paid	(97,214)	(96,602)
Interest paid	<u>(1,400)</u>	<u>(2,012)</u>
Net Cash Flows for Capital and Related Financing Activities	<u>(377,911)</u>	<u>(463,575)</u>
Cash Flows from Investing Activities -		
Investment income received	<u>54,085</u>	<u>41,969</u>
Net Increase (Decrease) in Cash and Investments	(312,075)	(367,870)
Cash and Investments, beginning	<u>6,677,994</u>	<u>7,045,864</u>
Cash and Investments, ending	<u>\$ 6,365,919</u>	<u>\$ 6,677,994</u>
Reconciliation of Operating Loss to		
Net Cash Flows from Operating Activities:		
Operating loss	\$ (121,839)	\$ (147,936)
Adjustments to reconcile operating loss		
to net cash flows from operating activities:		
Depreciation	185,514	172,716
Noncash expense - PERS relief	5,730	5,375
Increase (decrease) in allowance for doubtful accounts	-	(38)
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	63,728	(38,463)
Inventory	(2,038)	(1,289)
Deferred outflows of resources - pension related	6,479	20,168
Deferred outflows of resources - other postemployment benefits related	(6,715)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(96,771)	93,371
Accrued liabilities	(878)	54
Accrued leave	(5,854)	(2,478)
Customer deposits	2,805	(1,396)
Net pension liability	(29,582)	(44,166)
Net other postemployment benefits liability	4,852	-
Deferred inflows of resources - pension related	3,002	(2,182)
Deferred inflows of resources - other postemployment benefits related	<u>3,318</u>	<u>-</u>
Net Cash Flows from Operating Activities	<u>\$ 11,751</u>	<u>\$ 53,736</u>

CITY OF SAINT PAUL, ALASKA
Water and Sewer Utility Enterprise Fund
Statement of Net Position

December 31, 2018 and 2017

Exhibit I-4

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Receivables:		
Accounts	\$ 26,220	\$ 37,232
Allowance for doubtful accounts	(606)	(606)
Total Current Assets	<u>25,614</u>	<u>36,626</u>
Property, Plant and Equipment:		
Land	1,236	1,236
Buildings	176,565	176,565
Machinery and equipment	144,286	144,286
Construction in progress	14,574	-
Plant in service	<u>10,129,085</u>	<u>10,129,085</u>
Total Property, Plant and Equipment	10,465,746	10,451,172
Accumulated depreciation	<u>(6,127,831)</u>	<u>(5,764,895)</u>
Net Property, Plant and Equipment	<u>4,337,915</u>	<u>4,686,277</u>
Total Assets	<u>4,363,529</u>	<u>4,722,903</u>
Deferred Outflows of Resources:		
Pension related	5,225	6,377
Other postemployment benefits related	<u>4,194</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>9,419</u>	<u>6,377</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,372,948</u>	<u>\$ 4,729,280</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 6,484	\$ 7,392
Unearned revenue	4,157	4,157
Accrued liabilities	2,891	999
Accrued leave	<u>3,834</u>	<u>5,585</u>
Total Current Liabilities	<u>17,366</u>	<u>18,133</u>
Noncurrent Liabilities:		
Advances from other funds	267,606	309,688
Net pension liability	80,215	119,449
Net other postemployment benefits liability	<u>16,380</u>	<u>-</u>
Total Noncurrent Liabilities	<u>364,201</u>	<u>429,137</u>
Total Liabilities	<u>381,567</u>	<u>447,270</u>
Deferred Inflows of Resources:		
Pension related	9,609	14,734
Other postemployment benefits related	<u>8,696</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>18,305</u>	<u>14,734</u>
Net Position:		
Net investment in capital assets	4,337,915	4,686,277
Unrestricted (deficit)	<u>(364,839)</u>	<u>(419,001)</u>
Total Net Position	<u>3,973,076</u>	<u>4,267,276</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,372,948</u>	<u>\$ 4,729,280</u>

CITY OF SAINT PAUL, ALASKA
Water and Sewer Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

Exhibit I-5

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Water services	\$ 220,082	\$ 225,879
Sewer services	<u>116,643</u>	<u>117,453</u>
Total Operating Revenues	<u>336,725</u>	<u>343,332</u>
Operating Expenses:		
Salaries and wages	57,204	50,399
Employee benefits	(19,456)	17,187
Material and supplies	23,323	41,626
Fuel and utilities	50,675	52,741
Depreciation	362,935	402,717
Repairs and maintenance	7,824	13,851
Insurance	6,276	5,794
Administrative cost allocation	60,671	33,102
Miscellaneous	<u>3,810</u>	<u>2,330</u>
Total Operating Expenses	<u>553,262</u>	<u>619,747</u>
Operating Loss	(216,537)	(276,415)
Nonoperating Revenues:		
State PERS relief	2,749	2,698
Miscellaneous revenue	<u>-</u>	<u>2,130</u>
Total Nonoperating Revenues	<u>2,749</u>	<u>4,828</u>
Loss before transfers	(213,788)	(271,587)
Transfers out	<u>(59,299)</u>	<u>-</u>
Change in Net Position	(273,087)	(271,587)
Net Position, beginning, 2018 restated (Note 2)	<u>4,246,163</u>	<u>4,538,863</u>
Net Position, ending	<u>\$ 3,973,076</u>	<u>\$ 4,267,276</u>

CITY OF SAINT PAUL, ALASKA
Water and Sewer Utility Enterprise Fund
Statement of Cash Flows

Years Ended December 31, 2018 and 2017

Exhibit I-6

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 347,737	\$ 341,583
Payments for interfund services used	(60,671)	(33,102)
Payments to suppliers	(92,816)	(112,643)
Payments to employees	<u>(78,296)</u>	<u>(76,173)</u>
Net Cash Flows from Operating Activities	<u>115,954</u>	<u>119,665</u>
Cash Flows for Noncapital Financing Activities -		
Decrease in advances from other funds	<u>(42,082)</u>	<u>(114,684)</u>
Cash Flows for Capital and Related Financing Activities:		
Additions to property, plant and equipment	(14,573)	(4,981)
Transfers out	<u>(59,299)</u>	<u>-</u>
Net Cash Flows for Capital and Related Financing Activities	<u>(73,872)</u>	<u>(4,981)</u>
Net Increase in Cash and Investments	-	-
Cash and Investments, beginning	<u>-</u>	<u>-</u>
Cash and Investments, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities:		
Operating loss	\$ (216,537)	\$ (276,415)
Adjustments to reconcile operating loss		
to net cash flows from operating activities:		
Depreciation	362,935	402,717
Miscellaneous revenue	-	2,130
Noncash expense - PERS relief	2,749	2,698
Increase (decrease) in allowance for doubtful accounts	-	(45)
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	11,012	(3,834)
Deferred outflows of resources - pension related	1,152	10,124
Deferred outflows of resources - other postemployment benefits related	(3,178)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(908)	3,699
Accrued liabilities	1,892	183
Accrued leave	(1,751)	1,674
Net pension liability	(39,234)	(22,171)
Net other postemployment benefits liability	1,682	-
Deferred inflows of resources - pension related	(5,125)	(1,095)
Deferred inflows of resources - other postemployment benefits related	<u>1,265</u>	<u>-</u>
Net Cash Flows from Operating Activities	<u><u>\$ 115,954</u></u>	<u><u>\$ 119,665</u></u>

CITY OF SAINT PAUL, ALASKA**Marine Sales Enterprise Fund****Statement of Net Position**

December 31, 2018 and 2017

Exhibit I-7

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and investments	\$ 404,351	\$ 391,122
Accounts receivable	2,886	885
Inventory	<u>22,173</u>	<u>24,762</u>
Total Current Assets	<u>429,410</u>	<u>416,769</u>
Property, Plant and Equipment:		
Machinery and equipment	46,708	46,708
Accumulated depreciation	<u>(38,533)</u>	<u>(36,812)</u>
Net Property, Plant and Equipment	<u>8,175</u>	<u>9,896</u>
Total Assets	<u>437,585</u>	<u>426,665</u>
Deferred Outflows of Resources:		
Pension related	20	4,067
Other postemployment benefits related	<u>16</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>36</u>	<u>4,067</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 437,621</u>	<u>\$ 430,732</u>
LIABILITIES		
Current Liabilities - accounts payable	\$ <u>69</u>	\$ <u>1,010</u>
Noncurrent Liabilities:		
Net pension liability	310	22,764
Net other postemployment benefits liability	<u>63</u>	<u>-</u>
Total Noncurrent Liabilities	<u>373</u>	<u>22,764</u>
Total Liabilities	<u>442</u>	<u>23,774</u>
Deferred Inflows of Resources:		
Pension related	37	943
Other postemployment benefits related	<u>34</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>71</u>	<u>943</u>
Net Position:		
Net investment in capital assets	8,175	9,896
Unrestricted	<u>428,933</u>	<u>396,119</u>
Total Net Position	<u>437,108</u>	<u>406,015</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 437,621</u>	<u>\$ 430,732</u>

CITY OF SAINT PAUL, ALASKA
Marine Sales Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

Exhibit I-8

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Operating revenues - fuel sales	\$ 51,929	\$ 37,854
Cost of goods sold	<u>(13,569)</u>	<u>(8,752)</u>
Net Operating Revenues	<u>38,360</u>	<u>29,102</u>
Operating Expenses:		
Salaries and wages	371	7,488
Employee benefits	(21,096)	851
Material and supplies	3,407	(1,343)
Fuel and utilities	22	15,950
Insurance	11,319	11,189
Administrative cost allocation	13,001	13,241
Depreciation	<u>1,721</u>	<u>1,721</u>
Total Operating Expenses	<u>8,745</u>	<u>49,097</u>
Operating Loss	29,615	(19,995)
Nonoperating Revenues:		
State PERS relief	11	253
Investment income	<u>3,436</u>	<u>2,260</u>
Total Nonoperating Revenues	<u>3,447</u>	<u>2,513</u>
Change in Net Position	33,062	(17,482)
Net Position, beginning, 2018 restated (Note 2)	<u>404,046</u>	<u>423,497</u>
Net Position, ending	<u>\$ 437,108</u>	<u>\$ 406,015</u>

CITY OF SAINT PAUL, ALASKA**Marine Sales Enterprise Fund****Statement of Cash Flows**

Years Ended December 31, 2018 and 2017

Exhibit I-9

	<u>2018</u>	<u>2017</u>
Cash Flows for Operating Activities:		
Receipts from customers and users	\$ 49,928	\$ 37,957
Payments for interfund services used	(13,001)	(13,241)
Payments to suppliers	(26,669)	(37,904)
Payments to employees	<u>(465)</u>	<u>(9,317)</u>
Net Cash flows From (For) Operating Activities	<u>9,793</u>	<u>(22,505)</u>
Cash Flows from Investing Activities -		
Investment income received	<u>3,436</u>	<u>2,260</u>
Net Increase (Decrease) in Cash and Investments	13,229	(20,245)
Cash and Investments, beginning	<u>391,122</u>	<u>411,367</u>
Cash and Investments, ending	<u>\$ 404,351</u>	<u>\$ 391,122</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Flows from (for) Operating Activities:		
Operating income (loss)	\$ 29,615	\$ (19,995)
Adjustments to reconcile operating income (loss)		
to net cash flows from (for) operating activities:		
Depreciation	1,721	1,721
Noncash expense - PERS relief	11	253
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(2,001)	103
Inventory	2,589	(493)
Deferred outflows of resources - pension related	4,047	948
Deferred outflows of resources - other postemployment benefits related	79	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(941)	(2,863)
Net pension liability	(22,454)	(2,076)
Net other postemployment benefits liability	(1,308)	-
Deferred inflows of resources - pension related	(906)	(103)
Deferred inflows of resources - other postemployment benefits related	<u>(659)</u>	<u>-</u>
Net Cash Flows for Operating Activities	<u>\$ 9,793</u>	<u>\$ (22,505)</u>

CITY OF SAINT PAUL, ALASKA**Bulk Fuel Farm Enterprise Fund****Statement of Net Position**

December 31, 2018 and 2017

Exhibit I-10

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and investments	\$ 975	\$ 6,004
Accounts receivable	223,416	137,219
Allowance for doubtful accounts	(2,643)	(2,788)
Inventory	259,201	168,917
Total Current Assets	<u>480,949</u>	<u>309,352</u>
Restricted Cash - bond redemption and depreciation reserve	<u>150,000</u>	<u>150,000</u>
Property, Plant and Equipment:		
Land	150,000	150,000
Buildings	25,000	25,000
Machinery and equipment	545,562	533,454
Fuel tanks and lines	5,249,823	5,249,823
Construction in progress	843,194	613,815
Total Property, Plant and Equipment	<u>6,813,579</u>	<u>6,572,092</u>
Accumulated depreciation	<u>(5,630,865)</u>	<u>(5,592,730)</u>
Net Property, Plant and Equipment	<u>1,182,714</u>	<u>979,362</u>
Total Assets	<u>1,813,663</u>	<u>1,438,714</u>
Deferred Outflows of Resources:		
Pension related	7,531	16,652
Other postemployment benefits related	6,045	-
Total Deferred Outflows of Resources	<u>13,576</u>	<u>16,652</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,827,239</u>	<u>\$ 1,455,366</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 201,182	\$ 178,678
Accrued liabilities	1,564	1,106
Accrued leave	10,365	8,378
Unearned revenue	-	33,254
Total Current Liabilities	<u>213,111</u>	<u>221,416</u>
Noncurrent Liabilities:		
Revenue bonds	4,539,672	4,539,672
Accrued interest payable	1,377,175	1,377,175
Net pension liability	115,614	247,636
Net other postemployment benefits liability	23,609	-
Advances from other funds	659,310	178,740
Total Noncurrent Liabilities	<u>6,715,380</u>	<u>6,343,223</u>
Total Liabilities	<u>6,928,491</u>	<u>6,564,639</u>
Deferred Inflows of Resources:		
Pension related	13,850	28,586
Other postemployment benefits related	12,535	-
Total Deferred Inflows of Resources	<u>26,385</u>	<u>28,586</u>
Net Position:		
Net investment in capital assets	(3,356,958)	(3,560,310)
Restricted for debt service and depreciation reserve	950,000	950,000
Unrestricted (deficit)	<u>(2,720,679)</u>	<u>(2,527,549)</u>
Total Net Position (Deficit)	<u>(5,127,637)</u>	<u>(5,137,859)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,827,239</u>	<u>\$ 1,455,366</u>

CITY OF SAINT PAUL, ALASKA
Bulk Fuel Farm Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

Exhibit I-11

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Operating revenues - fuel sales	\$ 2,007,690	\$ 2,080,060
Cost of goods sold	<u>(1,621,599)</u>	<u>(1,664,142)</u>
Net Operating Revenues	<u>386,091</u>	<u>415,918</u>
Operating Expenses:		
Salaries and wages	109,524	114,131
Employee benefits	(104,641)	29,745
Material and supplies	4,161	9,568
Fuel and utilities	22,654	34,880
Depreciation	38,135	39,308
Repairs and maintenance	72,604	28,772
Insurance	42,878	41,343
Administrative cost allocation	125,675	92,686
Legal and consulting	-	16,983
Other general and administrative costs	<u>25,304</u>	<u>18,677</u>
Total Operating Expenses	<u>336,294</u>	<u>426,093</u>
Operating Loss	49,797	(10,175)
Nonoperating Revenues - State PERS relief	<u>3,963</u>	<u>5,118</u>
Operating loss before transfers	53,760	(5,057)
Transfers out	<u>(3,500)</u>	<u>-</u>
Change in Net Position	50,260	(5,057)
Net Position (Deficit), beginning, 2018 restated (Note 2)	<u>(5,177,897)</u>	<u>(5,132,802)</u>
Net Position (Deficit), ending	<u>\$ (5,127,637)</u>	<u>\$ (5,137,859)</u>

CITY OF SAINT PAUL, ALASKA**Bulk Fuel Farm Enterprise Fund****Statement of Cash Flows**

Years Ended December 31, 2018 and 2017

Exhibit I-12

	<u>2018</u>	<u>2017</u>
Cash Flows from (for) Operating Activities:		
Receipts from customers and users	\$ 1,888,239	\$ 2,059,021
Payments for interfund services used	(125,675)	(92,686)
Payments to suppliers	(1,857,125)	(1,686,637)
Payments to employees	<u>(146,051)</u>	<u>(163,733)</u>
Net Cash Flows from (for) Operating Activities	<u>(240,612)</u>	<u>115,965</u>
Cash Flows from Other Funds Noncapital Financing Activities - increase in advances	<u>480,570</u>	<u>178,740</u>
Cash Flows for Capital and Related Financing Activities:		
Additions to property, plant and equipment	(241,487)	(593,395)
Transfers out	<u>(3,500)</u>	<u>-</u>
Net Cash Flows for Capital and Related Financing Activities	<u>(244,987)</u>	<u>(593,395)</u>
Net Decrease in Cash and Investments	(5,029)	(298,690)
Cash and Investments, beginning	<u>156,004</u>	<u>454,694</u>
Cash and Investments, ending	<u>\$ 150,975</u>	<u>\$ 156,004</u>
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities:		
Operating income (loss)	\$ 49,797	\$ (10,175)
Adjustments to reconcile operating income (loss) to net cash flows from (for) operating activities:		
Depreciation	38,135	39,308
Noncash expense - PERS relief	3,963	5,118
Increase (decrease) in allowance for doubtful accounts	(145)	-
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(86,197)	13,317
Inventory	(90,284)	125,809
Deferred outflows of resources - pension related	9,121	19,202
Deferred outflows of resources - other postemployment benefits related	(4,117)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	22,504	1,919
Accrued liabilities	458	(14)
Accrued leave	1,987	(34)
Unearned revenue	(33,254)	(34,356)
Net pension liability	(132,022)	(42,052)
Net other postemployment benefits liability	(4,264)	-
Deferred inflows of resources - pension related	(14,736)	(2,077)
Deferred inflows of resources - other postemployment benefits related	<u>(1,558)</u>	<u>-</u>
Net Cash Flows from (for) Operating Activities	<u>\$ (240,612)</u>	<u>\$ 115,965</u>

CITY OF SAINT PAUL, ALASKA

Harbor Enterprise Fund

Statement of Net Position

December 31, 2018 and 2017

Exhibit I-13

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Accounts receivable	\$ 40,539	\$ 19,143
Inventory	3,649	3,649
Total Current Assets	<u>44,188</u>	<u>22,792</u>
Property, Plant and Equipment:		
Buildings	25,000	25,000
Dock and mooring	5,045,532	5,045,532
Machinery and equipment	32,899	32,899
Total Property, Plant and Equipment	5,103,431	5,103,431
Accumulated depreciation	<u>(3,903,105)</u>	<u>(3,838,419)</u>
Net Property, Plant and Equipment	<u>1,200,326</u>	<u>1,265,012</u>
Total Assets	<u>1,244,514</u>	<u>1,287,804</u>
Deferred Outflows of Resources:		
Pension related	1,363	2,248
Other postemployment benefits related	1,094	-
Total Deferred Outflows of Resources	<u>2,457</u>	<u>2,248</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,246,971</u>	<u>\$ 1,290,052</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 1,876	\$ 4,920
Accrued liabilities	2,322	1,719
Accrued leave	7,461	6,147
Unearned revenue	46,194	46,194
Total Current Liabilities	<u>57,853</u>	<u>58,980</u>
Noncurrent Liabilities:		
Advances from other funds	443,835	315,830
Revenue bonds	1,466,206	1,466,206
Note payable - USACE	1,635,012	1,635,012
Accrued interest payable	527,969	527,969
Net pension liability	20,920	10,592
Net other postemployment benefits liability	4,272	-
Total Noncurrent Liabilities	<u>4,098,214</u>	<u>3,955,609</u>
Total Liabilities	<u>4,156,067</u>	<u>4,014,589</u>
Deferred Inflows of Resources:		
Pension related	2,506	325
Other postemployment benefits related	2,268	-
Total Deferred Inflows of Resources	<u>4,774</u>	<u>325</u>
Net Position:		
Net investment in capital assets	(265,880)	(201,194)
Unrestricted (deficit)	<u>(2,647,990)</u>	<u>(2,523,668)</u>
Total Net Position (Deficit)	<u>(2,913,870)</u>	<u>(2,724,862)</u>
Total Liabilities, Deferred inflows of Resources and Net Position	<u>\$ 1,246,971</u>	<u>\$ 1,290,052</u>

CITY OF SAINT PAUL, ALASKA**Harbor Enterprise Fund****Statement of Revenues, Expenses, and Changes in Net Position**

Years Ended December 31, 2018 and 2017

Exhibit I-14

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Harbor charges	\$ <u>44,161</u>	\$ <u>55,398</u>
Operating Expenses:		
Salaries and wages	85,205	54,767
Employee benefits	43,026	14,639
Material and supplies	3,973	3,048
Fuel and utilities	10,388	26,257
Depreciation	64,686	98,153
Insurance	9,110	10,548
Repair and maintenance	-	1,777,711
Legal and consulting	-	137
Administrative cost allocation	<u>17,334</u>	<u>13,241</u>
Total Operating Expenses	<u>233,722</u>	<u>1,998,501</u>
Operating Income (Loss)	<u>(189,561)</u>	<u>(1,943,103)</u>
Nonoperating Revenues (Expenses):		
State PERS relief	<u>717</u>	<u>18</u>
Change in Net Position	(188,844)	(1,943,085)
Net Position (Deficit), beginning, 2018 restated (Note 2)	<u>(2,725,026)</u>	<u>(781,777)</u>
Net Position (Deficit), ending	\$ <u><u>(2,913,870)</u></u>	\$ <u><u>(2,724,862)</u></u>

CITY OF SAINT PAUL, ALASKA

Harbor Enterprise Fund

Statement of Cash Flows

Years Ended December 31, 2018 and 2017

Exhibit I-15

	<u>2018</u>	<u>2017</u>
Cash Flows for Operating Activities:		
Receipts from customers and users	\$ 22,765	\$ 39,735
Payments for interfund services used	(17,334)	(13,241)
Payments to suppliers	(26,515)	(179,340)
Payments to employees	<u>(106,921)</u>	<u>(72,025)</u>
Net Cash Flows for Operating Activities	<u>(128,005)</u>	<u>(224,871)</u>
Cash Flows for Noncapital Financing Activities:		
Increase in advances from other funds	<u>128,005</u>	<u>224,871</u>
Net Increase in Cash and Investments	-	-
Cash and Investments, beginning	<u>-</u>	<u>-</u>
Cash and Investments, ending	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash Flows from (for) Operating Activities:		
Operating loss	\$ (189,561)	\$ (1,943,103)
Adjustments to reconcile operating loss		
to net cash flows for operating activities:		
Depreciation	64,686	98,153
Noncash expense - repairs and maintenance	-	1,635,012
Noncash expense - PERS relief	717	18
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(21,396)	(15,663)
Deferred outflows of resources - pension related	885	69
Deferred outflows of resources - other postemployment benefits related	(1,086)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(3,044)	3,349
Accrued liabilities	603	283
Accrued Leave	1,314	(2,831)
Net pension liability	10,328	(151)
Net other postemployment benefits liability	4,158	-
Deferred inflows of resources - pension related	2,181	(7)
Deferred inflows of resources - other postemployment benefits related	<u>2,210</u>	<u>-</u>
Net Cash Flows for Operating Activities	<u>\$ (128,005)</u>	<u>\$ (224,871)</u>
Noncash Financing Activities - Issuance of note payable to USACE		
for payment of settlement	<u>\$ -</u>	<u>\$ 1,635,012</u>

CITY OF SAINT PAUL, ALASKA
Home Energy Loan Enterprise Fund
Statement of Net Position

December 31, 2018 and 2017

Exhibit I-16

	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and investments	\$ <u>115</u>	\$ <u>115</u>
Net Position:		
Unrestricted	\$ <u>115</u>	\$ <u>115</u>

CITY OF SAINT PAUL, ALASKA
Home Energy Loan Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

Exhibit I-17

	<u>2018</u>	<u>2017</u>
Change in Net Position	\$ -	\$ -
Net Position, beginning	<u>115</u>	<u>115</u>
Net Position, ending	<u>\$ 115</u>	<u>\$ 115</u>

CITY OF SAINT PAUL, ALASKA
Home Energy Loan Enterprise Fund
Statement of Cash Flows

Years Ended December 31, 2018 and 2017

Exhibit I-18

	<u>2018</u>	<u>2017</u>
Net Increase in Cash and Investments	\$ -	\$ -
Cash and Investments, beginning	<u>115</u>	<u>115</u>
Cash and Investments, ending	<u>\$ 115</u>	<u>\$ 115</u>

CITY OF SAINT PAUL, ALASKA**Refuse Enterprise Fund****Statement of Net Position**

December 31, 2018 and 2017

Exhibit I-19

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Receivables:		
Accounts	\$ 40,722	\$ 16,397
Total Current Assets	<u>40,722</u>	<u>16,397</u>
Property, Plant and Equipment:		
Land	105,000	105,000
Landfill	801,832	801,832
Buildings	1,216,016	1,216,016
Machinery and equipment	1,178,843	1,089,059
Construction in progress	-	75,922
Total Property, Plant and Equipment	3,301,691	3,287,829
Accumulated depreciation	<u>(1,514,526)</u>	<u>(1,398,246)</u>
Net Property, Plant and Equipment	<u>1,787,165</u>	<u>1,889,583</u>
Total Assets	<u>1,827,887</u>	<u>1,905,980</u>
Deferred Outflows of Resources:		
Pension related	4,274	9,929
Other postemployment benefits related	<u>3,431</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>7,705</u>	<u>9,929.00</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,835,592</u>	<u>\$ 1,915,909</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 1,125	\$ 812
Accounts payable for capital assets	-	73,922
Accrued leave	<u>2,708</u>	<u>2,422</u>
Total Current Liabilities	<u>3,833</u>	<u>77,156</u>
Noncurrent Liabilities:		
Advances from other funds	87,068	3,095
Landfill closure and postclosure care costs	13,781	-
Net pension liability	65,623	132,333
Net other postemployment benefits liability	<u>13,400</u>	<u>-</u>
Total Noncurrent Liabilities	<u>179,872</u>	<u>135,428</u>
Total Liabilities	<u>183,705</u>	<u>212,584</u>
Deferred Inflows of Resources:		
Pension related	7,861	13,700
Other postemployment benefits related	<u>7,115</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>14,976</u>	<u>13,700</u>
Net Position:		
Net investment in capital assets	1,787,165	1,889,583
Unrestricted (deficit)	<u>(150,254)</u>	<u>(199,958)</u>
Total Net Position	<u>1,636,911</u>	<u>1,689,625</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,835,592</u>	<u>\$ 1,915,909</u>

CITY OF SAINT PAUL, ALASKA
Refuse Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

Exhibit I-20

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Refuse services	\$ <u>205,805</u>	\$ <u>150,567</u>
Operating Expenses:		
Salaries and wages	46,243	60,131
Employee benefits	(52,176)	8,684
Material and supplies	31,942	4,231
Fuel and utilities	10,158	12,410
Depreciation and amortization	120,622	109,465
Insurance	9,069	10,224
Repair and maintenance	-	69
Legal and consulting	-	12,854
Administrative cost allocation	43,336	25,972
Other services and charges	<u>1,466</u>	<u>3,000</u>
Total Operating Expenses	<u>210,660</u>	<u>247,040</u>
Operating Loss	(4,855)	(96,473)
Nonoperating Revenues:		
State PERS relief	2,249	3,152
Insurance proceeds	<u>-</u>	<u>138,943</u>
Total Nonoperating Revenues	<u>2,249</u>	<u>142,095</u>
Income (Loss) Before Capital Contributions and Transfers	(2,606)	45,622
Transfers Out	(25,440)	(151,454)
Capital Contributions	<u>-</u>	<u>1,795,457</u>
Change in Net Position	(28,046)	1,689,625
Net Position, beginning, 2018 restated (Note 2)	<u>1,664,957</u>	<u>-</u>
Net Position, ending	\$ <u><u>1,636,911</u></u>	\$ <u><u>1,689,625</u></u>

CITY OF SAINT PAUL, ALASKA**Refuse Enterprise Fund****Statement of Cash Flows**

Year Ended December 31, 2018

Exhibit I-21

	<u>2018</u>	<u>2017</u>
Cash Flows for Operating Activities:		
Receipts from customers and users	\$ 181,480	\$ 134,170
Payments for interfund services used	(43,336)	(25,972)
Payments to suppliers	(126,244)	(41,976)
Payments to employees	<u>(66,010)</u>	<u>(78,591)</u>
Net Cash Flows For Operating Activities	<u>(54,110)</u>	<u>(12,369)</u>
Cash Flows from Noncapital Financing Activities:		
Increase in advances from other funds	<u>83,973</u>	<u>3,095</u>
Cash Flows for Capital and Related Financing Activities:		
Additions to property, plant and equipment	(13,863)	(129,669)
Transfers out	(16,000)	-
Insurance proceeds	<u>-</u>	<u>138,943</u>
Net Cash Flows From (For) Capital and Related Financing Activities	<u>(29,863)</u>	<u>9,274</u>
Net Increase in Cash and Investments	-	-
Cash and Investments, beginning	<u>-</u>	<u>-</u>
Cash and Investments, ending	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash Flows for Operating Activities:		
Operating loss	\$ (4,855)	\$ (96,473)
Adjustments to reconcile operating loss		
to net cash flows for operating activities:		
Depreciation and amortization	120,622	109,465
Noncash expense - PERS relief	2,249	3,152
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(24,325)	(16,397)
Deferred outflows of resources - pension related	5,655	11,825
Deferred outflows of resources - other postemployment benefits related	(2,243)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	313	812
Accounts payable for capital assets	(73,922)	-
Accrued leave	286	2,422
Net pension liability	(66,710)	(25,896)
Net other postemployment benefits liability	(3,773)	-
Deferred inflows of resources - pension related	(5,839)	(1,279)
Deferred inflows of resources - other postemployment benefits related	<u>(1,568)</u>	<u>-</u>
Net Cash Flows for Operating Activities	<u>\$ (54,110)</u>	<u>\$ (12,369)</u>
Noncash Operating Activities - Issuance of note payable:		
Transfer of pension related assets and liabilities from governmental activities	<u>\$ -</u>	<u>\$ 151,454</u>
Noncash Capital and Related Financing Activities:		
Capital assets acquired on account	<u>\$ -</u>	<u>\$ 73,922</u>
Transfer of capital assets/liability from general government	<u>\$ 9,440</u>	<u>\$ 1,768,133</u>

CITY OF SAINT PAUL, ALASKA
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Exhibit J-1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Grant Award	Passed Through to Subre- cipients	Total Federal Expenditures
Department of the Interior:					
Passed through State of Alaska Department of Commerce, Community and Economic Development - Payments in Lieu of Taxes	15.226	None	\$ 77,198	\$ -	\$ <u>77,198</u>
Department of Commerce, National Oceanic and Atmospheric Administration:					
Passed through the Alaska Bond Bank - Outstanding Loan Balance - Coastal Zone Management Administration Awards	11.419	None	6,005,878	-	<u>6,005,878</u>
Total Federal Financial Assistance					<u>\$ 6,083,076</u>

CITY OF SAINT PAUL, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Saint Paul, Alaska under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Saint Paul, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Saint Paul.

The City's federal schedule includes \$6,005,878 in an outstanding federal loan. The loan is currently in abeyance and no payments have been made for several years.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - Indirect Cost Rate

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

SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and Members of the City Council
City of Saint Paul, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Saint Paul (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Saint Paul'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 City of Saint Paul's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Saint Paul's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Aldrich CPAs + Advisors LLP

Anchorage, Alaska
September 27, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Members of the City Council
City Of Saint Paul, Alaska

Report On Compliance for Each Major Federal Program

We have audited City of Saint Paul's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe 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 the City's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Saint Paul 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 December 31, 2018.

Report on Internal Control over Compliance

Management of City of Saint Paul 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 City of Saint Paul's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, continued**

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. However, material weaknesses may exist that have not been identified.

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

Aldrich CPAs + Advisors LLP

Anchorage, Alaska
September 27, 2019

CITY OF SAINT PAUL, ALASKA
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identifies yes (none reported)

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes (none reported)

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

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Agency</u>
11.419	Coastal Zone Management Administration Awards	Department of Commerce

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

Auditee qualified as low-risk auditee? yes no

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

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

Section III - Federal Award Findings and Questioned Costs

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

SINGLE AUDIT RESPONSES (UNAUDITED)



CITY OF SAINT PAUL

ALASKA

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2018

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

Finding 2017-001 Accounts Payable – Material Weakness in Internal Control Over Financial Reporting

Status: Considered resolved.

Finding 2017-002 Accounting for Transfer of Refuse Operations from a Governmental Activity to an Enterprise Fund – Material Weakness in Internal Control Over Financial Reporting

Status: Considered resolved.

Finding 2017-003 Accounting for Capital Assets – Material Weakness in Internal Control Over Financial Reporting

Status: Considered resolved.