



City of Saint Paul, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, and Single Audit Reports
Year Ended December 31, 2016

City of Saint Paul, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and Single Audit Reports
Year Ended December 31, 2016

City of Saint Paul, Alaska

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Financial Section

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3601 C Street, Suite 600
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Independent Auditor's 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, 2016, 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Saint Paul, Alaska, as of December 31, 2016, 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 - Loan Repayment Moratorium Status

As described in Note 4 to the financial statements, the Department of Commerce revenue bond repayment moratorium expired in September 2015. 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund on page 42, and the Public Employees Retirement System Schedule of the City's information on the Net Pension Liability, and the Schedule of City Contributions on pages 43 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Supplementary Information

Our audit for the year ended December 31, 2016 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, 2016, 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, 2016, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2016.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Saint Paul as of and for the year ended December 31, 2015 (not presented herein), and have issued our report thereon dated October 22, 2016, which contained 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 individual fund financial statements and schedules for the year ended December 31, 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2015.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017 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 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 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.

BDO USA, LLP

Anchorage, Alaska
September 26, 2017

Basic Financial Statements

City of Saint Paul, Alaska

Statement of Net Position

<i>December 31, 2016</i>	Govern- mental Activities	Business- type Activities	Total
Assets			
Cash and investments	\$ 6,867,314	\$ 7,762,040	\$ 14,629,354
Receivables:			
Accounts	607	357,659	358,266
Intergovernmental	-	66,612	66,612
Taxes	18,737	-	18,737
Other	12,410	-	12,410
Allowance for doubtful accounts	(9,413)	(4,182)	(13,595)
Internal balances	515,331	(515,331)	-
Inventory	48,435	372,625	421,060
Restricted cash - bond redemption and depreciation reserve	-	150,000	150,000
Capital assets:			
Land and construction in progress	150,299	335,268	485,567
Other capital assets, net of depreciation	29,398,075	9,730,449	39,128,524
Total Assets	37,001,795	18,255,140	55,256,935
Deferred Outflows of Resources - pension related	306,368	97,222	403,590
Total Assets and Deferred Outflows of Resources	\$ 37,308,163	\$ 18,352,362	\$ 55,660,525
Liabilities			
Accounts payable	\$ 91,285	\$ 203,093	\$ 294,378
Accrued liabilities	31,481	6,573	38,054
Customer deposits	18,360	36,201	54,561
Unearned revenue	781,786	117,961	899,747
Noncurrent liabilities:			
Due within one year:			
Accrued leave	45,183	29,206	74,389
Revenue bonds	-	97,004	97,004
Due in more than one year:			
Revenue bonds, net of unamortized discount	-	6,523,268	6,523,268
Accrued interest payable	-	1,905,144	1,905,144
Landfill closure and postclosure care costs	7,552	-	7,552
Net pension liability	2,227,806	707,798	2,935,604
Total Liabilities	3,203,453	9,626,248	12,829,701
Deferred Inflows of Resources - pension related	210,827	67,075	277,902
Net Position			
Net investment in capital assets	29,548,374	3,445,445	32,993,819
Restricted for debt service and depreciation reserve	-	950,000	950,000
Unrestricted	4,345,509	4,263,594	8,609,103
Total Net Position	33,893,883	8,659,039	42,552,922
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 37,308,163	\$ 18,352,362	\$ 55,660,525

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska

Statement of Activities

Year Ended December 31, 2016	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern-mental Activities	Business-type Activities		
Governmental Activities								
General government	\$ 2,170,213	\$ 15,657	\$ 18,527	\$ -	\$ (2,136,029)	\$ -	\$ (2,136,029)	
Public safety	720,272	-	13,048	-	(707,224)	-	(707,224)	
Public works	1,252,287	334,469	15,335	7,924	(894,559)	-	(894,559)	
Total Governmental Activities	4,142,772	350,126	46,910	7,924	(3,737,812)	-	(3,737,812)	
Business-type Activities								
Electric	1,641,893	1,542,717	4,089	609	-	(94,478)	(94,478)	
Water and sewer	582,372	409,915	3,646	144,139	-	(24,672)	(24,672)	
Bulk fuel farm	2,342,125	2,062,987	6,989	-	-	(272,149)	(272,149)	
Harbor	248,559	375,331	39	-	-	126,811	126,811	
Marine sales	101,944	81,785	171	-	-	(19,988)	(19,988)	
Total Business-type Activities	4,916,893	4,472,735	14,934	144,748	-	(284,476)	(284,476)	
Total Activities	\$ 9,059,665	\$ 4,822,861	\$ 61,844	\$ 152,672	(3,737,812)	(284,476)	(4,022,288)	
General Revenues								
Sales and fisheries taxes					2,008,434	-	2,008,434	
Grants and entitlements not restricted to a specific purpose					978,091	-	978,091	
Federal payment in lieu of taxes					76,900	-	76,900	
Investment income					65,852	54,600	120,452	
Other revenue					12,306	-	12,306	
Transfers					(9,485)	9,485	-	
Total General Revenues and Transfers					3,132,098	64,085	3,196,183	
Change in Net Position					(605,714)	(220,391)	(826,105)	
Net Position, beginning					34,499,597	8,879,430	43,379,027	
Net Position, ending					\$ 33,893,883	\$ 8,659,039	\$ 42,552,922	

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska

Governmental Funds
Balance Sheet

	General Fund	Nonmajor Special Revenue Funds	Total Govern- mental Funds
<i>December 31, 2016</i>			
Assets			
Cash and investments	\$ 6,559,665	\$ 307,649	\$ 6,867,314
Receivables:			
Accounts	607	-	607
Taxes	18,737	-	18,737
Other	4,486	7,924	12,410
Allowance for doubtful accounts	(9,413)	-	(9,413)
Due from other funds	4,592	-	4,592
Advances to other funds	515,331	-	515,331
Inventory	48,435	-	48,435
Total Assets	\$ 7,142,440	\$ 315,573	\$ 7,458,013
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 87,953	\$ 3,332	\$ 91,285
Due to other funds	-	4,592	4,592
Accrued liabilities	31,481	-	31,481
Customer deposits	18,360	-	18,360
Unearned revenue	687,385	94,401	781,786
Total Liabilities	825,179	102,325	927,504
Fund Balances			
Nonspendable	563,766	-	563,766
Committed	-	213,248	213,248
Unassigned	5,753,495	-	5,753,495
Total Fund Balances	6,317,261	213,248	6,530,509
Total Liabilities and Fund Balances	\$ 7,142,440	\$ 315,573	\$ 7,458,013

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2016

Total fund balances for governmental funds \$ 6,530,509

Total net position reported for governmental activities in the
Statement of Net Position is different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the funds. These assets and related accumulated
depreciation are as follows:

Land	\$ 105,000	
Construction in progress	45,299	
Landfill	801,832	
Breakwater	47,642,984	
Buildings	8,648,040	
Machinery and equipment	4,237,392	
Accumulated depreciation and amortization	<u>(31,932,173)</u>	
Total capital assets		29,548,374

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

Accrued leave	(45,183)	
Landfill closure and postclosure care costs	(7,552)	
Net pension liability	<u>(2,227,806)</u>	
Total long-term liabilities		<u>(2,280,541)</u>

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

Deferred outflows of resources - pension related	306,368	
Deferred inflows of resources - pension related	<u>(210,827)</u>	
		<u>95,541</u>

Total Net Position of Governmental Activities \$ 33,893,883

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

	General Fund	Nonmajor Special Revenue Funds	Total Govern- mental Funds
<i>Year Ended December 31, 2016</i>			
Revenues			
Taxes	\$ 2,008,434	\$ -	\$ 2,008,434
Intergovernmental	1,104,471	7,924	1,112,395
Charges for services	625,140	-	625,140
Investment income	65,852	-	65,852
Internal equipment revenue	19,081	-	19,081
Other revenue	12,306	-	12,306
Total Revenues	3,835,284	7,924	3,843,208
Expenditures			
General government	1,052,408	-	1,052,408
Public safety	565,539	-	565,539
Public works	1,151,360	7,924	1,159,284
Total Expenditures	2,769,307	7,924	2,777,231
Excess of Revenues Over Expenditures	1,065,977	-	1,065,977
Other Financing Uses - Transfer out	(9,485)	-	(9,485)
Net Change in Fund Balances	1,056,492	-	1,056,492
Fund Balances, beginning	5,260,769	213,248	5,474,017
Fund Balances, ending	\$ 6,317,261	\$ 213,248	\$ 6,530,509

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska
Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended December 31, 2016

Net change in fund balances - total governmental funds \$ 1,056,492

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

Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation (\$1,368,605) and loss on disposal of capital assets (\$39,947) exceeded capital outlays (\$105,801). (1,302,751)

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

Increase in landfill closure and postclosure care costs	\$ (1,888)	
Increase in accrued leave	(6,289)	
Net increase in net pension liability and related deferred accounts	<u>(351,278)</u>	
		<u>(359,455)</u>

Change in Net Position of Governmental Activities		<u>\$ (605,714)</u>
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See accompanying notes to basic financial statements.

City of Saint Paul, Alaska

Enterprise Funds
Statement of Net Position

December 31, 2016	Major Funds				Nonmajor Funds	Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor		
Assets						
Current Assets						
Cash and investments	\$ 7,045,864	\$ -	\$ 304,694	\$ -	\$ 411,482	\$ 7,762,040
Receivables:						
Accounts	169,257	33,398	150,536	3,480	988	357,659
Intergovernmental	66,612	-	-	-	-	66,612
Allowance for doubtful accounts	(743)	(651)	(2,788)	-	-	(4,182)
Inventory	49,981	-	294,726	3,649	24,269	372,625
Total Current Assets	7,330,971	32,747	747,168	7,129	436,739	8,554,754
Noncurrent Assets						
Restricted cash - bond redemption and depreciation reserve	-	-	150,000	-	-	150,000
Property, plant and equipment	6,691,063	10,446,191	5,982,548	5,103,431	46,708	28,269,941
Accumulated depreciation	(3,509,416)	(5,362,178)	(5,557,273)	(3,740,266)	(35,091)	(18,204,224)
Net property, plant and equipment	3,181,647	5,084,013	425,275	1,363,165	11,617	10,065,717
Total Noncurrent Assets	3,181,647	5,084,013	575,275	1,363,165	11,617	10,215,717
Total Assets	10,512,618	5,116,760	1,322,443	1,370,294	448,356	18,770,471
Deferred Outflows of Resources - pension related	37,535	16,501	35,854	2,317	5,015	97,222
Total Assets and Deferred Outflows of Resources	\$ 10,550,153	\$ 5,133,261	\$ 1,358,297	\$ 1,372,611	\$ 453,371	\$ 18,867,693
Liabilities						
Current Liabilities						
Accounts payable	\$ 17,197	\$ 3,693	\$ 176,759	\$ 1,571	\$ 3,873	\$ 203,093
Accrued liabilities	3,201	816	1,120	1,436	-	6,573
Accrued leave	7,905	3,911	8,412	8,978	-	29,206
Customer deposits	36,201	-	-	-	-	36,201
Unearned revenue	-	4,157	67,610	46,194	-	117,961
Current portion of revenue bonds	97,004	-	-	-	-	97,004
Total Current Liabilities	161,508	12,577	253,901	58,179	3,873	490,038
Noncurrent Liabilities, net of current portion						
Advances from other funds	-	424,372	-	90,959	-	515,331
Revenue bonds, net of unamortized discount	517,390	-	4,539,672	1,466,206	-	6,523,268
Accrued interest payable	-	-	1,377,175	527,969	-	1,905,144
Net pension liability	240,907	141,620	289,688	10,743	24,840	707,798
Total Noncurrent Liabilities	758,297	565,992	6,206,535	2,095,877	24,840	9,651,541
Total Liabilities	919,805	578,569	6,460,436	2,154,056	28,713	10,141,579
Deferred Inflows of Resources - pension related	19,205	15,829	30,663	332	1,046	67,075
Net Position						
Net investment in capital assets	2,567,253	5,084,013	(4,114,397)	(103,041)	11,617	3,445,445
Restricted for debt service and depreciation reserve	-	-	950,000	-	-	950,000
Unrestricted (deficit)	7,043,890	(545,150)	(1,968,405)	(678,736)	411,995	4,263,594
Total Net Position (Deficit)	9,611,143	4,538,863	(5,132,802)	(781,777)	423,612	8,659,039
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 10,550,153	\$ 5,133,261	\$ 1,358,297	\$ 1,372,611	\$ 453,371	\$ 18,867,693

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska
Enterprise Funds
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31, 2016</i>	Major Funds					Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor	Nonmajor Funds	
Operating revenues	\$ 1,542,717	\$ 409,915	\$ 2,062,987	\$ 375,331	\$ 81,785	\$ 4,472,735
Cost of goods sold	-	-	(1,703,752)	-	(13,318)	(1,717,070)
Net Operating Revenues	1,542,717	409,915	359,235	375,331	68,467	2,755,665
Operating Expenses						
Salaries and benefits	247,686	106,589	332,955	80,990	12,906	781,126
Other operating expenses	1,100,610	99,090	171,093	50,443	36,051	1,457,287
Administrative cost allocation	104,356	37,948	94,869	18,974	37,948	294,095
Depreciation	168,474	338,745	39,456	98,152	1,721	646,548
Total Operating Expenses	1,621,126	582,372	638,373	248,559	88,626	3,179,056
Operating Income (Loss)	(78,409)	(172,457)	(279,138)	126,772	(20,159)	(423,391)
Nonoperating Revenues (Expenses)						
State PERS relief	4,089	3,646	6,989	39	171	14,934
Investment income	54,600	-	-	-	-	54,600
Interest expense	(20,767)	-	-	-	-	(20,767)
Net Nonoperating Revenues (Expenses)	37,922	3,646	6,989	39	171	48,767
Income (loss) before capital contributions and transfers	(40,487)	(168,811)	(272,149)	126,811	(19,988)	(374,624)
Capital contributions	609	144,139	-	-	-	144,748
Transfers in	-	9,485	-	-	-	9,485
Change in Net Position	(39,878)	(15,187)	(272,149)	126,811	(19,988)	(220,391)
Net Position (Deficit), beginning	9,651,021	4,554,050	(4,860,653)	(908,588)	443,600	8,879,430
Net Position (Deficit), ending	\$ 9,611,143	\$ 4,538,863	\$ (5,132,802)	\$ (781,777)	\$ 423,612	\$ 8,659,039

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska

Enterprise Funds
Statement of Cash Flows

	Major Funds					Total
	Electric	Water	Bulk		Nonmajor	Enterprise
	Utility	and Sewer	Fuel	Harbor	Funds	Funds
Year Ended December 31, 2016						
Cash Flows from (for) Operating Activities						
Receipts from customers and users	\$ 1,615,131	\$ 436,923	\$ 2,134,454	\$ 386,032	\$ 98,045	\$ 4,670,585
Payments for interfund services used	(104,356)	(37,948)	(94,869)	(18,974)	(37,948)	(294,095)
Payments to suppliers	(1,163,652)	(114,054)	(1,821,295)	(50,580)	(48,683)	(3,198,264)
Payments to employees	(214,142)	(73,884)	(272,698)	(79,049)	(11,492)	(651,265)
Net cash flows from (for) operating activities	132,981	211,037	(54,408)	237,429	(78)	526,961
Cash Flows for Noncapital Financing Activities -						
Decrease in advances from other funds	-	(210,604)	-	(237,429)	-	(448,033)
Cash Flows for Capital and Related						
Financing Activities						
Additions to property, plant and equipment	(36,448)	(154,142)	(22,030)	-	-	(212,620)
Transfer in	-	9,485	-	-	-	9,485
Capital contributions received	609	144,224	-	-	-	144,833
Principal paid	(96,800)	-	-	-	-	(96,800)
Interest paid	(1,814)	-	-	-	-	(1,814)
Net cash flows for capital and related financing activities	(134,453)	(433)	(22,030)	-	-	(156,916)
Cash Flows from Investing Activities -						
Investment income received	54,600	-	-	-	-	54,600
Net Increase (Decrease) in Cash and Investments	53,128	-	(76,438)	-	(78)	(23,388)
Cash and Investments, beginning	6,992,736	-	531,132	-	411,560	7,935,428
Cash and Investments, ending	\$ 7,045,864	\$ -	\$ 454,694	\$ -	\$ 411,482	\$ 7,912,040
Reconciliation of Cash and Investments to Statement of Net Position						
Cash and investments	\$ 7,045,864	\$ -	\$ 304,694	\$ -	\$ 411,482	\$ 7,762,040
Restricted cash	-	-	150,000	-	-	150,000
Total Cash and Investments	\$ 7,045,864	\$ -	\$ 454,694	\$ -	\$ 411,482	\$ 7,912,040

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska
Enterprise Funds
Statement of Cash Flows, continued

	Major Funds					Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor	Nonmajor Funds	
Year Ended December 31, 2016						
Reconciliation of Operating Income (Loss) to Net Cash						
Flows from (for) Operating Activities						
Operating income (loss)	\$ (78,409)	\$ (172,457)	\$ (279,138)	\$ 126,772	\$ (20,159)	\$ (423,391)
Adjustments to reconcile operating income (loss) to net cash flows from (for) operating activities:						
Depreciation	168,474	338,745	39,456	98,152	1,721	646,548
Noncash expense - PERS relief	4,089	3,646	6,989	39	171	14,934
Increase in allowance for doubtful accounts	52	70	1,216	-	-	1,338
(Increase) decrease in assets and deferred outflows of resources:						
Accounts receivable	60,260	22,781	2,641	10,701	16,260	112,643
Inventory	(830)	-	34,589	-	(1,565)	32,194
Deferred outflows of resources related to pensions	19,090	17,023	32,630	181	775	69,699
Increase (decrease) in liabilities and deferred inflows of resources:						
Accounts payable	(62,212)	(14,964)	18,961	(137)	2,251	(56,101)
Accrued liabilities	605	(113)	(607)	(125)	-	(240)
Accrued leave	(1,770)	1,867	1,538	1,737	-	3,372
Unearned revenue	-	4,157	67,610	-	-	71,767
Customer deposits	12,102	-	-	-	-	12,102
Net pension liability	(3,350)	(2,987)	(5,726)	(32)	(136)	(12,231)
Deferred inflows of resources related to pensions	14,880	13,269	25,433	141	604	54,327
Net Cash Flows from (for) Operating Activities	\$ 132,981	\$ 211,037	\$ (54,408)	\$ 237,429	\$ (78)	\$ 526,961

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska

Notes to Basic Financial Statements December 31, 2016

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 safety (police, volunteer fire department, and emergency medical 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, and other items not properly included among program revenues are reported instead as *general revenues*.

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

City of Saint Paul, Alaska

Notes to Basic 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.

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 proprietary 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 local fueling facility.

The *Harbor Enterprise Fund* is used to account for the activities of the local port and harbor.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. 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 revenues.

City of Saint Paul, Alaska

Notes to Basic Financial Statements

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 of any department 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.

Inventory

Inventory is valued at cost in governmental funds and at the lower of cost or market in the proprietary funds. Cost is determined by the first-in, first-out method. The cost is recorded as an 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."

City of Saint Paul, Alaska

Notes to Basic Financial Statements

Grants and Other Intergovernmental Revenues

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

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 governmental funds are now 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 estimated fair market value at the date of donation.

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

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

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

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.

City of Saint Paul, Alaska

Notes to Basic Financial Statements

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

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

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

Encumbrances

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

Pension Plan

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

2. 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, 2016.

Deposits	\$ 3,986,809	Cash and investments	\$ 14,629,354
Investments	10,792,545	Restricted cash	150,000
<hr/>		<hr/>	
Total	\$ 14,779,354	Total	\$ 14,779,354

City of Saint Paul, Alaska

Notes to Basic Financial Statements

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 AA 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., 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, 2016 are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Certificates of deposits	\$ 9,236,302	\$ 1,721,992	\$ 7,514,310
U.S. government agency bonds	1,258,631	-	1,258,631
AMLIP pooled investments	297,612	297,612	-
Total Subject to Interest Rate Risk	\$ 10,792,545	\$ 2,019,604	\$ 8,772,941

City of Saint Paul, Alaska

Notes to Basic Financial Statements

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, 2016:

- U.S. government agency securities of \$1,258,631 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 \$9,236,302 that are held at fair value. The City's investment in AMLIP totaling \$297,612 is measured at fair value as of December 31, 2016.

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.

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

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, 2016, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$3,625,798 was subject to a collateral agreement. The City maintains a collateral agreement with its depository financial institution, Northrim Bank, of up to \$3,380,130. As a result, \$245,668 remained uninsured at December 31, 2016.

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City of Saint Paul, Alaska
Notes to Basic Financial Statements

3. Capital Assets

Capital asset activity for the year ended December 31, 2016 follows:

Governmental Activities	Balance January 1, 2016	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2016
<i>Capital assets not being depreciated:</i>				
Land	\$ 105,000	\$ -	\$ -	\$ 105,000
Construction in progress	37,375	7,924	-	45,299
Total assets not being depreciated	142,375	7,924	-	150,299
<i>Capital assets being depreciated:</i>				
Landfill	801,832	-	-	801,832
Breakwater	47,642,984	-	-	47,642,984
Buildings	8,648,040	-	-	8,648,040
Machinery and equipment	4,271,854	97,877	132,339	4,237,392
Total assets being depreciated	61,364,710	97,877	132,339	61,330,248
Less accumulated depreciation for:				
Landfill	172,307	40,092	-	212,399
Breakwater	24,240,436	952,860	-	25,193,296
Buildings	3,592,450	191,422	-	3,783,872
Machinery and equipment	2,650,767	184,231	92,392	2,742,606
Total accumulated depreciation	30,655,960	1,368,605	92,392	31,932,173
Total capital assets being depreciated, net	30,708,750	(1,270,728)	39,947	29,398,075
Governmental Activities Capital Assets, net	\$ 30,851,125	\$ (1,262,804)	\$ 39,947	\$ 29,548,374

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City of Saint Paul, Alaska

Notes to Basic Financial Statements

Business-Type Activities	Balance January 1, 2016	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2016
<i>Capital assets not being depreciated:</i>				
Land	\$ 151,236	\$ -	\$ -	\$ 151,236
Construction in progress	956,173	153,867	926,008	184,032
Total assets not being depreciated	1,107,409	153,867	926,008	335,268
<i>Capital assets being depreciated:</i>				
Plant in service	12,081,246	984,761	-	13,066,007
Fuel tanks and lines	5,248,213	-	-	5,248,213
Dock and mooring	5,045,532	-	-	5,045,532
Buildings	3,317,998	-	-	3,317,998
Machinery and equipment	1,256,923	-	-	1,256,923
Total assets being depreciated	26,949,912	984,761	-	27,934,673
Less accumulated depreciation for:				
Plant in service	6,964,506	425,788	-	7,390,294
Fuel tanks and lines	5,180,471	6,729	-	5,187,200
Dock and mooring	3,596,316	95,248	-	3,691,564
Buildings	1,182,844	37,844	-	1,220,688
Machinery and equipment	633,539	80,939	-	714,478
Total accumulated depreciation	17,557,676	646,548	-	18,204,224
Total capital assets being depreciated, net	9,392,236	338,213	-	9,730,449
Business-Type Activities Capital Assets, net	\$ 10,499,645	\$ 492,080	\$ 926,008	\$ 10,065,717

Depreciation expense was charged to the functions as follows:

Governmental Activities

General government	\$ 1,146,708
Public safety	59,282
Public works	162,615
Total Depreciation Expense - Governmental Activities	\$ 1,368,605

City of Saint Paul, Alaska

Notes to Basic Financial Statements

Business-type Activities

Electric utility	\$	168,474
Water and sewer utility		338,745
Bulk fuel farm		39,456
Harbor		98,152
Marine sales		1,721

Total Depreciation Expense - Business-Type Activities	\$	646,548
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4. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2016:

	Balance January 1, 2016	Additions	Retired	Balance December 31, 2016	Due Within One Year
Governmental Activities					
Accrued leave	\$ 38,894	\$ 62,032	\$ 55,743	\$ 45,183	\$ 45,183
Landfill closure and postclosure care costs	5,664	1,888	-	7,552	-
Net pension liability	2,266,239	-	38,433	2,227,806	-
Total Governmental Activities	\$ 2,310,797	\$ 63,920	\$ 94,176	\$ 2,280,541	\$ 45,183

Business-type Activities

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	\$	-
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\$150,000 electric revenue
bonds payable to the
State of Alaska in 25
equal annual
installments of \$8,614
including 3% interest

60,470	-	6,800	53,670	7,004
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City of Saint Paul, Alaska

Notes to Basic Financial Statements

	Balance January 1, 2016	Additions	Retired	Balance December 31, 2016	Due Within One Year
Business-type Activities					
Revenue bonds, continued:					
\$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 \$69,276 at December 31, 2016	\$ 720,000	\$ -	\$ 90,000	\$ 630,000	\$ 90,000
Total revenue bonds payable	6,786,348	-	96,800	6,689,548	97,004
Accrued interest payable	1,905,144	-	-	1,905,144	-
Accrued leave	25,834	26,723	23,351	29,206	29,206
Net pension liability	720,029	-	12,231	707,798	-
Less unamortized discount	(88,229)	-	(18,953)	(69,276)	-
Total Business-type Activities	\$ 9,349,126	\$ 26,723	\$ 113,429	\$ 9,262,420	\$ 126,210

On March 18, 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, 2015. In March 2015, that agreement was extended until September 18, 2015. 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.

City of Saint Paul, Alaska

Notes to Basic Financial Statements

The annual debt service requirements of the electric revenue bonds outstanding at December 31, 2016, are scheduled out below. The Department of Commerce revenue bond has not been included in the future payments.

Business-type Activities

Year Ending December 31,	Principal	Interest	Total Requirements
2017	\$ 97,004	\$ 18,432	\$ 115,436
2018	97,214	16,026	113,240
2019	97,431	13,549	110,980
2020	97,654	10,997	108,651
2021	97,883	8,368	106,251
2022-2023	196,484	8,535	205,019
	\$ 683,670	\$ 75,907	\$ 759,577

5. 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 \$37,750. The \$7,552 reported as landfill closure costs payable at December 31, 2016 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 \$30,198 as the remaining expected usage is filled. These amounts are based on an estimate of cost to perform all closure and postclosure care in 2016. 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 16 years.

6. 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	\$ 48,435	\$ -	\$ 48,435
Advance to Water and Sewer Utility Enterprise Fund	424,372	-	424,372
Advance to Harbor Enterprise Fund	90,959	-	90,959
Total Nonspendable	563,766	-	563,766
Committed for capital projects	-	213,248	213,248
Unassigned	5,753,495	-	5,753,495
Total Fund Balances	\$ 6,317,261	\$ 213,248	\$ 6,530,509

City of Saint Paul, Alaska

Notes to Basic Financial Statements

The following funds had fund deficits at December 31, 2016:

Bulk Fuel Farm Enterprise Fund	\$ (5,132,802)
Harbor Enterprise Fund	(781,777)

Expenditures exceeded appropriations in various departments of the General Fund. The following amounts reflect the excess of the actual expenditures over the budget:

City manager	\$ 15,585
City clerk	8,659
Nondepartmental	10,047

7. 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/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

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

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

Historical Context and Special Funding Situation

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

City of Saint Paul, Alaska

Notes to Basic Financial Statements

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.

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

The City records these on-behalf contributions as revenue and expense/expenditures in the fund financial statements.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Police and firefighters are required to contribute 7.5% 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 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the on-behalf contribution in 2015 was significantly higher than the statutory amount. In 2016, the on-behalf contribution has returned to "normal" levels and generally equals the statutory calculation. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

City of Saint Paul, Alaska

Notes to Basic Financial Statements

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY16, the rate uses an 8% pension discount rate and a 4.3% 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 years ended June 30, 2016 and June 30, 2017 were determined in the June 30, 2013 and June 30, 2014 actuarial valuations, respectively. City contribution rates for the 2016 calendar year were as follows:

<i>January 1, 2016 to June 30, 2016</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	13.25%	16.38%	3.63%	37.79%
Postemployment healthcare (see Note 9)	8.75%	10.81%	1.56%	58.73%
Total Contribution Rates	22.00%	27.19%	5.19%	96.52%
<i>July 1, 2016 to December 31, 2016</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	14.96%	19.10%	4.14%	27.26%
Postemployment healthcare (see Note 9)	7.04%	7.04%	-%	56.64%
Total Contribution Rates	22.00%	26.14%	4.14%	83.90%

In 2016, the City was credited with the following contributions into the pension plan.

	Measurement Period July 1, 2015 to June 30, 2016	City Fiscal Year January 1, 2016 to December 31, 2016
Employer contributions (including DBUL)	\$ 123,047	\$ 118,075
Nonemployer contributions (on-behalf)	55,312	52,953
Total Contributions	\$ 178,359	\$ 171,028

In addition, employee contributions to the Plan totaled \$34,135 during the City's fiscal year.

City of Saint Paul, Alaska

Notes to Basic Financial Statements

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

At December 31, 2016, 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:

	2016
City proportionate share of NPL	\$ 2,935,604
State's proportionate share of NPL associated with the City	367,692
Total Net Pension Liability	\$ 3,303,296

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2016 measurement date, the City's proportion was 0.05252 percent, which was a decrease of 0.00905 from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$580,839. Of this amount, \$55,312 was recorded as on-behalf revenue and expense for additional contributions paid by the State. At December 31, 2016, 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	\$ 270	\$ (32,722)
Changes in assumptions	13,540	-
Net difference between projected and actual earnings on pension plan investments	288,556	-
Changes in proportion and differences between City contributions and proportionate share of contributions	40,046	(245,180)
City contributions subsequent to the measurement date	61,178	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ 403,590	\$ (277,902)

City of Saint Paul, Alaska

Notes to Basic Financial Statements

The \$61,178 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, 2016. 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,

2017	\$ (151,572)
2018	21,947
2019	117,962
2020	76,173
<hr/>	
Total Amortization	\$ 64,510

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement period, and rolled forward to the measurement date of June 30, 2016. The actuarial valuation for the year ended June 30, 2015 (latest available) was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2015 valuation 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.

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City of Saint Paul, Alaska

Notes to Basic Financial Statements

Actuarial Cost Method	Entry Age Normal - Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	Amounts were allocated to employers based on the projected present value of contributions for FY2017-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	Inflation - 3.12% per year Productivity - 0.50% per year Peace Officer/Firefighter - graded by years of service from 9.66% to 4.92% All others - graded by age and years of service from 8.55% to 4.34%
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 3.12% annually.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB

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City of Saint Paul, Alaska

Notes to Basic Financial Statements

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

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

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:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	.052519%	\$ 3,780,910	\$ 2,935,604	\$ 2,222,629

Pension Plan Fiduciary Net Position

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

City of Saint Paul, Alaska

Notes to Basic Financial Statements

8. Defined Contribution (DC) Pension Plan

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

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the 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, 2016, 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, 2016 were \$35,859 and \$57,375, respectively. The City contribution amount was recognized as pension expense/expenditures.

9. Other Post-Employment Benefit (OPEB) Plans

Defined Benefit OPEB

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

Employer Contribution Rate

For the year ended December 31, 2016, the City was required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

City of Saint Paul, Alaska

Notes to Basic Financial Statements

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. On-behalf contributions to the OPEB Plan in 2016, 2015, and 2014 were \$12,274, \$11,412 and \$52,046, respectively.

<i>Year Ended December 31,</i>	Annual OPEB Costs	City Contributions	% of Costs Contributed
2016	\$ 66,364	\$ 66,364	100 %
2015	90,889	90,889	100 %
2014	112,873	112,873	100 %

Defined Contribution OPEB

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

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2016 were as follows:

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

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

Annual Postemployment Healthcare Cost

In 2016, the City contributed \$47,718 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

City of Saint Paul, Alaska

Notes to Basic Financial Statements

10. 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 City has no coverage for potential losses from environmental damages.

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, 2016.

11. Interfund Balances and Transfers

In 2016, certain interfund receivables/payables have been reclassified to advances to better represent the long-term nature of the balances. No repayment schedule has been established for the advances. 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 and transfers for the year ended December 31, 2016, follows:

Due from Other Funds

Due to the General Fund from nonmajor governmental funds for short-term advance	\$ 4,592
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Advances to Other Funds

Advance from the General Fund to:	
Water and Sewer Utility Enterprise Fund	\$ 424,372
Harbor Enterprise Fund	90,959

Total Advances to Other Funds	\$ 515,331
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Transfers

From General Fund to Water and Sewer Utility Enterprise Fund	\$ 9,485
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City of Saint Paul, Alaska

Notes to Basic Financial Statements

12. 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.

Army Corps of Engineers Claim

In October 2010, the City received a letter from the U. S. Department of the Army Corps of Engineers claiming a shortfall of approximately \$13.3 million on the Saint Paul Harbor Improvements project. The Army Corps of Engineers claimed that the reason for the shortfall was that Section 2008 of Water Resources Development Act of 2007 negated the technical correction in the Energy and Water Development Act of 2003 in which the original project cost share was changed from 65%/35% Federal/non-federal share to 90%/10%. They further claimed that the negation of the technical correction means that the cost share for phases I and II reverts back to the original 65%/35%.

The City disagreed with the Army Corps of Engineers interpretation regarding the applicability of Section 2008 of the Water Resources Development Act of 2007. The City believes there are a number of steps both parties should take prior to deciding on a particular course of action including an act of Congress. The City has also requested that an audit and final accounting be undertaken to clarify more definitively the precise value of the amounts spent by each party on the project to date, eliminate discrepancies in the figures that have been presented and maintained by both parties, and thus determine with greater certainty the amounts allegedly owed.

In June 2017 the City was provided with the final accounting from the Army Corps of Engineers for which the Army Corps of Engineers claims the City owes \$5,220,575 for phases I and II of the project and \$1,635,012 for phase III. The City's position on the claim is that it owes \$142,700 to the Army Corps of Engineers. However, as yet, the City has not been released from any portion of the claim. Due to the uncertainty of the outcome, no liability has been reflected in these financial statements.

13. Related Party Transactions

In 2016, the City had fuel sales to Council Members totaling \$31,401.

14. New Accounting Pronouncements

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

GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - Effective for year-end December 31, 2017, with earlier application encouraged - This statement contains financial reporting guidelines for Postemployment Benefit Plans. This is the Plan side requirements applicable to OPEB benefits and generally brings the OPEB reporting rules into alignment with the new GASB 67 Pension rules.

City of Saint Paul, Alaska

Notes to Basic Financial Statements

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Effective for year-end December 31, 2018, with earlier application encouraged - This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

GASB 80 - Blending Requirements for Certain Component Units - Effective for year-end December 31, 2017, with earlier application encouraged - This statement requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement amends the previous requirements established in paragraph 53 of GASB 14. The criterion specified in GASB 80 does not apply to component units included in the financial reporting entity pursuant to GASB 39.

GASB 81 - Irrevocable Split-Interest Agreements - Effective for year-end December 31, 2017, with earlier application encouraged - This statement establishes recording and recognition criteria for governments who receive resources pursuant to an irrevocable split-interest agreement.

GASB 82 - Pension-Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73 - Effective for year-end December 31, 2017, with earlier application encouraged - This statement further amends prior pension reporting to redefine "covered payroll" for required supplementary information, clarifies deviations from actuarial standards, and clarifies the classification of employer-paid member contributions.

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 (AROs).

GASB 84 - Fiduciary Activities - Effective for year-end December 31, 2019, with earlier application encouraged. This statement establishes standards of accounting and financial reporting for fiduciary activities. It is intended to enhance the consistency and comparability of fiduciary activity reporting by state and local governments and to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries.

GASB 85 - Omnibus 2017 - Effective for year-end December 31, 2018, with earlier application encouraged. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Required Supplementary Information

City of Saint Paul, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Year Ended December 31, 2016</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Sales	\$ 301,500	\$ 301,500	\$ 315,049	\$ 13,549
Fish	1,100,000	1,100,000	1,693,385	593,385
Total taxes	1,401,500	1,401,500	2,008,434	606,934
Intergovernmental:				
State fisheries taxes	719,500	719,500	904,071	184,571
State PERS relief	-	-	49,480	49,480
Federal payment in lieu of taxes	75,000	75,000	76,900	1,900
State revenue - sharing	90,000	90,000	74,020	(15,980)
Total intergovernmental	884,500	884,500	1,104,471	219,971
Charges for services:				
Building/housing revenue	116,584	116,584	170,390	53,806
Allocated administrative charges	300,000	300,000	294,095	(5,905)
Other contract and labor revenues	22,000	22,000	15,657	(6,343)
Refuse department services	130,000	130,000	144,998	14,998
Total charges for services	568,584	568,584	625,140	56,556
Investment income	80,000	80,000	65,852	(14,148)
Internal equipment rental	75,000	75,000	19,081	(55,919)
Other revenue	35,500	35,500	12,306	(23,194)
Total Revenues	3,045,084	3,045,084	3,835,284	790,200
Expenditures				
Current:				
General government	1,109,353	1,109,353	1,052,408	56,945
Public safety	628,370	628,370	565,539	62,831
Public works	1,628,160	1,628,160	1,151,360	476,800
Total Expenditures	3,365,883	3,365,883	2,769,307	596,576
Excess of Revenues Over (Under) Expenditures	(320,799)	(320,799)	1,065,977	1,386,776
Other Financing Uses				
Transfers out	-	-	(9,485)	(9,485)
Net Change in Fund Balance	\$ (320,799)	\$ (320,799)	\$ 1,056,492	\$ 1,377,291
Fund Balance, beginning			5,260,769	
Fund Balance, ending			\$ 6,317,261	

See accompanying notes to Required Supplementary Information.

City of Saint Paul, Alaska
Public Employees Retirement System
Schedule of the City's Information on the Net Pension Liability

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 Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.06157%	\$ 2,986,268	\$ 800,510	\$ 3,786,778	\$ 1,623,160	233.30%	63.96%
2016	2016	0.05252%	\$ 2,935,604	\$ 367,692	\$ 3,303,296	\$ 1,357,280	216.29%	59.55%

See accompanying notes to Required Supplementary Information.

City of Saint Paul, Alaska
Public Employees Retirement System
Schedule of City Contributions

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
2015	\$ 128,719	\$ 128,719	\$ -	\$ 1,491,677	8.629%
2016	\$ 118,075	\$ 118,075	\$ -	\$ 1,222,885	9.655%

See accompanying notes to Required Supplementary Information.

City of Saint Paul, Alaska

Notes to Required Supplementary Information December 31, 2016

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.

City of Saint Paul, Alaska

Notes to Required Supplementary Information December 31, 2016

2. Public Employees Retirement System

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 pension 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, 2016, the Plan measurement date is June 30, 2016.
- There were no changes in benefit terms from the prior measurement period.
- There were no material changes in assumptions from the prior measurement period.

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.

Supplementary Information

City of Saint Paul, Alaska
Nonmajor Governmental Funds
Combing Balance Sheet

	<u>Special Revenue Funds</u>		Total
	Burn	Harbor	Nonmajor
<i>December 31, 2016</i>	Box	Navigation	Governmental
			Funds
Assets			
Cash and investments	\$ -	\$ 307,649	\$ 307,649
Intergovernmental receivables	7,924	-	7,924
Total Assets	\$ 7,924	\$ 307,649	\$ 315,573
Liabilities			
Accounts payable	\$ 3,332	\$ -	\$ 3,332
Due to other funds	4,592	-	4,592
Unearned revenue	-	94,401	94,401
Total Liabilities	7,924	94,401	102,325
Fund Balance			
Committed	-	213,248	213,248
Total Liabilities and Fund Balance	\$ 7,924	\$ 307,649	\$ 315,573

City of Saint Paul, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

	<u>Special Revenue Funds</u>		Total
	Burn	Harbor	Nonmajor
<i>Year Ended December 31, 2016</i>	Box	Navigation	Governmental
			Funds
Revenues			
Intergovernmental	\$ 7,924	\$ -	\$ 7,924
Expenditures			
Public works	7,924	-	7,924
Net Change in Fund Balances	-	-	-
Fund Balances, beginning	-	213,248	213,248
Fund Balances, ending	\$ -	\$ 213,248	\$ 213,248

City of Saint Paul, Alaska
Nonmajor Enterprise Funds
Combining Statement of Net Position

	Marine Sales	Home Energy Loan	Total Nonmajor Enterprise Funds
<i>December 31, 2016</i>			
Assets			
Current Assets			
Cash and investments	\$ 411,367	\$ 115	\$ 411,482
Accounts receivable	988	-	988
Inventory	24,269	-	24,269
Total Current Assets	436,624	115	436,739
Property, Plant and Equipment			
Machinery and equipment	46,708	-	46,708
Accumulated depreciation	(35,091)	-	(35,091)
Net Property, Plant and Equipment	11,617	-	11,617
Total Assets	448,241	115	448,356
Deferred Outflows of Resources - pension related	5,015	-	5,015
Total Assets and Deferred Outflows of Resources	\$ 453,256	\$ 115	\$ 453,371
Current Liabilities			
Accounts payable	\$ 3,873	\$ -	\$ 3,873
Noncurrent Liabilities - net pension liability	24,840	-	24,840
Total Liabilities	28,713	-	28,713
Deferred Inflows of Resources - pension related	1,046	-	1,046
Net Position			
Net investment in capital assets	11,617	-	11,617
Unrestricted	411,880	115	411,995
Total Net Position	423,497	115	423,612
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 453,256	\$ 115	\$ 453,371

City of Saint Paul, Alaska

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

	Marine Sales	Home Energy Loan	Total Nonmajor Enterprise Funds
<i>Year Ended December 31, 2016</i>			
Operating Revenues			
Operating revenues	\$ 81,785	\$ -	\$ 81,785
Cost of goods sold	(13,318)	-	(13,318)
Net Operating Revenues	68,467	-	68,467
Operating Expenses			
Salaries and wages	9,260	-	9,260
Employee benefits	3,646	-	3,646
Material and supplies	9,568	-	9,568
Fuel and utilities	15,937	-	15,937
Depreciation	1,721	-	1,721
Insurance	10,546	-	10,546
Administrative cost allocation	37,948	-	37,948
Total Operating Expenses	88,626	-	88,626
Operating Loss	(20,159)	-	(20,159)
Nonoperating Revenues - State PERS relief	171	-	171
Change in Net Position	(19,988)	-	(19,988)
Net Position, beginning	443,485	115	443,600
Net Position, ending	\$ 423,497	\$ 115	\$ 423,612

City of Saint Paul, Alaska
Nonmajor Enterprise Funds
Combining Statement of Cash Flows

<i>Year Ended December 31, 2016</i>	Marine Sales	Home Energy Loan	Total Nonmajor Enterprise Funds
Cash Flows for Operating Activities			
Receipts from customers and users	\$ 98,045	\$ -	\$ 98,045
Payments for interfund services used	(37,948)	-	(37,948)
Payments to suppliers	(48,683)	-	(48,683)
Payments to employees	(11,492)	-	(11,492)
Net cash flows for operating activities	(78)	-	(78)
Net Decrease in Cash and Investments	(78)	-	(78)
Cash and Investments, beginning	411,445	115	411,560
Cash and Investments, ending	\$ 411,367	\$ 115	\$ 411,482
Reconciliation of Operating Loss to Net Cash			
Flows for Operating Activities			
Operating loss	\$ (20,159)	\$ -	\$ (20,159)
Adjustments to reconcile operating loss to net cash flows for operating activities:			
Depreciation	1,721	-	1,721
Noncash expense - PERS relief	171	-	171
(Increase) decrease in assets and deferred outflows of resources:			
Accounts receivable	16,260	-	16,260
Inventory	(1,565)	-	(1,565)
Deferred outflows of resources related to pensions	775	-	775
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable	2,251	-	2,251
Net pension liability	(136)	-	(136)
Deferred inflows of resources related to pensions	604	-	604
Net Cash Flows for Operating Activities	\$ (78)	\$ -	\$ (78)

City of Saint Paul, Alaska

General Fund
Balance Sheet

<i>December 31,</i>	2016	2015
Assets		
Cash and investments	\$ 6,559,665	\$ 4,876,421
Receivables		
Accounts	607	60,969
Note	-	32,307
Taxes	18,737	97,174
Other	4,486	4,736
Total receivables	23,830	195,186
Allowance for doubtful accounts	(9,413)	(9,066)
Net Receivables	14,417	186,120
Due from other funds	4,592	-
Advances to other funds	515,331	963,364
Inventory	48,435	51,179
Prepaid insurance	-	581
Total Assets	\$ 7,142,440	\$ 6,077,665
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 87,953	\$ 84,831
Accrued liabilities	31,481	27,820
Customer deposits	18,360	16,860
Unearned revenue	687,385	687,385
Total Liabilities	825,179	816,896
Fund Balance		
Nonspendable	563,766	1,015,124
Unassigned	5,753,495	4,245,645
Total Fund Balance	6,317,261	5,260,769
Total Liabilities and Fund Balance	\$ 7,142,440	\$ 6,077,665

City of Saint Paul, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Years Ended December 31,	2016			2015
	Budget	Actual	Variance with Final Budget	Actual
Revenues				
Taxes:				
Sales	\$ 301,500	\$ 315,049	\$ 13,549	\$ 378,241
Fish	1,100,000	1,693,385	593,385	1,771,910
Total taxes	1,401,500	2,008,434	606,934	2,150,151
Intergovernmental:				
State liquor licenses	-	-	-	4,000
State fisheries taxes	719,500	904,071	184,571	1,061,995
State PERS relief	-	49,480	49,480	317,589
Federal payment in lieu of taxes	75,000	76,900	1,900	76,056
State revenue - sharing	90,000	74,020	(15,980)	111,604
Total intergovernmental	884,500	1,104,471	219,971	1,571,244
Charges for services:				
Building/housing revenue	116,584	170,390	53,806	164,144
Allocated administrative charges	300,000	294,095	(5,905)	289,515
Other contract and labor revenues	22,000	15,657	(6,343)	37,917
Refuse department services	130,000	144,998	14,998	141,110
Total charges for services	568,584	625,140	56,556	632,686
Investment income	80,000	65,852	(14,148)	53,056
Internal equipment rental	75,000	19,081	(55,919)	78,138
Other revenue	35,500	12,306	(23,194)	144,890
Total Revenues	3,045,084	3,835,284	790,200	4,630,165

City of Saint Paul, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

<i>Years Ended December 31,</i>	2016			2015
	Budget	Actual	Variance with Final Budget	Actual
Expenditures				
General government:				
Mayor and council:				
Salaries and wages	\$ 14,000	\$ 15,210	\$ (1,210)	\$ 17,130
Employee benefits	4,000	4,273	(273)	9,529
Material and supplies	50	68	(18)	1,725
Fuel, utilities and telephone	100	106	(6)	195
Legal and consulting	-	13,190	(13,190)	-
Other services and charges	49,672	33,753	15,919	65,335
Total mayor and council	67,822	66,600	1,222	93,914
City manager:				
Salaries and wages	92,000	52,508	39,492	73,407
Employee benefits	29,000	22,376	6,624	41,624
Material and supplies	2,950	652	2,298	2,269
Fuel, utilities and telephone	1,200	843	357	2,784
Repairs and maintenance	500	-	500	-
Insurance	750	440	310	466
Legal and consulting	120,000	188,276	(68,276)	226,316
Other services and charges	8,250	5,140	3,110	10,595
Total city manager	254,650	270,235	(15,585)	357,461
City clerk:				
Salaries and wages	95,000	92,953	2,047	72,353
Employee benefits	35,331	45,312	(9,981)	52,900
Material and supplies	675	1,579	(904)	216
Fuel, utilities and telephone	850	710	140	1,331
Insurance	300	261	39	267
Total city clerk	132,156	140,815	(8,659)	127,067

City of Saint Paul, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

<i>Years Ended December 31,</i>	2016			2015
	Budget	Actual	Variance with Final Budget	Actual
Expenditures, continued				
General government, continued:				
Finance:				
Salaries and wages	\$ 295,000	\$ 214,275	\$ 80,725	\$ 311,051
Employee benefits	119,000	111,930	7,070	231,048
Material and supplies	7,850	6,153	1,697	14,098
Insurance	500	477	23	504
Fuel, utilities and telephone	1,300	1,250	50	1,512
Legal and consulting	62,775	64,356	(1,581)	65,190
Other services and charges	27,300	25,270	2,030	34,731
Total finance	513,725	423,711	90,014	658,134
Nondepartmental:				
Material and supplies	27,800	27,344	456	29,442
Insurance	32,000	23,069	8,931	26,179
Other services and charges	81,200	100,634	(19,434)	93,733
Total nondepartmental	141,000	151,047	(10,047)	149,354
Total general government	1,109,353	1,052,408	56,945	1,385,930
Public safety:				
Salaries and wages	371,750	319,180	52,570	401,909
Employee benefits	166,000	162,259	3,741	264,989
Material and supplies	23,600	20,899	2,701	47,160
Fuel, utilities and telephone	32,570	28,158	4,412	36,464
Insurance	13,500	15,948	(2,448)	14,083
Other services and charges	16,750	17,243	(493)	22,361
Capital outlay	4,200	1,852	2,348	18,452
Total public safety	628,370	565,539	62,831	805,418
Public works:				
Machine shop and motor pool:				
Salaries and wages	60,000	67,254	(7,254)	101,779
Employee benefits	64,000	43,899	20,101	88,348
Material and supplies	43,150	22,201	20,949	39,244
Fuel, utilities and telephone	32,400	16,274	16,126	32,008
Repairs and maintenance	2,000	315	1,685	302
Insurance	12,000	12,168	(168)	11,951
Other services and charges	9,200	10,327	(1,127)	13,559
Capital outlay	85,000	97,877	(12,877)	-
Total machine shop and motor pool	307,750	270,315	37,435	287,191

City of Saint Paul, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

<i>Years Ended December 31,</i>	2016			2015
			Variance with Final Budget	
	Budget	Actual		Actual
Expenditures, continued				
Public works, continued				
Maintenance and labor pool:				
Salaries and wages	\$ 160,000	\$ 111,444	\$ 48,556	\$ 190,579
Employee benefits	81,000	56,514	24,486	116,326
Material and supplies	44,250	43,836	414	36,058
Fuel, utilities and telephone	200,100	139,260	60,840	205,186
Repairs and maintenance	43,500	6,622	36,878	22,132
Insurance	30,000	31,636	(1,636)	30,352
Other services and charges	124,900	30,688	94,212	12,466
Capital outlay	107,100	13,556	93,544	76,910
Total maintenance and labor pool	790,850	433,556	357,294	690,009
Refuse:				
Salaries and wages	84,000	85,961	(1,961)	86,388
Employee benefits	39,000	49,487	(10,487)	54,962
Material and supplies	21,200	8,779	12,421	17,577
Fuel, utilities and telephone	45,050	17,940	27,110	53,300
Insurance	7,000	7,013	(13)	6,787
Legal and consulting	20,000	8,414	11,586	31,835
Other services and charges	2,300	2,728	(428)	2,492
Capital outlay	5,500	27,809	(22,309)	8,432
Total refuse	224,050	208,131	15,919	261,773

City of Saint Paul, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

<i>Years Ended December 31,</i>	2016			2015
			Variance with Final Budget	
	Budget	Actual		Actual
Expenditures, continued				
Public works, continued:				
Administration:				
Salaries and wages	\$ 165,000	\$ 120,655	\$ 44,345	\$ 160,359
Employee benefits	78,000	74,424	3,576	119,686
Material and supplies	3,900	4,363	(463)	1,651
Fuel, utilities and telephone	46,710	31,838	14,872	53,451
Insurance	1,200	1,085	115	1,135
Other services and charges	10,700	6,993	3,707	11,807
Total administration	305,510	239,358	66,152	348,089
Total public works	1,628,160	1,151,360	476,800	1,587,062
Total Expenditures	3,365,883	2,769,307	596,576	3,778,410
Excess of Revenues Over (Under) Expenditures	(320,799)	1,065,977	1,386,776	851,755
Other Financing Uses				
Transfers out	-	(9,485)	(9,485)	(21,000)
Net Change in Fund Balance	\$ (320,799)	1,056,492	\$ 1,377,291	830,755
Fund Balance, beginning		5,260,769		4,430,014
Fund Balance, ending		\$ 6,317,261		\$ 5,260,769

City of Saint Paul, Alaska
Electric Utility Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2016	2015
Assets		
Current Assets		
Cash and investments	\$ 7,045,864	\$ 6,992,736
Receivables:		
Accounts	169,257	217,018
Intergovernmental	66,612	79,111
Allowance for doubtful accounts	(743)	(691)
Inventory	49,981	49,151
Total Current Assets	7,330,971	7,337,325
Property, Plant and Equipment		
Buildings	3,091,433	3,091,433
Machinery and equipment	500,706	500,706
Plant in service	2,936,922	2,911,759
Construction in progress	162,002	150,717
Total property, plant and equipment	6,691,063	6,654,615
Accumulated depreciation	(3,509,416)	(3,340,942)
Net Property, Plant and Equipment	3,181,647	3,313,673
Total Assets	10,512,618	10,650,998
Deferred Outflows of Resources - pension related	37,535	56,625
Total Assets and Deferred Outflows of Resources	\$ 10,550,153	\$ 10,707,623
Liabilities		
Current Liabilities		
Accounts payable	\$ 17,197	\$ 79,409
Accrued liabilities	3,201	2,596
Accrued leave	7,905	9,675
Customer deposits	36,201	24,099
Current portion of revenue bonds	97,004	96,800
Total Current Liabilities	161,508	212,579
Noncurrent Liabilities, net of current portion		
Revenue bonds, net of unamortized discount of \$69,276 in 2016 (\$88,229 in 2015)	517,390	595,441
Net pension liability	240,907	244,257
Total Noncurrent Liabilities	758,297	839,698
Total Liabilities	919,805	1,052,277
Deferred Inflows of Resources - pension related	19,205	4,325
Net Position		
Net investment in capital assets	2,567,253	2,621,432
Unrestricted	7,043,890	7,029,589
Total Net Position	9,611,143	9,651,021
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 10,550,153	\$ 10,707,623

City of Saint Paul, Alaska
Electric Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2016	2015
Operating Revenues		
Electric services	\$ 1,542,717	\$ 1,919,081
Operating Expenses		
Salaries and wages	142,547	224,673
Employee benefits	105,139	217,187
Material and supplies	16,957	33,228
Fuel and utilities	875,996	1,111,325
Depreciation	168,474	162,407
Repairs and maintenance	70,959	152,667
Insurance	14,120	12,164
Legal and consulting	112,718	100,966
Administrative cost allocation	104,356	102,731
Other services and charges	9,860	8,191
Total Operating Expenses	1,621,126	2,125,539
Operating Loss	(78,409)	(206,458)
Nonoperating Revenues (Expenses)		
State PERS relief	4,089	61,660
Investment income	54,600	46,098
Interest expense	(20,767)	(23,034)
Net Nonoperating Revenues (Expenses)	37,922	84,724
Loss before capital contributions	(40,487)	(121,734)
Capital contributions	609	278,062
Change in Net Position	(39,878)	156,328
Net Position, beginning	9,651,021	9,494,693
Net Position, ending	\$ 9,611,143	\$ 9,651,021

City of Saint Paul, Alaska
Electric Utility Enterprise Fund
Statement of Cash Flows

<i>Years Ended December 31,</i>	2016	2015
Cash Fows from Operating Activities		
Receipts from customers and users	\$ 1,615,131	\$ 1,997,953
Payments for interfund services used	(104,356)	(102,731)
Payments to suppliers	(1,163,652)	(1,404,446)
Payments to employees	(214,142)	(331,991)
Net cash flows from operating activities	132,981	158,785
Cash Flows for Capital and Related Financing Activities		
Additions to property, plant and equipment	(36,448)	(416,138)
Capital contributions received	609	260,532
Principal paid	(96,800)	(96,602)
Interest paid	(1,814)	(2,012)
Net cash flows for capital and related financing activities	(134,453)	(254,220)
Cash Flows from Investing Activities -		
Investment income received	54,600	46,098
Net Increase (Decrease) in Cash and Investments	53,128	(49,337)
Cash and Investments, beginning	6,992,736	7,042,073
Cash and Investments, ending	\$ 7,045,864	\$ 6,992,736
Reconciliation of Operating Loss to		
Net Cash Flows from Operating Activities		
Operating loss	\$ (78,409)	\$ (206,458)
Adjustments to reconcile operating loss		
to net cash flows from operating activities:		
Depreciation	168,474	162,407
Noncash expense - PERS relief	4,089	61,660
Increase (decrease) in allowance for doubtful accounts	52	(916)
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	60,260	98,780
Inventory	(830)	(2,930)
Deferred outflows of resources related to pensions	19,090	(48,139)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(62,212)	17,025
Accrued liabilities	605	(8,656)
Accrued leave	(1,770)	(1,144)
Customer deposits	12,102	(18,992)
Net pension liability	(3,350)	116,575
Deferred inflows of resources related to pensions	14,880	(10,427)
Net Cash Flows from Operating Activities	\$ 132,981	\$ 158,785

City of Saint Paul, Alaska
Water and Sewer Utility Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2016	2015
Assets		
Current Assets		
Receivables:		
Accounts	\$ 33,398	\$ 56,179
Intergovernmental	-	85
Allowance for doubtful accounts	(651)	(581)
Total Current Assets	32,747	55,683
Property, Plant and Equipment		
Land	1,236	1,236
Buildings	176,565	176,565
Machinery and equipment	139,305	139,305
Plant in service	10,129,085	9,169,487
Construction in progress	-	805,456
Total property, plant and equipment	10,446,191	10,292,049
Accumulated depreciation	(5,362,178)	(5,023,433)
Net Property, Plant and Equipment	5,084,013	5,268,616
Total Assets	5,116,760	5,324,299
Deferred Outflows of Resources - pension related	16,501	33,524
Total Assets and Deferred Outflows of Resources	\$ 5,133,261	\$ 5,357,823
Liabilities		
Current Liabilities		
Accounts payable	\$ 3,693	\$ 18,657
Unearned revenue	4,157	-
Accrued liabilities	816	929
Accrued leave	3,911	2,044
Total Current Liabilities	12,577	21,630
Noncurrent Liabilities		
Advances from other funds	424,372	634,976
Net pension liability	141,620	144,607
Total Noncurrent Liabilities	565,992	779,583
Total Liabilities	578,569	801,213
Deferred Inflows of Resources - pension related	15,829	2,560
Net Position		
Net investment in capital assets	5,084,013	5,268,616
Unrestricted (deficit)	(545,150)	(714,566)
Total Net Position	4,538,863	4,554,050
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 5,133,261	\$ 5,357,823

City of Saint Paul, Alaska
Water and Sewer Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2016	2015
Operating Revenues		
Water services	\$ 290,415	\$ 325,471
Sewer services	119,500	113,693
Total Operating Revenues	409,915	439,164
Operating Expenses		
Salaries and wages	57,858	56,386
Employee benefits	48,731	100,712
Material and supplies	14,349	50,276
Fuel and utilities	68,027	102,677
Depreciation	338,745	334,712
Repairs and maintenance	12,247	5,718
Insurance	4,467	4,285
Administrative cost allocation	37,948	37,357
Other services and charges	-	4,735
Total Operating Expenses	582,372	696,858
Operating Loss	(172,457)	(257,694)
Nonoperating Revenue - State PERS relief	3,646	36,504
Loss before capital contributions and transfers	(168,811)	(221,190)
Capital contributions	144,139	1,450,232
Transfers in	9,485	-
Change in Net Position	(15,187)	1,229,042
Net Position, beginning,	4,554,050	3,325,008
Net Position, ending	\$ 4,538,863	\$ 4,554,050

City of Saint Paul, Alaska
Water and Sewer Utility Enterprise Fund
Statement of Cash Flows

<i>Years Ended December 31,</i>	2016	2015
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 436,923	\$ 460,153
Payments for interfund services used	(37,948)	(37,357)
Payments to suppliers	(114,054)	(176,343)
Payments to employees	(73,884)	(89,517)
Net cash flows from operating activities	211,037	156,936
Cash Flows for Noncapital Financing Activities - Decrease in advances from other funds	(210,604)	(155,108)
Cash Flows for Capital and Related Financing Activities		
Additions to property, plant and equipment	(154,142)	(1,450,234)
Transfers in	9,485	-
Capital contributions received	144,224	1,448,406
Net cash flows for capital and related financing activities	(433)	(1,828)
Net Increase in Cash and Investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating loss	\$ (172,457)	\$ (257,694)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	338,745	334,712
Noncash expense - PERS relief	3,646	36,504
Increase (decrease) in allowance for doubtful accounts	70	(1,473)
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	22,781	22,462
Deferred outflows of resources related to pensions	17,023	(28,500)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(14,964)	(8,652)
Unearned revenue	4,157	-
Accrued liabilities	(113)	(2,955)
Accrued leave	1,867	(310)
Net pension liability	(2,987)	69,015
Deferred inflows of resources related to pensions	13,269	(6,173)
Net Cash Flows from Operating Activities	\$ 211,037	\$ 156,936

City of Saint Paul, Alaska
Marine Sales Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2016	2015
Assets		
Current Assets		
Cash and investments	\$ 411,367	\$ 411,445
Accounts receivable	988	17,248
Inventory	24,269	22,704
Total Current Assets	436,624	451,397
Property, Plant and Equipment		
Machinery and equipment	46,708	46,708
Accumulated depreciation	(35,091)	(33,370)
Net Property, Plant and Equipment	11,617	13,338
Total Assets	448,241	464,735
Deferred Outflows of Resources - pension related	5,015	5,790
Total Assets and Deferred Outflows of Resources	\$ 453,256	\$ 470,525
Current Liabilities		
Accounts payable	\$ 3,873	\$ 1,622
Non Current Liabilities - net pension liability	24,840	24,976
Total Liabilities	28,713	26,598
Deferred Inflows of Resources - pension related	1,046	442
Net Position		
Net investment in capital assets	11,617	13,338
Unrestricted	411,880	430,147
Total Net Position	423,497	443,485
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 453,256	\$ 470,525

City of Saint Paul, Alaska
Marine Sales Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2016	2015
Operating Revenues		
Operating revenues - fuel sales	\$ 81,785	\$ 109,680
Cost of goods sold	(13,318)	(8,573)
Net Operating Revenues	68,467	101,107
Operating Expenses		
Salaries and wages	9,260	11,883
Employee benefits	3,646	17,540
Material and supplies	9,568	1,502
Fuel and utilities	15,937	21,482
Insurance	10,546	11,042
Administrative cost allocation	37,948	37,357
Depreciation	1,721	1,721
Total Operating Expenses	88,626	102,527
Operating Loss	(20,159)	(1,420)
Nonoperating Revenues - State PERS relief	171	6,305
Change in Net Position	(19,988)	4,885
Net Position, beginning	443,485	438,600
Net Position, ending	\$ 423,497	\$ 443,485

City of Saint Paul, Alaska
Marine Sales Enterprise Fund
Statement of Cash Flows

<i>Years Ended December 31,</i>	2016	2015
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 98,045	\$ 112,318
Payments for interfund services used	(37,948)	(37,357)
Payments to suppliers	(48,683)	(54,694)
Payments to employees	(11,492)	(18,178)
Net cash flows from (for) operating activities	(78)	2,089
Net Increase (Decrease) in Cash and Investments	(78)	2,089
Cash and Investments, beginning	411,445	409,356
Cash and Investments, ending	\$ 411,367	\$ 411,445
Reconciliation of Operating Loss to Net Cash		
Flows from (for) Operating Activities		
Operating loss	\$ (20,159)	\$ (1,420)
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	1,721	1,721
Noncash expense - PERS relief	171	6,305
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	16,260	2,638
Inventory	(1,565)	(2,699)
Deferred outflows of resources - pension related	775	(4,922)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	2,251	(9,396)
Accrued liabilities	-	(992)
Net pension liability	(136)	11,920
Deferred inflows of resources - pension related	604	(1,066)
Net Cash Flows from (for) Operating Activities	\$ (78)	\$ 2,089

City of Saint Paul, Alaska
Bulk Fuel Farm Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2016	2015
Assets		
Current Assets		
Cash and investments	\$ 304,694	\$ 381,132
Accounts receivable	150,536	153,177
Allowance for doubtful accounts	(2,788)	(1,572)
Inventory	294,726	329,315
Total Current Assets	747,168	862,052
Restricted Cash - bond redemption and depreciation reserve	150,000	150,000
Property, Plant and Equipment		
Land	150,000	150,000
Buildings	25,000	25,000
Machinery and equipment	537,305	537,305
Fuel tanks and lines	5,248,213	5,248,213
Construction in progress	22,030	-
Total property, plant and equipment	5,982,548	5,960,518
Accumulated depreciation	(5,557,273)	(5,517,817)
Net Property, Plant and Equipment	425,275	442,701
Total Assets	1,322,443	1,454,753
Deferred Outflows of Resources - pension related	35,854	68,484
Total Assets and Deferred Outflows of Resources	\$ 1,358,297	\$ 1,523,237
Liabilities		
Current Liabilities		
Accounts payable	\$ 176,759	\$ 157,798
Accrued liabilities	1,120	1,727
Accrued leave	8,412	6,874
Unearned revenue	67,610	-
Total Current Liabilities	253,901	166,399
Noncurrent Liabilities		
Revenue bonds	4,539,672	4,539,672
Accrued interest payable	1,377,175	1,377,175
Net pension liability	289,688	295,414
Total Noncurrent Liabilities	6,206,535	6,212,261
Total Liabilities	6,460,436	6,378,660
Deferred Inflows of Resources - pension related	30,663	5,230
Net Position		
Net investment in capital assets	(4,114,397)	(4,096,971)
Restricted for debt service and depreciation reserve	950,000	950,000
Unrestricted (deficit)	(1,968,405)	(1,713,682)
Total Net Position (Deficit)	(5,132,802)	(4,860,653)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,358,297	\$ 1,523,237

City of Saint Paul, Alaska
Bulk Fuel Farm Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2016	2015
Operating Revenues		
Operating revenues - fuel sales	\$ 2,062,987	\$ 2,577,138
Cost of goods sold	(1,703,752)	(2,269,029)
Net Operating Revenues	359,235	308,109
Operating Expenses		
Salaries and wages	172,432	171,337
Employee benefits	160,523	232,725
Material and supplies	7,478	8,879
Fuel and utilities	25,756	31,237
Depreciation	39,456	40,227
Repairs and maintenance	60,502	22,272
Insurance	37,898	36,743
Administrative cost allocation	94,869	93,392
Other general and administrative costs	39,459	22,221
Total Operating Expenses	638,373	659,033
Operating Loss	(279,138)	(350,924)
Nonoperating Revenues - State PERS relief	6,989	74,573
Change in Net Position	(272,149)	(276,351)
Net Position (Deficit), beginning	(4,860,653)	(4,584,302)
Net Position (Deficti), ending	\$ (5,132,802)	\$ (4,860,653)

City of Saint Paul, Alaska
Bulk Fuel Farm Enterprise Fund
Statement of Cash Flows

<i>Years Ended December 31,</i>	2016	2015
Cash Flows for Operating Activities		
Receipts from customers and users	\$ 2,134,454	\$ 2,554,236
Payments for interfund services used	(94,869)	(93,392)
Payments to suppliers	(1,821,295)	(2,347,731)
Payments to employees	(272,698)	(263,606)
Net cash flows for operating activities	(54,408)	(150,493)
Cash Flows for Capital and Related Financing Activities - additions to property, plant and equipment	(22,030)	-
Net Decrease in Cash and Investments	(76,438)	(150,493)
Cash and Investments, beginning	531,132	681,625
Cash and Investments, ending	\$ 454,694	\$ 531,132
Reconciliation of Operating Loss to Net Cash Flows for Operating Activities		
Operating loss	(279,138)	(350,924)
Adjustments to reconcile operating loss to net cash flows for operating activities:		
Depreciation	39,456	40,227
Noncash expense - PERS relief	6,989	74,573
Increase (decrease) in allowance for doubtful accounts	1,216	(189)
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	2,641	(22,713)
Inventory	34,589	91,339
Deferred outflows of resources - pension related	32,630	(58,221)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	18,961	(48,689)
Accrued liabilities	(607)	(7,192)
Accrued leave	1,538	2,917
Unearned revenue	67,610	-
Net pension liability	(5,726)	140,990
Deferred inflows of resources - pension related	25,433	(12,611)
Net Cash Flows for Operating Activities	\$ (54,408)	\$ (150,493)

City of Saint Paul, Alaska
Harbor Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2016	2015
Assets		
Current Assets		
Accounts receivable	\$ 3,480	\$ 14,181
Inventory	3,649	3,649
Total Current Assets	7,129	17,830
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	(3,740,266)	(3,642,114)
Net Property, Plant and Equipment	1,363,165	1,461,317
Total Assets	1,370,294	1,479,147
Deferred Outflows of Resources - pension related	2,317	2,498
Total Assets and Deferred Outflows of Resources	\$ 1,372,611	\$ 1,481,645
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,571	\$ 1,708
Accrued liabilities	1,436	1,561
Accrued leave	8,978	7,241
Unearned revenue	46,194	46,194
Total Current Liabilities	58,179	56,704
Noncurrent Liabilities		
Advances from other funds	90,959	328,388
Revenue bonds	1,466,206	1,466,206
Accrued interest payable	527,969	527,969
Net pension liability	10,743	10,775
Total Noncurrent Liabilities	2,095,877	2,333,338
Total Liabilities	2,154,056	2,390,042
Deferred Inflows of Resources - pension related	332	191
Net Position		
Net investment in capital assets	(103,041)	(4,889)
Unrestricted (deficit)	(678,736)	(903,699)
Total Net Position (Deficit)	(781,777)	(908,588)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,372,611	\$ 1,481,645

City of Saint Paul, Alaska

Harbor Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2016	2015
Operating Revenues		
Harbor charges	\$ 375,331	\$ 103,250
Operating Expenses		
Salaries and wages	62,757	57,273
Employee benefits	18,233	20,584
Material and supplies	2,239	2,237
Fuel and utilities	21,608	27,949
Depreciation	98,152	98,153
Insurance	9,320	8,600
Repair and maintenance	4,276	-
Legal and consulting	13,000	-
Administrative cost allocation	18,974	18,678
Other services and charges	-	150
Total Operating Expenses	248,559	233,624
Operating Income (Loss)	126,772	(130,374)
Nonoperating Revenues (Expenses)		
Loss on disposal of capital assets	-	(430,282)
State PERS relief	39	2,720
Net Nonoperating Revenues (Expenses)	39	(427,562)
Income (loss) before transfers	126,811	(557,936)
Transfers out	-	(22,302)
Change in Net Position	126,811	(580,238)
Net Position (Deficit), beginning	(908,588)	(328,350)
Net Position (Deficit), ending	\$ (781,777)	\$ (908,588)

City of Saint Paul, Alaska

Harbor Enterprise Fund
Statement of Cash Flows

<i>Years Ended December 31,</i>	2016	2015
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 386,032	\$ 110,028
Payments for interfund services used	(18,974)	(18,678)
Payments to suppliers	(50,580)	(39,634)
Payments to employees	(79,049)	(73,275)
Net cash flows from (for) operating activities	237,429	(21,559)
Cash Flows from (for) Noncapital Financing Activities		
Increase (decrease) in advances from other funds	(237,429)	43,861
Transfers out	-	(22,302)
Net cash flows from (for) noncapital financing activities	(237,429)	21,559
Net Increase in Cash and Investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of Operating Income (Loss) to Net Cash		
Flows from (for) Operating Activities		
Operating income (loss)	\$ 126,772	\$ (130,374)
Adjustments to reconcile operating income (loss)		
to net cash flows from (for) operating activities:		
Depreciation	98,152	98,153
Noncash expense - PERS relief	39	2,720
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	10,701	6,778
Deferred outflows of resources - pension related	181	(2,124)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(137)	(698)
Accrued liabilities	(125)	(1,450)
Accrued leave	1,737	753
Net pension liability	(32)	5,143
Deferred inflows of resources - pension related	141	(460)
Net Cash Flows from (for) Operating Activities	\$ 237,429	\$ (21,559)

City of Saint Paul, Alaska
Home Energy Loan Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2016	2015
Current Assets		
Cash and investments	\$ 115	\$ 115
Net Position		
Unrestricted	\$ 115	\$ 115

City of Saint Paul, Alaska
Home Energy Loan Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2016	2015
Change in Net Position	\$ -	\$ -
Net Position, beginning	115	115
Net Position, ending	\$ 115	\$ 115

City of Saint Paul, Alaska
Home Energy Loan Enterprise Fund
Statement of Cash Flows

<i>Years Ended December 31,</i>	2016	2015
Net Increase in Cash and Investments	-	-
Cash and Investments, beginning	115	115
Cash and Investments, ending	\$ 115	\$ 115

City of Saint Paul, Alaska
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

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 Expen- ditures
Department of the Interior					
Passed through State of Alaska Department of Commerce, Community and Economic Development - Payments in Lieu of Taxes	15.226	None	\$ 76,900	\$ -	<u>\$ 76,900</u>
Department of Agriculture					
Passed through State of Alaska Department of Commerce, Community and Economic Development - Water and Waste Program Cluster - Water and Waste Disposal Systems for Rural Communities	10.760	12RN57	286,057	-	<u>82,911</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>\$ 6,165,689</u>

See accompanying notes to the schedule of expenditures of federal awards.

City of Saint Paul, Alaska

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of City of Saint Paul, Alaska under programs of the federal government for the year ended December 31, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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.

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.

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



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

Honorable Mayor and 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, 2016, 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 26, 2017.

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

Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska
September 26, 2017



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3601 C Street, Suite 600
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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and 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, 2016. 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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, 2016.

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.

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.

BDO USA, LLP

Anchorage, Alaska
September 26, 2017

City of Saint Paul, Alaska

Schedule of Findings and Questioned Costs Year Ended December 31, 2016

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) identified? ☐ yes ☒ (none reported)

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 500.516(a)? ☐ yes ☒ no

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster	Agency
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.