



City of Saint Paul, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, and Single Audit Reports
Year Ended December 31, 2017

City of Saint Paul, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and Single Audit Reports
Year Ended December 31, 2017

City of Saint Paul, Alaska

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Financial Section

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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, 2017, 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, 2017, 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 2016. The City has applied for an additional extension of the moratorium but has not yet received approval or denial of this request. The financial statements have been prepared assuming the moratorium terms remain in place. If the extension request is not approved, it is unclear what repayment terms would be established which could raise doubts about the City's ability to continue as a going concern.

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.

Other Information

Our audit for the year ended December 31, 2017 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, 2017, 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, 2017, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2017.

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, 2016 (not presented herein), and have issued our report thereon dated September 26, 2017, 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, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2019 on our consideration of City of Saint Paul's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Saint Paul's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Saint Paul's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
January 21, 2019

Basic Financial Statements

City of Saint Paul, Alaska

Statement of Net Position

<i>December 31, 2017</i>	Govern- mental Activities	Business- type Activities	Total
Assets			
Cash and investments	\$ 7,239,761	\$ 7,075,235	\$ 14,314,996
Receivables:			
Accounts	-	422,569	422,569
Intergovernmental	-	62,639	62,639
Taxes	20,893	-	20,893
Interest	21,406	-	21,406
Other	3,686	-	3,686
Allowance for doubtful accounts	(9,265)	(4,099)	(13,364)
Internal balances	807,353	(807,353)	-
Inventory	47,031	248,598	295,629
Restricted cash - bond redemption and depreciation reserve	-	150,000	150,000
Capital assets:			
Land and construction in progress	45,299	1,207,221	1,252,520
Other capital assets, net of depreciation	26,472,931	10,996,801	37,469,732
Total Assets	34,649,095	19,351,611	54,000,706
Deferred Outflows of Resources - pension related	84,691	56,640	141,331
Total Assets and Deferred Outflows of Resources	\$ 34,733,786	\$ 19,408,251	\$ 54,142,037
Liabilities			
Accounts payable	\$ 79,482	\$ 377,302	\$ 456,784
Accrued liabilities	34,938	7,079	42,017
Customer deposits	19,360	34,805	54,165
Unearned revenue	787,423	83,605	871,028
Noncurrent liabilities:			
Due within one year:			
Accrued leave	62,360	27,959	90,319
Revenue bonds	-	97,214	97,214
Due in more than one year:			
Revenue bonds, net of unamortized discount	-	6,443,278	6,443,278
Note payable - USACE	-	1,635,012	1,635,012
Accrued interest payable	-	1,905,144	1,905,144
Landfill closure and postclosure care costs	9,440	-	9,440
Net pension liability	1,631,756	729,515	2,361,271
Total Liabilities	2,624,759	11,340,913	13,965,672
Deferred Inflows of Resources - pension related	174,220	75,311	249,531
Net Position			
Net investment in capital assets	26,518,230	5,663,530	32,181,760
Restricted for debt service and depreciation reserve	-	950,000	950,000
Unrestricted	5,416,577	1,378,497	6,795,074
Total Net Position	31,934,807	7,992,027	39,926,834
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 34,733,786	\$ 19,408,251	\$ 54,142,037

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska

Statement of Activities

Year Ended December 31, 2017	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	Governmental Activities	Business-type Activities	
Governmental Activities							
General government	\$ 2,169,997	\$ 316,230	\$ 25,451	\$ -	\$ (1,828,316)	\$ -	\$ (1,828,316)
Public safety	638,942	-	16,169	-	(622,773)	-	(622,773)
Public works	802,619	136,120	11,667	3,961	(650,871)	-	(650,871)
Total Governmental Activities	3,611,558	452,350	53,287	3,961	(3,101,960)	-	(3,101,960)
Business-type Activities							
Electric	1,686,844	1,520,074	5,375	-	-	(161,395)	(161,395)
Water & sewer	619,747	345,462	2,698	-	-	(271,587)	(271,587)
Bulk fuel farm	2,090,235	2,080,060	5,118	-	-	(5,057)	(5,057)
Harbor	1,998,501	55,398	18	-	-	(1,943,085)	(1,943,085)
Marine sales	57,849	37,854	253	-	-	(19,742)	(19,742)
Refuse	247,040	150,567	3,152	27,324	-	(65,997)	(65,997)
Total Business-type Activities	6,700,216	4,189,415	16,614	27,324	-	(2,466,863)	(2,466,863)
Total Activities	\$ 10,311,774	\$ 4,641,765	\$ 69,901	\$ 31,285	(3,101,960)	(2,466,863)	(5,568,823)
General Revenues							
Sales and fisheries taxes					1,579,566	-	1,579,566
Grants and entitlements not restricted to a specific purpose					998,921	-	998,921
Federal payment in lieu of taxes					75,318	-	75,318
Investment income					48,709	44,229	92,938
Insurance proceeds					-	138,943	138,943
Other revenue					57,049	-	57,049
Transfers					(1,616,679)	1,616,679	-
Total General Revenues and Transfers					1,142,884	1,799,851	2,942,735
Change in Net Position					(1,959,076)	(667,012)	(2,626,088)
Net Position, beginning					33,893,883	8,659,039	42,552,922
Net Position, ending					\$ 31,934,807	\$ 7,992,027	\$ 39,926,834

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska
Governmental Funds
Balance Sheet

<i>December 31, 2017</i>	General Fund	Nonmajor Special Revenue Funds	Total Govern- mental Funds
Assets			
Cash and investments	\$ 6,930,375	\$ 309,386	\$ 7,239,761
Receivables:			
Taxes	20,893	-	20,893
Other	3,686	-	3,686
Interest	21,406	-	21,406
Allowance for doubtful accounts	(9,265)	-	(9,265)
Advances to other funds	807,353	-	807,353
Inventory	47,031	-	47,031
Total Assets	\$ 7,821,479	\$ 309,386	\$ 8,130,865
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 79,482	\$ -	\$ 79,482
Accrued liabilities	34,938	-	34,938
Customer deposits	19,360	-	19,360
Unearned revenue	693,022	94,401	787,423
Total Liabilities	826,802	94,401	921,203
Fund Balances			
Nonspendable	854,384	-	854,384
Committed	-	214,985	214,985
Unassigned	6,140,293	-	6,140,293
Total Fund Balances	6,994,677	214,985	7,209,662
Total Liabilities and Fund Balances	\$ 7,821,479	\$ 309,386	\$ 8,130,865

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, 2017

Total fund balances for governmental funds		\$ 7,209,662
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:		
Construction in progress	\$ 45,299	
Breakwater	47,642,984	
Buildings	7,446,941	
Machinery and equipment	3,107,803	
Accumulated depreciation and amortization	<u>(31,724,797)</u>	
Total capital assets		26,518,230
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities.		
Accrued leave	(62,360)	
Landfill closure and postclosure care costs	(9,440)	
Net pension liability	<u>(1,631,756)</u>	
Total long-term liabilities		<u>(1,703,556)</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	84,691	
Deferred inflows of resources - pension related	<u>(174,220)</u>	
		<u>(89,529)</u>
Total Net Position of Governmental Activities		<u>\$ 31,934,807</u>

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year Ended December 31, 2017</i>	General Fund	Nonmajor Special Revenue Funds	Total Govern- mental Funds
Revenues			
Taxes	\$ 1,579,566	\$ -	\$ 1,579,566
Intergovernmental	1,109,034	3,962	1,112,996
Charges for services	452,350	-	452,350
Investment income	46,972	1,737	48,709
Other revenue	57,049	-	57,049
Total Revenues	3,244,971	5,699	3,250,670
Expenditures			
General government	1,239,372	-	1,239,372
Public safety	640,692	-	640,692
Public works	687,491	3,962	691,453
Total Expenditures	2,567,555	3,962	2,571,517
Net Change in Fund Balances	677,416	1,737	679,153
Fund Balances, beginning	6,317,261	213,248	6,530,509
Fund Balances, ending	\$ 6,994,677	\$ 214,985	\$ 7,209,662

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, 2017

Net change in fund balances - total governmental funds	\$	679,153
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 (\$1,265,348) and loss on disposal of capital assets (\$13,544) exceeded capital outlays (\$16,881).		
		(1,262,011)
Transfer of refuse assets and liabilities from the General Fund to the Refuse Enterprise Fund		
		(1,616,679)
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		(17,177)
Net increase in net pension liability and related deferred accounts		259,526
		240,461
Change in Net Position of Governmental Activities		\$ (1,959,076)

See accompanying notes to basic financial statements.

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

	Major Funds						Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor	Refuse	Nonmajor Funds	
<i>December 31, 2017</i>							
Assets							
Current Assets							
Cash and investments	\$ 6,677,994	\$ -	\$ 6,004	\$ -	\$ -	\$ 391,237	\$ 7,075,235
Receivables:							
Accounts	211,693	37,232	137,219	19,143	16,397	885	422,569
Intergovernmental	62,639	-	-	-	-	-	62,639
Allowance for doubtful accounts	(705)	(606)	(2,788)	-	-	-	(4,099)
Inventory	51,270	-	168,917	3,649	-	24,762	248,598
Total Current Assets	7,002,891	36,626	309,352	22,792	16,397	416,884	7,804,942
Noncurrent Assets							
Restricted cash - bond redemption and depreciation reserve	-	-	150,000	-	-	-	150,000
Property, plant and equipment	7,050,286	10,451,172	6,572,092	5,103,431	3,287,829	46,708	32,511,518
Accumulated depreciation	(3,676,394)	(5,764,895)	(5,592,730)	(3,838,419)	(1,398,246)	(36,812)	(20,307,496)
Net property, plant and equipment	3,373,892	4,686,277	979,362	1,265,012	1,889,583	9,896	12,204,022
Total Noncurrent Assets	3,373,892	4,686,277	1,129,362	1,265,012	1,889,583	9,896	12,354,022
Total Assets	10,376,783	4,722,903	1,438,714	1,287,804	1,905,980	426,780	20,158,964
Deferred Outflows of Resources - pension related	17,367	6,377	16,652	2,248	9,929	4,067	56,640
Total Assets and Deferred Outflows of Resources	\$ 10,394,150	\$ 4,729,280	\$ 1,455,366	\$ 1,290,052	\$ 1,915,909	\$ 430,847	\$ 20,215,604

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska
Enterprise Funds
Statement of Net Position, continued

	Major Funds					Nonmajor Funds	Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor	Refuse		
<i>December 31, 2017</i>							
Liabilities							
Current Liabilities							
Accounts payable	\$ 110,568	\$ 7,392	\$ 178,678	\$ 4,920	\$ 74,734	\$ 1,010	\$ 377,302
Accrued liabilities	3,255	999	1,106	1,719	-	-	7,079
Accrued leave	5,427	5,585	8,378	6,147	2,422	-	27,959
Customer deposits	34,805	-	-	-	-	-	34,805
Unearned revenue	-	4,157	33,254	46,194	-	-	83,605
Current portion of revenue bonds	97,214	-	-	-	-	-	97,214
Total Current Liabilities	251,269	18,133	221,416	58,980	77,156	1,010	627,964
Noncurrent Liabilities, net of current portion							
Advances from other funds	-	309,688	178,740	315,830	3,095	-	807,353
Revenue bonds, net of unamortized discount	437,400	-	4,539,672	1,466,206	-	-	6,443,278
Note payable - USACE	-	-	-	1,635,012	-	-	1,635,012
Accrued interest payable	-	-	1,377,175	527,969	-	-	1,905,144
Net pension liability	196,741	119,449	247,636	10,592	132,333	22,764	729,515
Total Noncurrent Liabilities	634,141	429,137	6,343,223	3,955,609	135,428	22,764	11,520,302
Total Liabilities	885,410	447,270	6,564,639	4,014,589	212,584	23,774	12,148,266
Deferred Inflows of Resources - pension related	17,023	14,734	28,586	325	13,700	943	75,311
Net Position							
Net investment in capital assets	2,839,278	4,686,277	(3,560,310)	(201,194)	1,889,583	9,896	5,663,530
Restricted for debt service and depreciation reserve	-	-	950,000	-	-	-	950,000
Unrestricted (deficit)	6,652,439	(419,001)	(2,527,549)	(2,523,668)	(199,958)	396,234	1,378,497
Total Net Position (Deficit)	9,491,717	4,267,276	(5,137,859)	(2,724,862)	1,689,625	406,130	7,992,027
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 10,394,150	\$ 4,729,280	\$ 1,455,366	\$ 1,290,052	\$ 1,915,909	\$ 430,847	\$ 20,215,604

See accompanying notes to basic financial statements.

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

	Major Funds						Nonmajor Funds	Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor	Refuse			
<i>Year Ended December 31, 2017</i>								
Operating revenues	\$ 1,520,074	\$ 343,332	\$ 2,080,060	\$ 55,398	\$ 150,567	\$ 37,854	\$ 4,187,285	
Cost of goods sold	-	-	(1,664,142)	-	-	(8,752)	(1,672,894)	
Net Operating Revenues	1,520,074	343,332	415,918	55,398	150,567	29,102	2,514,391	
Operating Expenses								
Salaries and benefits	216,203	67,586	143,876	69,406	68,815	8,339	574,225	
Other operating expenses	1,151,775	116,342	150,223	1,817,701	42,788	25,796	3,304,625	
Administrative cost allocation	127,316	33,102	92,686	13,241	25,972	13,241	305,558	
Depreciation	172,716	402,717	39,308	98,153	109,465	1,721	824,080	
Total Operating Expenses	1,668,010	619,747	426,093	1,998,501	247,040	49,097	5,008,488	
Operating Loss	(147,936)	(276,415)	(10,175)	(1,943,103)	(96,473)	(19,995)	(2,494,097)	
Nonoperating Revenues (Expenses)								
State PERS relief	5,375	2,698	5,118	18	3,152	253	16,614	
Investment income	41,969	-	-	-	-	2,260	44,229	
Insurance proceeds	-	-	-	-	138,943	-	138,943	
Miscellaneous revenue	-	2,130	-	-	-	-	2,130	
Interest expense	(18,834)	-	-	-	-	-	(18,834)	
Net Nonoperating Revenues (Expenses)	28,510	4,828	5,118	18	142,095	2,513	183,082	
Income (loss) before capital contributions and transfers	(119,426)	(271,587)	(5,057)	(1,943,085)	45,622	(17,482)	(2,311,015)	
Capital contributions	-	-	-	-	1,795,457	-	1,795,457	
Transfers out	-	-	-	-	(151,454)	-	(151,454)	
Change in Net Position	(119,426)	(271,587)	(5,057)	(1,943,085)	1,689,625	(17,482)	(667,012)	
Net Position (Deficit), beginning	9,611,143	4,538,863	(5,132,802)	(781,777)	-	423,612	8,659,039	
Net Position (Deficit), ending	\$ 9,491,717	\$ 4,267,276	\$ (5,137,859)	\$ (2,724,862)	\$ 1,689,625	\$ 406,130	\$ 7,992,027	

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska

Enterprise Funds
Statement of Cash Flows

	Major Funds					Nonmajor Funds	Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor	Refuse		
<i>Year Ended December 31, 2017</i>							
Cash Flows from (for) Operating Activities							
Receipts from customers and users	\$ 1,480,177	\$ 341,583	\$ 2,059,021	\$ 39,735	\$ 134,170	\$ 37,957	\$ 4,092,643
Payments for interfund services used	(127,316)	(33,102)	(92,686)	(13,241)	(25,972)	(13,241)	(305,558)
Payments to suppliers	(1,059,693)	(112,643)	(1,686,637)	(179,340)	(41,976)	(37,904)	(3,118,193)
Payments to employees	(239,432)	(76,173)	(163,733)	(72,025)	(78,591)	(9,317)	(639,271)
Net cash flows from (for) operating activities	53,736	119,665	115,965	(224,871)	(12,369)	(22,505)	29,621
Cash Flows from (for) Noncapital Financing Activities -							
Increase (Decrease) in advances from other funds	-	(114,684)	178,740	224,871	3,095	-	292,022
Cash Flows for Capital and Related Financing Activities							
Additions to property, plant and equipment	(364,961)	(4,981)	(593,395)	-	(129,669)	-	(1,093,006)
Insurance proceeds	-	-	-	-	138,943	-	138,943
Principal paid	(96,602)	-	-	-	-	-	(96,602)
Interest paid	(2,012)	-	-	-	-	-	(2,012)
Net cash flows for capital and related financing activities	(463,575)	(4,981)	(593,395)	-	9,274	-	(1,052,677)
Cash Flows from Investing Activities -							
Investment income received	41,969	-	-	-	-	2,260	44,229
Net Decrease in Cash and Investments	(367,870)	-	(298,690)	-	-	(20,245)	(686,805)
Cash and Investments, beginning	7,045,864	-	454,694	-	-	411,482	7,912,040
Cash and Investments, ending	\$ 6,677,994	\$ -	\$ 156,004	\$ -	\$ -	\$ 391,237	\$ 7,225,235
Reconciliation of Cash and Investments to Statement of Net Position							
Cash and investments	\$ 6,677,994	\$ -	\$ 6,004	\$ -	\$ -	\$ 391,237	\$ 7,075,235
Restricted cash	-	-	150,000	-	-	-	150,000
Total Cash and Investments	\$ 6,677,994	\$ -	\$ 156,004	\$ -	\$ -	\$ 391,237	\$ 7,225,235

See accompanying notes to basic financial statements.

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

	Major Funds					Nonmajor Funds	Total Enterprise Funds
	Electric Utility	Water and Sewer Utility	Bulk Fuel Farm	Harbor	Refuse		
<i>Year Ended December 31, 2017</i>							
Reconciliation of Operating Loss to Net Cash							
Flows from (for) Operating Activities							
Operating loss	\$ (147,936)	\$ (276,415)	\$ (10,175)	\$ (1,943,103)	\$ (96,473)	\$ (19,995)	\$ (2,494,097)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:							
Depreciation	172,716	402,717	39,308	98,153	109,465	1,721	824,080
Noncash expense - Repairs and maintenance	-	-	-	1,635,012	-	-	1,635,012
Noncash expense - PERS relief	5,375	2,698	5,118	18	3,152	253	16,614
Increase in allowance for doubtful accounts	(38)	(45)	-	-	-	-	(83)
Miscellaneous revenue	-	2,130	-	-	-	-	2,130
(Increase) decrease in assets and deferred outflows of resources:							
Accounts receivable	(38,463)	(3,834)	13,317	(15,663)	(16,397)	103	(60,937)
Inventory	(1,289)	-	125,809	-	-	(493)	124,027
Deferred outflows of resources - pension related	20,168	10,124	19,202	69	11,825	948	62,336
Increase (decrease) in liabilities and deferred inflows of resources:							
Accounts payable	93,371	3,699	1,919	3,349	812	(2,863)	100,287
Accrued liabilities	54	183	(14)	283	-	-	506
Accrued leave	(2,478)	1,674	(34)	(2,831)	2,422	-	(1,247)
Unearned revenue	-	-	(34,356)	-	-	-	(34,356)
Customer deposits	(1,396)	-	-	-	-	-	(1,396)
Net pension liability	(44,166)	(22,171)	(42,052)	(151)	(25,896)	(2,076)	(136,512)
Deferred inflows of resources - pension related	(2,182)	(1,095)	(2,077)	(7)	(1,279)	(103)	(6,743)
Net Cash Flows from (for) Operating Activities	\$ 53,736	\$ 119,665	\$ 115,965	\$ (224,871)	\$ (12,369)	\$ (22,505)	\$ 29,621
Noncash Operating Activities - Issuance of note payable for payment of settlement	\$ -	\$ -	\$ -	\$ 1,635,012	\$ 151,454	\$ -	\$ 1,786,466
Noncash Capital and Related Financing Activities - Capital assets acquired on account	\$ -	\$ -	\$ -	\$ -	\$ 73,922	\$ -	\$ 73,922
Transfer of capital assets from a governmental fund	\$ -	\$ -	\$ -	\$ -	\$ 1,768,133	\$ -	\$ 1,768,133

See accompanying notes to basic financial statements.

City of Saint Paul, Alaska

Notes to Basic Financial Statements December 31, 2017

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 the local fueling facility.

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

The *Refuse Enterprise Fund* is used to account for the operations of the pickup and disposal of refuse into the City's solid waste landfill site and burn box operations.

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.

City of Saint Paul, Alaska

Notes to Basic Financial Statements

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.

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 reported as deferred inflows.

Capital Assets

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

The 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
Landfill	20 years

Unearned Grant Revenue

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

Long-term Debt

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

Fund Balances

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

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

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

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

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 and Other Postemployment Benefits (OPEB) Plan

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

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, 2017.

Deposits	\$ 3,744,859	Cash and investments	\$ 14,314,996
Investments	10,720,137	Restricted cash	150,000
Total	\$ 14,464,996	Total	\$ 14,464,996

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, 2017 are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Certificates of deposits	\$ 9,302,378	\$ 2,934,970	\$ 6,367,408
U.S. government agency bonds	1,260,549	1,044,329	216,220
AMLIP pooled investments	157,210	157,210	-
Total Subject to Interest Rate Risk	\$ 10,720,137	\$ 4,136,509	\$ 6,583,628

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, 2017:

- U.S. government agency securities of \$1,260,549 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 \$9,302,378 that are held at fair value. The City's investment in AMLIP totaling \$157,210 is measured at fair value as of December 31, 2017.

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, 2017, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$3,634,009 was subject to a collateral agreement. The City maintains a collateral agreement with its depository financial institution, Northrim Bank, of up to \$4,467,661. As a result, all money was insured as of December 31, 2017.

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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, 2017 follows:

Governmental Activities	Balance January 1, 2017	Additions/ Reclassifications	Deletions/ Reclassifications	Balance December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$ 105,000	\$ -	\$ 105,000	\$ -
Construction in progress	45,299	-	-	45,299
Total assets not being depreciated	150,299	-	105,000	45,299
<i>Capital assets being depreciated:</i>				
Landfill	801,832	-	801,832	-
Breakwater	47,642,984	-	-	47,642,984
Buildings	8,648,040	14,917	1,216,016	7,446,941
Machinery and equipment	4,237,392	1,964	1,131,553	3,107,803
Total assets being depreciated	61,330,248	16,881	3,149,401	58,197,728
<i>Less accumulated depreciation for:</i>				
Landfill	212,399	-	212,399	-
Breakwater	25,193,296	952,860	-	26,146,156
Buildings	3,783,872	158,310	308,769	3,633,413
Machinery and equipment	2,742,606	154,178	951,556	1,945,228
Total accumulated depreciation	31,932,173	1,265,348	1,472,724	31,724,797
Total capital assets being depreciated, net	29,398,075	(1,248,467)	1,676,677	26,472,931
Governmental Activities Capital Assets, net	\$ 29,548,374	\$ (1,248,467)	\$ 1,781,677	\$ 26,518,230

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City of Saint Paul, Alaska

Notes to Basic Financial Statements

Business-type Activities	Balance January 1, 2017	Additions/ Reclassifications	Deletions/ Reclassifications	Balance December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$ 151,236	\$ 105,000	\$ -	\$ 256,236
Construction in progress	184,032	766,953	-	950,985
Total assets not being depreciated	335,268	871,953	-	1,207,221
<i>Capital assets being depreciated:</i>				
Plant in service	13,066,007	965,998	1,762	14,030,243
Fuel tanks and lines	5,248,213	1,610	-	5,249,823
Dock and mooring	5,045,532	-	-	5,045,532
Buildings	3,317,998	1,216,016	-	4,534,014
Machinery and equipment	1,256,923	1,307,408	119,646	2,444,685
Total assets being depreciated	27,934,673	3,491,032	121,408	31,304,297
<i>Less accumulated depreciation for:</i>				
Plant in service	7,390,294	712,812	1,762	8,101,344
Fuel tanks and lines	5,187,200	6,615	-	5,193,815
Dock and mooring	3,691,564	95,248	-	3,786,812
Buildings	1,220,688	413,117	-	1,633,805
Machinery and equipment	714,478	996,888	119,646	1,591,720
Total accumulated depreciation	18,204,224	2,224,680	121,408	20,307,496
Total capital assets being depreciated, net	9,730,449	1,266,352	-	10,996,801
Business-type Activities Capital Assets, net	\$ 10,065,717	\$ 2,138,305	\$ -	\$ 12,204,022

Depreciation expense was charged to the functions as follows:

Governmental Activities

General government	\$ 1,039,991
Public safety	59,474
Public works	165,883
Total Depreciation Expense - Governmental Activities	\$ 1,265,348

City of Saint Paul, Alaska

Notes to Basic Financial Statements

Business-type Activities

Electric utility	\$	172,716
Water and sewer utility		402,717
Bulk fuel farm		39,308
Harbor		98,153
Marine sales		1,721
Refuse		109,465

Total Depreciation Expense - Business-type Activities \$ 824,080

In 2018, capital assets with a cost of \$3,168,731 and accumulated depreciation of \$1,400,600 were transferred from governmental activities to the Refuse Enterprise Fund.

4. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2017:

Governmental Activities	Balance January 1, 2017	Additions	Retired	Balance December 31, 2017	Due Within One Year
Accrued leave	\$ 45,183	\$ 65,965	\$ 48,788	\$ 62,360	\$ 62,360
Landfill closure and postclosure care costs	7,552	1,888	-	9,440	-
Net pension liability	2,227,806	-	596,050	1,631,756	-
Total Governmental Activities	\$ 2,280,541	\$ 67,853	\$ 644,838	\$ 1,703,566	\$ 62,360

Business-type Activities	Balance January 1, 2017	Additions	Retired	Balance December 31, 2017	Due Within One Year
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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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City of Saint Paul, Alaska

Notes to Basic Financial Statements

Business-type Activities, continued	Balance January 1, 2017	Additions	Retired	Balance December 31, 2017	Due Within One Year
Revenue bonds, continued:					
\$150,000 electric revenue bonds payable to the State of Alaska in 25 equal annual installments of \$8,614 including 3% interest	\$ 53,670	\$ -	\$ 6,602	\$ 47,068	\$ 7,214
\$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 \$52,454 at December 31, 2017	630,000	-	90,000	540,000	90,000
Less unamortized discount	(69,276)	-	(16,822)	(52,454)	-
Total revenue bonds payable	6,620,272	-	79,780	6,540,492	97,214
Note payable to U.S. Army Corps of Engineers (USACE), final terms yet to be established, but expected to be over 30 years	-	1,635,012	-	1,635,012	-
Accrued interest payable	1,905,144	-	-	1,905,144	-
Accrued leave	29,206	27,322	28,569	27,959	27,959
Net pension liability	707,798	158,229	136,512	729,515	-
Total Business-type Activities	\$ 9,262,420	\$ 1,820,563	\$ 244,861	\$ 10,838,122	\$ 125,173

City of Saint Paul, Alaska

Notes to Basic Financial Statements

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

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

The annual debt service requirements of the electric revenue bonds outstanding at December 31, 2017, 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
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	98,120	5,660	103,780
2023	98,766	2,875	101,641
	\$ 587,068	\$ 57,475	\$ 644,543

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 \$9,440 reported as landfill closure costs payable at December 31, 2017 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 \$28,310 as the remaining expected usage is filled. These amounts are based on an estimate of cost to perform all closure and postclosure care in 2017. 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 15 years.

City of Saint Paul, Alaska

Notes to Basic Financial Statements

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	\$ 47,031	\$ -	\$ 47,031
Advance to Water and Sewer Utility Enterprise Fund	309,688	-	309,688
Advance to Bulk Fuel Farm Enterprise Fund	178,740	-	178,740
Advance to Harbor Enterprise Fund	315,830	-	315,830
Advance to Refuse Enterprise Fund	3,095	-	3,095
Total Nonspendable	854,384	-	854,384
Committed for capital projects	-	214,985	214,985
Unassigned	6,140,293	-	6,140,293
Total Fund Balances	\$ 6,994,677	\$ 214,985	\$ 7,209,662

The following funds had fund deficits at December 31, 2017:

Bulk Fuel Farm Enterprise Fund	\$ 5,137,859
Harbor Enterprise Fund	2,724,862

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

City of Saint Paul, Alaska

Notes to Basic Financial Statements

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.

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

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Police 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,

City of Saint Paul, Alaska

Notes to Basic Financial Statements

an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the proprietary fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY17, the rate uses an 8% pension discount rate and a 4.3% 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, 2017 and June 30, 2018 were determined in the June 30, 2014 and June 30, 2015 actuarial valuations, respectively. City contribution rates for the 2017 calendar year were as follows:

<i>January 1, 2017 to June 30, 2017</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	14.96%	20.34%	4.14%	24.49%
Other postemployment benefits (see Note 9)	7.04%	5.80%	0.00%	56.64%
Total Contribution Rates	22.00%	26.14%	4.14%	81.13%

<i>July 1, 2017 to December 31, 2017</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	24.49%
Other postemployment benefits (see Note 9)	4.88%	3.11%	0.00%	56.64%
Total Contribution Rates	22.00%	25.01%	3.01%	81.13%

In 2017, the City was credited with the following contributions into the pension plan.

	Measurement Period July 1, 2016 to June 30, 2017	City Fiscal Year January 1, 2017 to December 31, 2017
Employer contributions (including DBUL)	\$ 122,881	\$ 139,695
Nonemployer contributions (on-behalf)	51,458	45,626
Total Contributions	\$ 174,339	\$ 185,321

City of Saint Paul, Alaska

Notes to Basic Financial Statements

In addition, employee contributions to the Plan totaled \$38,987 during the City's fiscal year.

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

At December 31, 2017, 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:

	2017
City proportionate share of NPL	\$ 2,361,271
State's proportionate share of NPL associated with the City	880,458
Total Net Pension Liability	\$ 3,241,729

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2017 measurement date, the City's proportion was 0.04568 percent, which was a decrease of 0.00684 from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$200,748. Of this amount, \$51,458 was recorded as on-behalf revenue and expense for additional contributions paid by the State. At December 31, 2017, 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	\$ -	\$ (42,453)
Net difference between projected and actual earnings on pension plan investments	63,338	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(207,078)
City contributions subsequent to the measurement date	77,993	-
Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions	\$ 141,331	\$ (249,531)

City of Saint Paul, Alaska

Notes to Basic Financial Statements

The \$77,993 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,

2018	\$ (245,113)
2019	65,954
2020	29,608
2021	(36,642)

Actuarial Assumptions

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

Actuarial Cost Method	Entry age normal; level dollar normal cost basis
Amortization Method	Level dollar, closed
Inflation	3.12%
Salary Increases	Graded by service, from 9.66% to 4.92% for peace officer/ firefighter Graded by age and service, from 8.55% to 4.34% for all others
Allocation Methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.

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. Best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	Long-term Expected Real Rate of Return
Domestic equity	8.83%
Global ex-U.S. equity	7.79%
Intermediate Treasuries	1.29%
Opportunistic	4.76%
Real assets	4.94%
Absolute return	4.76%
Private equity	12.02%
Cash equivalents	0.63%

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	0.04568%	\$ 3,101,749	\$ 2,361,271	\$ 1,735,968

City of Saint Paul, Alaska

Notes to Basic Financial Statements

Pension Plan Fiduciary Net Position

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

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, 2017, 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, 2017 were \$29,207 and \$46,731, respectively. The City contribution amount was recognized as pension expense/expenditures.

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City of Saint Paul, Alaska

Notes to Basic Financial Statements

9. Other Postemployment Benefit (OPEB) Plans

Defined Benefit OPEB Plan

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, 2017, the City was required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. On-behalf contributions to the OPEB Plan in 2017, 2016, and 2015, were \$0, \$12,274, and \$11,412, respectively.

<i>Year Ended December 31,</i>	Annual OPEB Costs	City Contributions	% of Costs Contributed
2017	\$ 51,268	\$ 51,268	100 %
2016	66,364	66,364	100 %
2015	90,889	90,889	100 %

Defined Contribution OPEB Plan

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

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2017 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.03%	1.03%
Occupational death and disability benefits	0.16%	0.43%
Total Contribution Rates	1.19%	1.46%

City of Saint Paul, Alaska

Notes to Basic Financial Statements

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, 2017, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,084 per year for each full-time employee, and \$1.34 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2017, the City contributed \$35,696 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

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, 2017.

11. Interfund Balances

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

A schedule of interfund balances at December 31, 2017, follows:

Advances to Other Funds

Advance from the General Fund to:

Water and Sewer Utility Enterprise Fund	\$ 309,688
Bulk Fuel Farm Enterprise Fund	178,740
Harbor Enterprise Fund	315,830
Refuse Enterprise Fund	3,095

Total Advances to Other Funds **\$ 807,353**

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.

In June 2017, the City was provided with the final accounting from the U. S. Army Corps of Engineers (USACE) for which the USACE claims the City owes \$5,220,575 on construction costs for phases I and II of the project and \$1,635,012 for the small boat harbor. Additionally the USACE claims the City owes \$5,359,800 for general navigation features for phases I and II. The City disputed the legal basis for the allegation and had been working on legislation in the U.S. Congress that would remedy the situation.

In October 2018, the U.S. Congress successfully approved S. 3021, America's Water Infrastructure Act of 2018, and in the same month it was signed into law by the President. This Act of Congress contains provisions that addresses the dispute over the harbor cost-share. The City has been in communications with the Alaska District of the USACE. The Alaska District has notified the City that they would be working on implementation guidance to S. 3021. The final accounting by the USACE will take some time, but the City estimates that it will owe the USACE \$142,700, which the City paid in 2017 and \$1,635,012 for the small boat harbor. They City has recorded the \$1,635,012 as a note payable to USACE in the Harbor Enterprise Fund.

13. 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.

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

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

GASB 85 - Omnibus - Effective for year-end December 31, 2018, with earlier application encouraged - This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. Issues covered include blending of component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB 86 - Certain Debt Extinguishment Issues - Effective for year-end December 31, 2018, with earlier application encouraged - This statement addresses accounting and financial reporting for in-substance defeasance of debt when only existing resources are used, as well as accounting and financial reporting for prepaid insurance on extinguished debt.

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

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

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, 2017</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Sales	\$ 251,500	\$ 251,500	\$ 307,869	\$ 56,369
Fish	1,012,259	1,221,583	1,271,697	50,114
Total taxes	1,263,759	1,473,083	1,579,566	106,483
Intergovernmental:				
State fisheries taxes	501,731	909,086	910,085	999
State PERS relief	-	-	34,795	34,795
State liquor licenses	4,000	4,000	4,000	-
Federal payment in lieu of taxes	75,000	75,000	75,318	318
State revenue - sharing	90,000	90,000	84,836	(5,164)
Total intergovernmental	670,731	1,078,086	1,109,034	30,948
Charges for services:				
Building/housing revenue	116,584	116,584	136,120	19,536
Allocated administrative charges	305,559	305,559	305,559	-
Other contract and labor revenues	22,000	22,000	10,671	(11,329)
Total charges for services	444,143	444,143	452,350	8,207
Investment income	80,000	80,000	46,972	(33,028)
Internal equipment rental	30,000	-	-	-
Other revenue	49,816	44,508	57,049	12,541
Total Revenues	2,538,449	3,119,820	3,244,971	125,151
Expenditures				
Current:				
General government	1,430,437	1,346,415	1,239,372	107,043
Public safety	774,442	777,395	640,692	136,703
Public works	889,424	913,730	687,491	226,239
Total Expenditures	3,094,303	3,037,540	2,567,555	469,985
Net Change in Fund Balance	\$ (555,854)	\$ 82,280	\$ 677,416	\$ 595,136
Fund Balance, beginning			<u>6,317,261</u>	
Fund Balance, ending			<u>\$ 6,994,677</u>	

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
2008	*	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*	*
2015	2015	0.06157%	\$ 2,986,268	\$ 800,510	\$ 3,786,778	\$ 1,623,160	233.03%	63.96%
2016	2016	0.05252%	\$ 2,935,604	\$ 367,692	\$ 3,303,296	\$ 1,421,459	206.52%	59.55%
2017	2017	0.04568%	\$ 2,361,271	\$ 880,458	\$ 3,241,729	\$ 1,191,633	198.15%	63.37%

* Information not available for this period

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
2008	*	*	*	*	*
2009	*	*	*	*	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	\$ 128,719	\$ 128,719	\$ -	\$ 1,491,677	8.629%
2016	\$ 118,075	\$ 118,075	\$ -	\$ 1,222,885	9.655%
2017	\$ 139,695	\$ 139,695	\$ -	\$ 1,160,380	12.039%

* Information not available for this period

See accompanying notes to Required Supplementary Information.

City of Saint Paul, Alaska

Notes to Required Supplementary Information December 31, 2017

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, continued

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, 2017, the Plan measurement date is June 30, 2017.
- 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
Balance Sheet

	Special Revenue Fund
	<u>Harbor Navigation</u>
<i>December 31, 2017</i>	
<hr/>	
Assets	
Cash and investments	\$ 309,386
<hr/>	
Liabilities	
Unearned revenue	\$ 94,401
<hr/>	
Fund Balance	
Committed	214,985
<hr/>	
Total Liabilities and Fund Balance	\$ 309,386
<hr/>	

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Burn Box	Harbor Navigation	
<i>Year Ended December 31, 2017</i>			
Revenues			
Intergovernmental	\$ 3,962	\$ -	\$ 3,962
Investment income	-	1,737	1,737
Total Revenues	3,962	1,737	5,699
Expenditures			
Salaries and benefits	3,688	-	3,688
Engineering and professional services	274	-	274
Total Expenditures	3,962	-	3,962
Net Change in Fund Balances	-	1,737	1,737
Fund Balances, beginning	-	213,248	213,248
Fund Balances, ending	\$ -	\$ 214,985	\$ 214,985

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

<i>December 31, 2017</i>	Marine Sales	Home Energy Loan	Total Nonmajor Enterprise Funds
Assets			
Current Assets			
Cash and investments	\$ 391,122	\$ 115	\$ 391,237
Accounts receivable	885	-	885
Inventory	24,762	-	24,762
Total Current Assets	416,769	115	416,884
Property, Plant and Equipment			
Machinery and equipment	46,708	-	46,708
Accumulated depreciation	(36,812)	-	(36,812)
Net Property, Plant and Equipment	9,896	-	9,896
Total Assets	426,665	115	426,780
Deferred Outflows of Resources - pension related	4,067	-	4,067
Total Assets and Deferred Outflows of Resources	\$ 430,732	\$ 115	\$ 430,847
Liabilities			
Current Liabilities			
Accounts payable	\$ 1,010	\$ -	\$ 1,010
Noncurrent Liabilities			
Net pension liability	22,764	-	22,764
Total Liabilities	23,774	-	23,774
Deferred Inflows of Resources - pension related	943	-	943
Net Position			
Net investment in capital assets	9,896	-	9,896
Unrestricted	396,119	115	396,234
Total Net Position	406,015	115	406,130
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 430,732	\$ 115	\$ 430,847

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

<i>Year Ended December 31, 2017</i>	Marine Sales	Home Energy Loan	Total Nonmajor Enterprise Funds
Operating Revenues			
Operating revenues	\$ 37,854	\$ -	\$ 37,854
Cost of goods sold	(8,752)	-	(8,752)
Net Operating Revenues	29,102	-	29,102
Operating Expenses			
Salaries and wages	7,488	-	7,488
Employee benefits	851	-	851
Material and supplies	(1,343)	-	(1,343)
Fuel and utilities	15,950	-	15,950
Depreciation	1,721	-	1,721
Insurance	11,189	-	11,189
Administrative cost allocation	13,241	-	13,241
Total Operating Expenses	49,097	-	49,097
Operating Loss	(19,995)	-	(19,995)
Nonoperating Revenues			
State PERS relief	253	-	253
Investment income	2,260	-	2,260
Total Nonoperating Revenues	2,513	-	2,513
Change in Net Position	(17,482)	-	(17,482)
Net Position, beginning	423,497	115	423,612
Net Position, ending	\$ 406,015	\$ 115	\$ 406,130

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

<i>Year Ended December 31, 2017</i>	Marine Sales	Home Energy Loan	Total Nonmajor Enterprise Funds
Cash Flows for Operating Activities			
Receipts from customers and users	\$ 37,957	\$ -	\$ 37,957
Payments for interfund services used	(13,241)	-	(13,241)
Payments to suppliers	(37,904)	-	(37,904)
Payments to employees	(9,317)	-	(9,317)
Net cash flows for operating activities	(22,505)	-	(22,505)
Cash Flows from Investing Activities -			
Investment income received	2,260	-	2,260
Net Decrease in Cash and Investments	(20,245)	-	(20,245)
Cash and Investments, beginning	411,367	115	411,482
Cash and Investments, ending	\$ 391,122	\$ 115	\$ 391,237
Reconciliation of Operating Loss to Net Cash			
Flows for Operating Activities			
Operating loss	\$ (19,995)	\$ -	\$ (19,995)
Adjustments to reconcile operating loss to net cash flows for operating activities:			
Depreciation	1,721	-	1,721
Noncash expense - PERS relief	253	-	253
(Increase) decrease in assets and deferred outflows of resources:			
Accounts receivable	103	-	103
Inventory	(493)	-	(493)
Deferred outflows of resources - pension related	948	-	948
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable	(2,863)	-	(2,863)
Net pension liability	(2,076)	-	(2,076)
Deferred inflows of resources - pension related	(103)	-	(103)
Net Cash Flows for Operating Activities	\$ (22,505)	\$ -	\$ (22,505)

City of Saint Paul, Alaska

General Fund
Balance Sheet

<i>December 31,</i>	2017	2016
Assets		
Cash and investments	\$ 6,930,375	\$ 6,559,665
Receivables		
Accounts	-	607
Taxes	20,893	18,737
Interest	21,406	-
Other	3,686	4,486
Total receivables	45,985	23,830
Allowance for doubtful accounts	(9,265)	(9,413)
Net Receivables	36,720	14,417
Due from other funds	-	4,592
Advances to other funds	807,353	515,331
Inventory	47,031	48,435
Total Assets	\$ 7,821,479	\$ 7,142,440
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 79,482	\$ 87,953
Accrued liabilities	34,938	31,481
Customer deposits	19,360	18,360
Unearned revenue	693,022	687,385
Total Liabilities	826,802	825,179
Fund Balance		
Nonspendable	854,384	563,766
Unassigned	6,140,293	5,753,495
Total Fund Balance	6,994,677	6,317,261
Total Liabilities and Fund Balance	\$ 7,821,479	\$ 7,142,440

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

<i>Years Ended December 31,</i>	2017			2016
	Budget	Actual	Variance with Final Budget	Actual
Revenues				
Taxes:				
Sales	\$ 251,500	\$ 307,869	\$ 56,369	\$ 315,049
Fish	1,221,583	1,271,697	50,114	1,693,385
Total taxes	1,473,083	1,579,566	106,483	2,008,434
Intergovernmental:				
State liquor licenses	4,000	4,000	-	-
State fisheries taxes	909,086	910,085	999	904,071
State PERS relief	-	34,795	34,795	49,480
Federal payment in lieu of taxes	75,000	75,318	318	76,900
State revenue - sharing	90,000	84,836	(5,164)	74,020
Total intergovernmental	1,078,086	1,109,034	30,948	1,104,471
Charges for services:				
Building/housing revenue	116,584	136,120	19,536	170,390
Allocated administrative charges	305,559	305,559	-	294,095
Other contract and labor revenues	22,000	10,671	(11,329)	15,657
Refuse department services	-	-	-	144,998
Total charges for services	444,143	452,350	8,207	625,140
Investment income	80,000	46,972	(33,028)	65,852
Internal equipment rental	-	-	-	19,081
Other revenue	44,508	57,049	12,541	12,306
Total Revenues	3,119,820	3,244,971	125,151	3,835,284

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>	2017			2016
	Budget	Actual	Variance with Final Budget	Actual
Expenditures				
General government:				
Mayor and council:				
Salaries and wages	\$ 15,000	\$ 10,725	\$ 4,275	\$ 15,210
Employee benefits	3,000	2,559	441	4,273
Material and supplies	2,240	2,030	210	68
Fuel, utilities and telephone	1,848	2,390	(542)	106
Legal and consulting	-	-	-	13,190
Other services and charges	37,974	24,570	13,404	33,753
Total mayor and council	60,062	42,274	17,788	66,600
City manager:				
Salaries and wages	117,228	111,173	6,055	52,508
Employee benefits	50,129	51,121	(992)	22,376
Material and supplies	1,000	955	45	652
Fuel, utilities and telephone	4,340	3,616	724	843
Repairs and maintenance	600	690	(90)	-
Insurance	594	594	-	440
Legal and consulting	206,318	205,548	770	188,276
Other services and charges	18,868	16,222	2,646	5,140
Total city manager	399,077	389,919	9,158	270,235
Planning and zoning:				
Salaries and wages	-	60	(60)	-
Employee benefits	-	20	(20)	-
Other services and charges	-	726	(726)	21,044
Total planning and zoning	-	806	(806)	21,044
City clerk:				
Salaries and wages	117,352	109,771	7,581	92,953
Employee benefits	54,635	50,017	4,618	45,312
Material and supplies	4,458	5,830	(1,372)	1,579
Fuel, utilities and telephone	3,578	3,667	(89)	710
Insurance	261	261	-	261
Other services and charges	1,200	5,855	(4,655)	-
Total city clerk	181,484	175,401	6,083	140,815

City of Saint Paul, Alaska

General Fund

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

Years Ended December 31,	2017			2016
	Budget	Actual	Variance with Final Budget	Actual
Expenditures, continued				
General government, continued:				
Finance:				
Salaries and wages	\$ 239,139	\$ 204,928	\$ 34,211	\$ 214,275
Employee benefits	98,061	90,757	7,304	111,930
Material and supplies	9,400	5,337	4,063	6,153
Insurance	477	762	(285)	477
Fuel, utilities and telephone	12,008	12,082	(74)	1,250
Legal and consulting	62,000	68,080	(6,080)	64,356
Other services and charges	46,309	43,962	2,347	25,270
Total finance	467,394	425,908	41,486	423,711
Housing:				
Salaries and wages	19,178	19,694	(516)	-
Employee benefits	6,008	6,500	(492)	-
Material and supplies	7,500	3,572	3,928	-
Fuel, utilities and telephone	53,049	50,215	2,834	-
Repairs and maintenance	-	750	(750)	-
Insurance	8,941	12,110	(3,169)	-
Other services and charges	4,008	7,298	(3,290)	-
Capital outlay	34,050	7,695	26,355	-
Total housing	132,734	107,834	24,900	-
Nondepartmental:				
Material and supplies	994	966	28	27,344
Insurance	23,162	24,359	(1,197)	23,069
Legal and consulting	75,890	66,188	9,702	-
Other services and charges	5,618	5,717	(99)	100,634
Total nondepartmental	105,664	97,230	8,434	151,047
Total general government	1,346,415	1,239,372	107,043	1,073,452
Public safety:				
Salaries and wages	398,172	371,932	26,240	319,180
Employee benefits	235,780	172,391	63,389	162,259
Material and supplies	29,850	20,505	9,345	20,899
Fuel, utilities and telephone	34,780	31,403	3,377	28,158
Insurance	15,092	17,953	(2,861)	15,948
Other services and charges	59,371	23,473	35,898	17,243
Capital outlay	4,350	3,035	1,315	1,852
Total public safety	777,395	640,692	136,703	565,539

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>	2017			2016
	Budget	Actual	Variance with Final Budget	Actual
Expenditures, continued				
Public works:				
Machine shop and motor pool:				
Salaries and wages	\$ 64,665	\$ 50,005	\$ 14,660	\$ 67,254
Employee benefits	42,596	28,565	14,031	43,899
Material and supplies	23,950	14,204	9,746	22,201
Fuel, utilities and telephone	20,534	20,962	(428)	16,274
Repairs and maintenance	6,000	8,302	(2,302)	315
Insurance	11,698	14,803	(3,105)	12,168
Other services and charges	19,711	16,939	2,772	10,327
Capital outlay	20,000	16,528	3,472	97,877
Total machine shop and motor pool	209,154	170,308	38,846	270,315
Maintenance and labor pool:				
Salaries and wages	167,536	83,057	84,479	111,444
Employee benefits	89,344	41,200	48,144	56,514
Material and supplies	49,150	18,891	30,259	43,836
Fuel, utilities and telephone	90,139	100,027	(9,888)	139,260
Repairs and maintenance	8,600	4,886	3,714	6,622
Insurance	22,517	29,387	(6,870)	31,636
Other services and charges	6,608	4,324	2,284	9,644
Capital outlay	31,974	-	31,974	13,556
Total maintenance and labor pool	465,868	281,772	184,096	412,512
Refuse:				
Salaries and wages	-	-	-	85,961
Employee benefits	-	-	-	49,487
Material and supplies	-	-	-	8,779
Fuel, utilities and telephone	-	-	-	17,940
Insurance	-	-	-	7,013
Legal and consulting	-	-	-	8,414
Other services and charges	-	-	-	2,728
Capital outlay	-	-	-	27,809
Total refuse	-	-	-	208,131

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>	2017			2016
	Budget	Actual	Variance with Final Budget	Actual
Expenditures, continued				
Public works, continued:				
Administration:				
Salaries and wages	\$ 125,249	\$ 122,958	\$ 2,291	\$ 120,655
Employee benefits	64,928	64,609	319	74,424
Material and supplies	3,950	1,880	2,070	4,363
Fuel, utilities and telephone	24,600	29,964	(5,364)	31,838
Insurance	702	440	262	1,085
Other services and charges	19,279	15,560	3,719	6,993
Total administration	238,708	235,411	3,297	239,358
Total public works	913,730	687,491	226,239	1,130,316
Total Expenditures	3,037,540	2,567,555	469,985	2,769,307
Excess of Revenues Over Expenditures	82,280	677,416	595,136	1,065,977
Other Financing Uses				
Transfers out	-	-	-	(9,485)
Net Change in Fund Balance	\$ 82,280	677,416	\$ 595,136	1,056,492
Fund Balance, beginning		6,317,261		5,260,769
Fund Balance, ending		\$ 6,994,677		\$ 6,317,261

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

<i>December 31,</i>	2017	2016
Assets		
Current Assets		
Cash and investments	\$ 6,677,994	\$ 7,045,864
Receivables:		
Accounts	211,693	169,257
Intergovernmental	62,639	66,612
Allowance for doubtful accounts	(705)	(743)
Inventory	51,270	49,981
Total Current Assets	7,002,891	7,330,971
Property, Plant and Equipment		
Buildings	3,091,433	3,091,433
Machinery and equipment	598,279	500,706
Plant in service	3,099,326	2,936,922
Construction in progress	261,248	162,002
Total property, plant and equipment	7,050,286	6,691,063
Accumulated depreciation	(3,676,394)	(3,509,416)
Net Property, Plant and Equipment	3,373,892	3,181,647
Total Assets	10,376,783	10,512,618
Deferred Outflows of Resources - pension related	17,367	37,535
Total Assets and Deferred Outflows of Resources	\$ 10,394,150	\$ 10,550,153
Liabilities		
Current Liabilities		
Accounts payable	\$ 110,568	\$ 17,197
Accrued liabilities	3,255	3,201
Accrued leave	5,427	7,905
Customer deposits	34,805	36,201
Current portion of revenue bonds	97,214	97,004
Total Current Liabilities	251,269	161,508
Noncurrent Liabilities, net of current portion		
Revenue bonds, net of unamortized discount of \$52,454 in 2017 (\$69,276 in 2016)	437,400	517,390
Net pension liability	196,741	240,907
Total Noncurrent Liabilities	634,141	758,297
Total Liabilities	885,410	919,805
Deferred Inflows of Resources - pension related	17,023	19,205
Net Position		
Net investment in capital assets	2,839,278	2,567,253
Unrestricted	6,652,439	7,043,890
Total Net Position	9,491,717	9,611,143
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 10,394,150	\$ 10,550,153

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

<i>Years Ended December 31,</i>	2017	2016
Operating Revenues		
Electric services	\$ 1,520,074	\$ 1,542,717
Operating Expenses		
Salaries and wages	156,545	142,547
Employee benefits	59,658	105,139
Material and supplies	33,304	16,957
Fuel and utilities	889,971	875,996
Depreciation	172,716	168,474
Repairs and maintenance	95,988	70,959
Insurance	16,913	14,120
Legal and consulting	94,807	112,718
Administrative cost allocation	127,316	104,356
Other services and charges	20,792	9,860
Total Operating Expenses	1,668,010	1,621,126
Operating Loss	(147,936)	(78,409)
Nonoperating Revenues (Expenses)		
State PERS relief	5,375	4,089
Investment income	41,969	54,600
Interest expense	(18,834)	(20,767)
Net Nonoperating Revenues (Expenses)	28,510	37,922
Loss before capital contributions	(119,426)	(40,487)
Capital contributions	-	609
Change in Net Position	(119,426)	(39,878)
Net Position, beginning	9,611,143	9,651,021
Net Position, ending	\$ 9,491,717	\$ 9,611,143

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

<i>Years Ended December 31,</i>	2017	2016
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,480,177	\$ 1,615,131
Payments for interfund services used	(127,316)	(104,356)
Payments to suppliers	(1,059,693)	(1,163,652)
Payments to employees	(239,432)	(214,142)
Net cash flows from operating activities	53,736	132,981
Cash Flows for Capital and Related Financing Activities		
Additions to property, plant and equipment	(364,961)	(36,448)
Capital contributions received	-	609
Principal paid	(96,602)	(96,800)
Interest paid	(2,012)	(1,814)
Net cash flows for capital and related financing activities	(463,575)	(134,453)
Cash Flows from Investing Activities -		
Investment income received	41,969	54,600
Net Increase (Decrease) in Cash and Investments	(367,870)	53,128
Cash and Investments, beginning	7,045,864	6,992,736
Cash and Investments, ending	\$ 6,677,994	\$ 7,045,864
Reconciliation of Operating Loss to		
Net Cash Flows from Operating Activities		
Operating loss	\$ (147,936)	\$ (78,409)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	172,716	168,474
Noncash expense - PERS relief	5,375	4,089
Increase (decrease) in allowance for doubtful accounts	(38)	52
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	(38,463)	60,260
Inventory	(1,289)	(830)
Deferred outflows of resources - pension related	20,168	19,090
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	93,371	(62,212)
Accrued liabilities	54	605
Accrued leave	(2,478)	(1,770)
Customer deposits	(1,396)	12,102
Net pension liability	(44,166)	(3,350)
Deferred inflows of resources - pension related	(2,182)	14,880
Net Cash Flows from Operating Activities	\$ 53,736	\$ 132,981

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

<i>December 31,</i>	2017	2016
Assets		
Current Assets		
Receivables:		
Accounts	\$ 37,232	\$ 33,398
Allowance for doubtful accounts	(606)	(651)
Total Current Assets	36,626	32,747
Property, Plant and Equipment		
Land	1,236	1,236
Buildings	176,565	176,565
Machinery and equipment	144,286	139,305
Plant in service	10,129,085	10,129,085
Total property, plant and equipment	10,451,172	10,446,191
Accumulated depreciation	(5,764,895)	(5,362,178)
Net Property, Plant and Equipment	4,686,277	5,084,013
Total Assets	4,722,903	5,116,760
Deferred Outflows of Resources - pension related	6,377	16,501
Total Assets and Deferred Outflows of Resources	\$ 4,729,280	\$ 5,133,261
Liabilities		
Current Liabilities		
Accounts payable	\$ 7,392	\$ 3,693
Unearned revenue	4,157	4,157
Accrued liabilities	999	816
Accrued leave	5,585	3,911
Total Current Liabilities	18,133	12,577
Noncurrent Liabilities		
Advances from other funds	309,688	424,372
Net pension liability	119,449	141,620
Total Noncurrent Liabilities	429,137	565,992
Total Liabilities	447,270	578,569
Deferred Inflows of Resources - pension related	14,734	15,829
Net Position		
Net investment in capital assets	4,686,277	5,084,013
Unrestricted (deficit)	(419,001)	(545,150)
Total Net Position	4,267,276	4,538,863
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 4,729,280	\$ 5,133,261

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>	2017	2016
Operating Revenues		
Water services	\$ 225,879	\$ 290,415
Sewer services	117,453	119,500
Total Operating Revenues	343,332	409,915
Operating Expenses		
Salaries and wages	50,399	57,858
Employee benefits	17,187	48,731
Material and supplies	41,626	14,349
Fuel and utilities	52,741	68,027
Depreciation	402,717	338,745
Repairs and maintenance	13,851	12,247
Insurance	5,794	4,467
Administrative cost allocation	33,102	37,948
Miscellaneous	2,330	-
Total Operating Expenses	619,747	582,372
Operating Loss	(276,415)	(172,457)
Nonoperating Revenues		
State PERS relief	2,698	3,646
Miscellaneous revenue	2,130	-
Total Nonoperating Revenues	4,828	3,646
Loss before capital contributions and transfers	(271,587)	(168,811)
Capital contributions	-	144,139
Transfers in	-	9,485
Change in Net Position	(271,587)	(15,187)
Net Position, beginning	4,538,863	4,554,050
Net Position, ending	\$ 4,267,276	\$ 4,538,863

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

<i>Years Ended December 31,</i>	2017	2016
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 341,583	\$ 436,923
Payments for interfund services used	(33,102)	(37,948)
Payments to suppliers	(112,643)	(114,054)
Payments to employees	(76,173)	(73,884)
Net cash flows from operating activities	119,665	211,037
Cash Flows for Noncapital Financing Activities - Decrease in advances from other funds		
	(114,684)	(210,604)
Cash Flows for Capital and Related Financing Activities		
Additions to property, plant and equipment	(4,981)	(154,142)
Transfers in	-	9,485
Capital contributions received	-	144,224
Net cash flows for capital and related financing activities	(4,981)	(433)
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	\$ (276,415)	\$ (172,457)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	402,717	338,745
Miscellaneous revenue	2,130	-
Noncash expense - PERS relief	2,698	3,646
Increase (decrease) in allowance for doubtful accounts	(45)	70
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(3,834)	22,781
Deferred outflows of resources - pension related	10,124	17,023
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	3,699	(14,964)
Unearned revenue	-	4,157
Accrued liabilities	183	(113)
Accrued leave	1,674	1,867
Net pension liability	(22,171)	(2,987)
Deferred inflows of resources - pension related	(1,095)	13,269
Net Cash Flows from Operating Activities	\$ 119,665	\$ 211,037

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

<i>December 31,</i>	2017	2016
Assets		
Current Assets		
Cash and investments	\$ 391,122	\$ 411,367
Accounts receivable	885	988
Inventory	24,762	24,269
Total Current Assets	416,769	436,624
Property, Plant and Equipment		
Machinery and equipment	46,708	46,708
Accumulated depreciation	(36,812)	(35,091)
Net Property, Plant and Equipment	9,896	11,617
Total Assets	426,665	448,241
Deferred Outflows of Resources - pension related	4,067	5,015
Total Assets and Deferred Outflows of Resources	\$ 430,732	\$ 453,256
Liabilities		
Current Liabilities - accounts payable	\$ 1,010	\$ 3,873
Noncurrent Liabilities - net pension liability	22,764	24,840
Total Liabilities	23,774	28,713
Deferred Inflows of Resources - pension related	943	1,046
Net Position		
Net investment in capital assets	9,896	11,617
Unrestricted	396,119	411,880
Total Net Position	406,015	423,497
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 430,732	\$ 453,256

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

<i>Years Ended December 31,</i>	2017	2016
Operating Revenues		
Operating revenues - fuel sales	\$ 37,854	\$ 81,785
Cost of goods sold	(8,752)	(13,318)
Net Operating Revenues	29,102	68,467
Operating Expenses		
Salaries and wages	7,488	9,260
Employee benefits	851	3,646
Material and supplies	(1,343)	9,568
Fuel and utilities	15,950	15,937
Insurance	11,189	10,546
Administrative cost allocation	13,241	37,948
Depreciation	1,721	1,721
Total Operating Expenses	49,097	88,626
Operating Loss	(19,995)	(20,159)
Nonoperating Revenues		
State PERS relief	253	171
Investment income	2,260	-
Total Nonoperating Revenues	2,513	171
Change in Net Position	(17,482)	(19,988)
Net Position, beginning	423,497	443,485
Net Position, ending	\$ 406,015	\$ 423,497

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

<i>Years Ended December 31,</i>	2017	2016
Cash Flows for Operating Activities		
Receipts from customers and users	\$ 37,957	\$ 98,045
Payments for interfund services used	(13,241)	(37,948)
Payments to suppliers	(37,904)	(48,683)
Payments to employees	(9,317)	(11,492)
Net cash flows for operating activities	(22,505)	(78)
Cash Flows from Investing Activities -		
Investment income received	2,260	-
Net Decrease in Cash and Investments	(20,245)	(78)
Cash and Investments, beginning	411,367	411,445
Cash and Investments, ending	\$ 391,122	\$ 411,367
Reconciliation of Operating Loss to Net Cash		
Flows for Operating Activities		
Operating loss	\$ (19,995)	\$ (20,159)
Adjustments to reconcile operating loss to net cash flows for operating activities:		
Depreciation	1,721	1,721
Noncash expense - PERS relief	253	171
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	103	16,260
Inventory	(493)	(1,565)
Deferred outflows of resources - pension related	948	775
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(2,863)	2,251
Net pension liability	(2,076)	(136)
Deferred inflows of resources - pension related	(103)	604
Net Cash Flows for Operating Activities	\$ (22,505)	\$ (78)

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

<i>December 31,</i>	2017	2016
Assets		
Current Assets		
Cash and investments	\$ 6,004	\$ 304,694
Accounts receivable	137,219	150,536
Allowance for doubtful accounts	(2,788)	(2,788)
Inventory	168,917	294,726
Total Current Assets	309,352	747,168
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	533,454	537,305
Fuel tanks and lines	5,249,823	5,248,213
Construction in progress	613,815	22,030
Total property, plant and equipment	6,572,092	5,982,548
Accumulated depreciation	(5,592,730)	(5,557,273)
Net Property, Plant and Equipment	979,362	425,275
Total Assets	1,438,714	1,322,443
Deferred Outflows of Resources - pension related	16,652	35,854
Total Assets and Deferred Outflows of Resources	\$ 1,455,366	\$ 1,358,297
Liabilities		
Current Liabilities		
Accounts payable	\$ 178,678	\$ 176,759
Accrued liabilities	1,106	1,120
Accrued leave	8,378	8,412
Unearned revenue	33,254	67,610
Total Current Liabilities	221,416	253,901
Noncurrent Liabilities		
Revenue bonds	4,539,672	4,539,672
Accrued interest payable	1,377,175	1,377,175
Net pension liability	247,636	289,688
Advances from other funds	178,740	-
Total Noncurrent Liabilities	6,343,223	6,206,535
Total Liabilities	6,564,639	6,460,436
Deferred Inflows of Resources - pension related	28,586	30,663
Net Position		
Net investment in capital assets	(3,560,310)	(4,114,397)
Restricted for debt service and depreciation reserve	950,000	950,000
Unrestricted (deficit)	(2,527,549)	(1,968,405)
Total Net Position (Deficit)	(5,137,859)	(5,132,802)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,455,366	\$ 1,358,297

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>	2017	2016
Operating Revenues		
Operating revenues - fuel sales	\$ 2,080,060	\$ 2,062,987
Cost of goods sold	(1,664,142)	(1,703,752)
Net Operating Revenues	415,918	359,235
Operating Expenses		
Salaries and wages	114,131	172,432
Employee benefits	29,745	160,523
Material and supplies	9,568	7,478
Fuel and utilities	34,880	25,756
Depreciation	39,308	39,456
Repairs and maintenance	28,772	60,502
Insurance	41,343	37,898
Administrative cost allocation	92,686	94,869
Legal and consulting	16,983	-
Other general and administrative costs	18,677	39,459
Total Operating Expenses	426,093	638,373
Operating Loss	(10,175)	(279,138)
Nonoperating Revenues - State PERS relief	5,118	6,989
Change in Net Position	(5,057)	(272,149)
Net Position (Deficit), beginning	(5,132,802)	(4,860,653)
Net Position (Deficit), ending	\$ (5,137,859)	\$ (5,132,802)

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

<i>Years Ended December 31,</i>	2017	2016
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 2,059,021	\$ 2,134,454
Payments for interfund services used	(92,686)	(94,869)
Payments to suppliers	(1,686,637)	(1,821,295)
Payments to employees	(163,733)	(272,698)
Net cash flows from (for) operating activities	115,965	(54,408)
Cash Flows from Other Funds Noncapital Financing Activities - Increase in advances	178,740	-
Cash Flows for Capital and Related Financing Activities - additions to property, plant and equipment	(593,395)	(22,030)
Net Decrease in Cash and Investments	(298,690)	(76,438)
Cash and Investments, beginning	454,694	531,132
Cash and Investments, ending	\$ 156,004	\$ 454,694
Reconciliation of Operating Loss to Net Cash Flows from (for) Operating Activities		
Operating loss	(10,175)	(279,138)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	39,308	39,456
Noncash expense - PERS relief	5,118	6,989
Increase (decrease) in allowance for doubtful accounts	-	1,216
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	13,317	2,641
Inventory	125,809	34,589
Deferred outflows of resources - pension related	19,202	32,630
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	1,919	18,961
Accrued liabilities	(14)	(607)
Accrued leave	(34)	1,538
Unearned revenue	(34,356)	67,610
Net pension liability	(42,052)	(5,726)
Deferred inflows of resources - pension related	(2,077)	25,433
Net Cash Flows from (for) Operating Activities	\$ 115,965	\$ (54,408)

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

<i>December 31,</i>	2017	2016
Assets		
Current Assets		
Accounts receivable	\$ 19,143	\$ 3,480
Inventory	3,649	3,649
Total Current Assets	22,792	7,129
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	(3,838,419)	(3,740,266)
Net Property, Plant and Equipment	1,265,012	1,363,165
Total Assets	1,287,804	1,370,294
Deferred Outflows of Resources - pension related	2,248	2,317
Total Assets and Deferred Outflows of Resources	\$ 1,290,052	\$ 1,372,611
Liabilities		
Current Liabilities		
Accounts payable	\$ 4,920	\$ 1,571
Accrued liabilities	1,719	1,436
Accrued leave	6,147	8,978
Unearned revenue	46,194	46,194
Total Current Liabilities	58,980	58,179
Noncurrent Liabilities		
Advances from other funds	315,830	90,959
Revenue bonds	1,466,206	1,466,206
Note payable - USACE	1,635,012	-
Accrued interest payable	527,969	527,969
Net pension liability	10,592	10,743
Total Noncurrent Liabilities	3,955,609	2,095,877
Total Liabilities	4,014,589	2,154,056
Deferred Inflows of Resources - pension related	325	332
Net Position		
Net investment in capital assets	(201,194)	(103,041)
Unrestricted (deficit)	(2,523,668)	(678,736)
Total Net Position (Deficit)	(2,724,862)	(781,777)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,290,052	\$ 1,372,611

City of Saint Paul, Alaska

Harbor Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2017	2016
Operating Revenues		
Harbor charges	\$ 55,398	\$ 375,331
Operating Expenses		
Salaries and wages	54,767	62,757
Employee benefits	14,639	18,233
Material and supplies	3,048	2,239
Fuel and utilities	26,257	21,608
Depreciation	98,153	98,152
Insurance	10,548	9,320
Repair and maintenance	1,777,711	4,276
Legal and consulting	137	13,000
Administrative cost allocation	13,241	18,974
Total Operating Expenses	1,998,501	248,559
Operating Income (Loss)	(1,943,103)	126,772
Nonoperating Revenues (Expenses)		
State PERS relief	18	39
Change in Net Position	(1,943,085)	126,811
Net Position (Deficit), beginning	(781,777)	(908,588)
Net Position (Deficit), ending	\$ (2,724,862)	\$ (781,777)

City of Saint Paul, Alaska
Harbor Enterprise Fund
Statement of Cash Flows

<i>Years Ended December 31,</i>	2017	2016
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 39,735	\$ 386,032
Payments for interfund services used	(13,241)	(18,974)
Payments to suppliers	(179,340)	(50,580)
Payments to employees	(72,025)	(79,049)
Net cash flows from (for) operating activities	(224,871)	237,429
Cash Flows from (for) Noncapital Financing Activities		
Increase (decrease) in advances from other funds	224,871	(237,429)
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)	\$ (1,943,103)	\$ 126,772
Adjustments to reconcile operating income (loss) to net cash flows from (for) operating activities:		
Depreciation	98,153	98,152
Noncash expense - Repairs and maintenance	1,635,012	-
Noncash expense - PERS relief	18	39
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(15,663)	10,701
Deferred outflows of resources - pension related	69	181
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	3,349	(137)
Accrued liabilities	283	(125)
Accrued leave	(2,831)	1,737
Net pension liability	(151)	(32)
Deferred inflows of resources - pension related	(7)	141
Net Cash Flows from (for) Operating Activities	\$ (224,871)	\$ 237,429
Noncash Financing Activities - Issuance of note payable to USACE for payment of settlement	\$ 1,635,012	\$ -

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

<i>December 31,</i>	2017	2016
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>	2017	2016
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>	2017	2016
Net Increase in Cash and Investments	\$ -	\$ -
Cash and Investments, beginning	115	115
Cash and Investments, ending	\$ 115	\$ 115

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

<i>December 31,</i>	2017
Assets	
Current Assets	
Receivables:	
Accounts	\$ 16,397
Total Current Assets	16,397
Property, Plant and Equipment	
Land	105,000
Landfill	801,832
Buildings	1,216,016
Machinery and equipment	1,089,059
Construction in progress	75,922
Total property, plant and equipment	3,287,829
Accumulated depreciation	(1,398,246)
Net Property, Plant and Equipment	1,889,583
Total Assets	1,905,980
Deferred Outflows of Resources - pension related	9,929
Total Assets and Deferred Outflows of Resources	\$ 1,915,909
Liabilities	
Current Liabilities	
Accounts payable	\$ 812
Accounts payable for capital assets	73,922
Accrued leave	2,422
Total Current Liabilities	77,156
Noncurrent Liabilities	
Advances from other funds	3,095
Net pension liability	132,333
Total Noncurrent Liabilities	135,428
Total Liabilities	212,584
Deferred Inflows of Resources - pension related	13,700
Net Position	
Net investment in capital assets	1,889,583
Unrestricted (deficit)	(199,958)
Total Net Position	1,689,625
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,915,909

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

<i>Year Ended December 31,</i>	2017
Operating Revenues	
Refuse services	\$ 150,567
Operating Expenses	
Salaries and wages	60,131
Employee benefits	8,684
Material and supplies	4,231
Fuel and utilities	12,410
Depreciation	109,465
Insurance	10,224
Repair and maintenance	69
Legal and consulting	12,854
Administrative cost allocation	25,972
Other services and charges	3,000
Total Operating Expenses	247,040
Operating Loss	(96,473)
Nonoperating Revenues	
State PERS relief	3,152
Insurance proceeds	138,943
Total Nonoperating Revenues	142,095
Income before capital contributions and transfers	45,622
Transfers out	(151,454)
Capital contributions	1,795,457
Change in Net Position	1,689,625
Net Position, beginning	-
Net Position, ending	\$ 1,689,625

City of Saint Paul, Alaska
Refuse Enterprise Fund
Statement of Cash Flows

<i>Year Ended December 31,</i>	2017
Cash Flows for Operating Activities	
Receipts from customers and users	\$ 134,170
Payments for interfund services used	(25,972)
Payments to suppliers	(41,976)
Payments to employees	(78,591)
Net cash flows for operating activities	(12,369)
Cash Flows from Noncapital Financing Activities	
Increase in advances from other funds	3,095
Cash Flows for Capital and Related Financing Activities	
Additions to property, plant and equipment	(129,669)
Insurance proceeds	138,943
Net cash flows for capital and related financing activities	9,274
Net Increase in Cash and Investments	-
Cash and Investments, beginning	-
Cash and Investments, ending	\$ -
Reconciliation of Operating Loss to Net Cash	
Flows for Operating Activities	
Operating loss	\$ (96,473)
Adjustments to reconcile operating loss to net cash flows for operating activities:	
Depreciation	109,465
Noncash expense - PERS relief	3,152
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	(16,397)
Deferred outflows of resources - pension related	11,825
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	812
Accrued leave	2,422
Net pension liability	(25,896)
Deferred inflows of resources - pension related	(1,279)
Net Cash Flows for Operating Activities	\$ (12,369)
Noncash Operating Activities - Issuance of note payable	
Transfer of pension related assets and liabilities from governmental activities	\$ 151,454
Noncash Capital and Related Financing Activities -	
Capital assets acquired on account	\$ 73,922
Transfer of capital assets from general government	\$ 1,768,133

City of Saint Paul, Alaska
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

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	\$ 75,318	\$ -	<u>\$ 75,318</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>\$ 6,081,196</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, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Saint Paul, Alaska under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Saint Paul, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Saint Paul.

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

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.

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Single Audit Section



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3601 C Street, Suite 600
Anchorage, AK 99503

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

Honorable Mayor and 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002 and 2017-003, that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Saint Paul's Response to Findings

The City of Saint Paul's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Saint Paul's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska
January 21, 2018



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3601 C Street, Suite 600
Anchorage, AK 99503

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

Honorable Mayor and 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, 2017. 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, 2017.

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
January 21, 2019

City of Saint Paul, Alaska

Schedule of Findings and Questioned Costs Year Ended December 31, 2017

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?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> (none reported)

Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no
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Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> (none reported)

Type of auditor's report issued on compliance for major federal programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> yes	<u> X </u> no
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Identification of major federal programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$	750,000
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Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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City of Saint Paul, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2017

Section II - Financial Statement Findings Required to be Reported in Accordance with <i>Government Auditing Standards</i>
--

Finding 2017-001	Accounts Payable- Material Weakness in Internal Control Over Financial Reporting
<i>Criteria</i>	Internal controls and procedures should be established to ensure proper and accurate financial reporting in accordance with generally accepted accounting principles (GAAP).
<i>Condition</i>	A bank transfer was made subsequent to year end for an asset acquired in 2017. An entry was incorrectly posted to cash instead of accounts payable. The result was that cash and accounts payable were understated.
<i>Context</i>	Accounts payable was reconciled to the accounts payable listing. This was the only transaction identified that was not properly included in accounts payable.
<i>Effect</i>	The general account balance on the trial balance was misstated.
<i>Cause</i>	Management oversight. The Bank account was reconciled in January 2018 and this transaction was recorded in March 2018, so no one realized that the bank reconciliation no longer worked. Because the transaction was after accounts payable were closed, the transaction was not included on the accounts payable listing and the fact that the payable was not recorded went undetected.
<i>Recommendation</i>	Account reconciliations should be reviewed after all journal entries have been posted to ensure that the reconciliations remain correct.
<i>Views of responsible officials and planned corrective actions</i>	Management concurs with the finding. See the corrective action plan.
Finding 2017-002	Accounting for Transfer of Refuse Operations From a Governmental Activity to an Enterprise Fund - Material Weakness in Internal Control Over Financial Reporting
<i>Criteria</i>	Internal controls and procedures should be established to ensure proper and accurate financial reporting in accordance with generally accepted accounting principles (GAAP).
<i>Condition</i>	In 2017, the City transferred its refuse operations from the General Fund to its own enterprise fund.
<i>Context</i>	This was the only transaction of its type during the year.

City of Saint Paul, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2017

<i>Effect</i>	Governmental capital assets and various accounts within the new Refuse Enterprise Fund were materially misstated.
<i>Cause</i>	The accounting for this transaction was complicated and the staff at the City didn't possess the necessary skills to understand all the intricacies about the transaction to be able to record the transaction in accordance with accounting principles generally accepted in the United States.
<i>Recommendation</i>	We recommend that the City obtain outside help during the year as necessary when complicated transactions arise and the accounting for them is also complicated.
<i>Views of responsible officials and planned corrective actions</i>	Management concurs with the finding. See the corrective action plan.
Finding 2017-003	Accounting for Capital Assets - Material Weakness in Internal Control Over Financial Reporting
<i>Criteria</i>	Internal controls and procedures should be established to ensure proper and accurate financial reporting in accordance with generally accepted accounting principles (GAAP).
<i>Condition</i>	Certain assets for the Refuse Fund were not properly recorded from the transfer out of the governmental activities capital assets. Additionally, material capital project expenses in the Bulk Fuel Enterprise Fund were expensed and should have been capitalized. Also, there were capital assets that were previously expensed in 2016 that were subsequently added to capital assets in 2017.
<i>Context</i>	Total capital assets of the City total \$38.7. Auditor proposed adjustments totaled \$1.2 million.
<i>Effect</i>	Capital assets for governmental activities and enterprise funds were materially misstated.
<i>Cause</i>	Staff at the City do not possess the necessary skills to understand how to record certain capital asset transactions.
<i>Recommendation</i>	We recommend that the City obtain outside help during the year as necessary when they are uncertain about how to account for certain transactions.
<i>Views of responsible officials and planned corrective actions</i>	Management concurs with the finding. See the corrective action plan.

City of Saint Paul, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2017

Section III - Federal Award Findings and Questioned Costs
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There were no findings and questioned costs for Federal Awards (as defined in 2 CFR 200.516(a) that are required to be reported.

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Single Audit Responses (Unaudited)

City of Saint Paul, Alaska
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017

There were no prior year findings; therefore, no summary schedule of prior audit findings is required.



Corrective Action Plan
Year Ended December 31, 2017

Contact Person: Stephanie Mandregan
Controller
(907) 546-3123

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

Corrective Action Review of completed reconciliations will be done regularly until all entries for the year are complete and the year is closed to ensure correct documentation of all activity.

Implementation Calendar year 2018

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

Corrective Action The City has acquired outside assistance for financial entry assistance and review to ensure correctness for compliance with GAAP, especially with regards to entries that are not done regularly.

Implementation Calendar year 2018

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

Corrective Action The City has acquired outside assistance for financial entry assistance and review to ensure correctness for compliance with GAAP, especially with regards to entries that are not done regularly.

Implementation Calendar year 2018

