



City and Borough of Wrangell, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information and Single Audit Reports
Year Ended June 30, 2018

City and Borough of Wrangell, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information
and Single Audit Reports
Year Ended June 30, 2018

City and Borough of Wrangell, Alaska

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3601 C Street, Suite 600
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Independent Auditor's Report

Honorable Mayor and Borough Assembly
City and Borough of Wrangell

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Wrangell, Alaska (the Borough), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Wrangell, Alaska, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2018 the Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 58 through 60, and the schedules of the borough's information on the net pension and OPEB liability and Borough contributions to the pension and OPEB plans on pages 61 through 64, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit for the year ended June 30, 2018 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City and Borough of Wrangell's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, and the combining and individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2018 required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended June 30, 2018, 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 June 30, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City and Borough of Wrangell as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated March 29, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2017 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 2017 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2019, on our consideration of City and Borough of Wrangell'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 City and Borough of Wrangell'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 and Borough of Wrangell's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
July 24, 2019

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Basic Financial Statements

City and Borough of Wrangell, Alaska

Statement of Net Position

| | Primary Government | | | Component Units | |
|--------------------------------------------------------|---------------------------------|---------------------------------|-----------------------|-------------------------------|-------------------------------|
| | Govern- mental Activities | Business- type Activities | Total | Wrangell Public Schools | Wrangell Medical Center |
| <i>June 30, 2018</i> | | | | | |
| Assets and Deferred Outflows of Resources | | | | | |
| Assets | | | | | |
| Cash and investments | \$ 22,210,584 | \$ 9,065,186 | \$ 31,275,770 | \$ 1,481,251 | \$ 673,852 |
| Receivables, net of allowance for doubtful accounts: | | | | | |
| Property and sales taxes | 723,078 | - | 723,078 | - | - |
| Accounts | 290,903 | 547,105 | 838,008 | 191,925 | 2,093,486 |
| Grants and shared revenues | 26,571 | - | 26,571 | - | - |
| Land sales and improvements | 56,741 | - | 56,741 | - | - |
| Accrued interest | 59,598 | 199 | 59,797 | - | - |
| Internal balances | 102,146 | (102,146) | - | 122,349 | 54,178 |
| Inventories | 94,334 | 172,477 | 266,811 | 46,146 | 150,402 |
| Restricted cash and investments | - | 2,584,826 | 2,584,826 | - | 310,142 |
| Capital assets: | | | | | |
| Land, land improvements and construction in progress | 1,186,678 | 1,828,586 | 3,015,264 | - | - |
| Other capital assets, net of depreciation | 27,023,527 | 42,493,504 | 69,517,031 | 119,115 | 1,719,577 |
| Total Assets | 51,774,160 | 56,589,737 | 108,363,897 | 1,960,786 | 5,001,637 |
| Deferred Outflows of Resources | | | | | |
| Related to pensions | 415,094 | 251,539 | 666,633 | 360,685 | - |
| Related to other postemployment benefits | 103,683 | 49,409 | 153,092 | 93,141 | - |
| Total Deferred Outflows of Resources | 518,777 | 300,948 | 819,725 | 453,826 | - |
| Total Assets and Deferred Outflows of Resources | \$ 52,292,937 | \$ 56,890,685 | \$ 109,183,622 | \$ 2,414,612 | \$ 5,001,637 |

City and Borough of Wrangell, Alaska

Statement of Net Position, continued

| | Primary Government | | | Component Units | |
|-------------------------------------------------------------------------------|---------------------------------|---------------------------------|-----------------------|-------------------------------|-------------------------------|
| | Govern- mental Activities | Business- type Activities | Total | Wrangell Public Schools | Wrangell Medical Center |
| <i>June 30, 2018</i> | | | | | |
| Liabilities, Deferred Inflows of Resources, and Net Position | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 186,859 | \$ 349,227 | \$ 536,086 | \$ 4,679 | \$ 342,255 |
| Customer utility deposits | - | 107,505 | 107,505 | - | - |
| Line of credit | - | - | - | - | 250,000 |
| Accrued interest payable | 8,338 | 4,194 | 12,532 | - | - |
| Employee compensation and related items | - | - | - | 39,077 | 526,181 |
| Unearned revenue | 94,085 | 1,426,494 | 1,520,579 | 2,018 | - |
| Noncurrent liabilities: | | | | | |
| Due within one year: | | | | | |
| Accrued leave | 301,243 | 73,676 | 374,919 | 37,372 | - |
| Bonds and loans | 240,000 | 93,331 | 333,331 | - | - |
| Capital lease obligation | - | - | - | - | 40,525 |
| Due in more than one year: | | | | | |
| Unamortized bond premium | 58,849 | - | 58,849 | - | - |
| ADEC loan | - | 176,004 | 176,004 | - | - |
| USDA Rural Development loan | - | 87,069 | 87,069 | - | - |
| Bonds | 510,000 | 171,846 | 681,846 | - | - |
| Capital lease obligation | - | - | - | - | 148,583 |
| Net pension liability | 3,363,292 | 1,898,427 | 5,261,719 | 3,356,395 | - |
| Net other postemployment benefits liability | 576,503 | 274,731 | 851,234 | 390,009 | - |
| Total Liabilities | 5,339,169 | 4,662,504 | 10,001,673 | 3,829,550 | 1,307,544 |
| Deferred Inflows of Resources | | | | | |
| Related to pensions | 437,338 | 212,318 | 649,656 | 363,200 | - |
| Related to other postemployment benefits | 283,899 | 135,292 | 419,191 | 244,055 | - |
| Taxes collected in advance | 12,377 | - | 12,377 | - | - |
| Total Deferred Inflows of Resources | 733,614 | 347,610 | 1,081,224 | 607,255 | - |
| Total Liabilities and Deferred Inflows of Resources | 6,072,783 | 5,010,114 | 11,082,897 | 4,436,805 | 1,307,544 |
| Net Position | | | | | |
| Net investment in capital assets | 27,401,356 | 43,793,840 | 71,195,196 | 119,115 | 1,719,577 |
| Restricted | 11,195,210 | - | 11,195,210 | - | - |
| Unrestricted (deficit) | 7,623,588 | 8,086,731 | 15,710,319 | (2,141,308) | 1,974,516 |
| Total Net Position | 46,220,154 | 51,880,571 | 98,100,725 | (2,022,193) | 3,694,093 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 52,292,937 | \$ 56,890,685 | \$ 109,183,622 | \$ 2,414,612 | \$ 5,001,637 |

See accompanying notes to basic financial statements.

City and Borough of Wrangell, Alaska

Statement of Activities

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | | |
|--------------------------------|---------------|------------------------------------------------|---------------------------------------------|-------------------------------------------|------------------------------------------------------|---------------------------------|--------------|-------------------------------|-------------------------------|
| | | Fees, Fines & Charges for Services | Operating Grants & Contri- butions | Capital Grants & Contri- butions | Primary Government | | | Component Units | |
| | | | | | Govern- mental Activities | Business- type Activities | Total | Wrangell Public Schools | Wrangell Medical Center |
| Year Ended June 30, 2018 | Expenses | | | | | | | | |
| Functions | | | | | | | | | |
| Primary Government | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | \$ 1,110,180 | \$ 75,867 | \$ 17,787 | \$ 50,000 | \$ (966,526) | \$ - | \$ (966,526) | | |
| Public safety | 2,186,712 | 266,490 | 439,546 | - | (1,480,676) | - | (1,480,676) | | |
| Public works | 1,290,264 | 966,111 | 25,802 | - | (298,351) | - | (298,351) | | |
| Parks and recreation | 703,345 | 87,615 | 4,593 | - | (611,137) | - | (611,137) | | |
| Library | 275,410 | - | 17,670 | - | (257,740) | - | (257,740) | | |
| Community services | 1,296,776 | 6,973 | 353,522 | 4,172 | (932,109) | - | (932,109) | | |
| Education | 2,045,686 | - | 1,055,463 | - | (990,223) | - | (990,223) | | |
| Unallocated interest | 15,367 | - | - | - | (15,367) | - | (15,367) | | |
| Total governmental activities | | | | | | | | | |
| | 8,923,740 | 1,403,056 | 1,914,383 | 54,172 | (5,552,129) | - | (5,552,129) | | |
| Business-type activities: | | | | | | | | | |
| Electric utility | 4,023,647 | 4,824,286 | 65,934 | - | - | 866,573 | 866,573 | | |
| Water utility | 1,312,613 | 745,925 | 43,180 | - | - | (523,508) | (523,508) | | |
| Sewer utility | 700,095 | 594,763 | 6,573 | - | - | (98,759) | (98,759) | | |
| Sanitation utility | 564,166 | 589,310 | 4,795 | - | - | 29,939 | 29,939 | | |
| Port | 3,035,881 | 1,409,799 | 329,469 | 180,934 | - | (1,115,679) | (1,115,679) | | |
| Total business-type activities | | | | | | | | | |
| | 9,636,402 | 8,164,083 | 449,951 | 180,934 | - | (841,434) | (841,434) | | |
| Total Primary Government | | | | | | | | | |
| | \$ 18,560,142 | \$ 9,567,139 | \$ 2,364,334 | \$ 235,106 | (5,552,129) | (841,434) | (6,393,563) | | |

City and Borough of Wrangell, Alaska

Statement of Activities, continued

| Year Ended June 30, 2018 | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | | |
|-----------------------------------------------------------------|----------------------|------------------------------------------------|---------------------------------------------|-------------------------------------------|------------------------------------------------------|---------------------------------|----------------------|-------------------------------|-------------------------------|
| | | Fees, Fines & Charges for Services | Operating Grants & Contri- butions | Capital Grants & Contri- butions | Primary Government | | | Component Units | |
| | | | | | Govern- mental Activities | Business- type Activities | Total | Wrangell Public Schools | Wrangell Medical Center |
| | | | | | | | | | |
| Component Units | | | | | | | | | |
| School District | \$ 5,947,067 | \$ 31,772 | \$ 990,882 | \$ - | | | | \$ (4,924,413) | \$ - |
| Medical Center | 11,025,969 | 10,274,294 | 347,687 | - | | | | - | (403,988) |
| Total Component Units | \$ 16,973,036 | \$ 10,306,066 | \$ 1,338,569 | \$ - | | | | (4,924,413) | (403,988) |
| General Revenues | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property taxes | | | | | \$ 1,761,211 | \$ - | \$ 1,761,211 | - | - |
| Sales taxes | | | | | 2,642,770 | - | 2,642,770 | - | - |
| Payments in lieu of taxes | | | | | 450,546 | - | 450,546 | - | - |
| Other taxes | | | | | 99,971 | - | 99,971 | - | - |
| Contributions from primary government | | | | | - | - | - | 1,516,288 | - |
| Grants and entitlements not restricted to a specific purpose | | | | | 455,253 | - | 455,253 | 3,725,750 | - |
| Investment income | | | | | 635,382 | 15,098 | 650,480 | 715 | 367 |
| Other | | | | | 3,979 | - | 3,979 | - | 153,857 |
| Total General Revenues | | | | | 6,049,112 | 15,098 | 6,064,210 | 5,242,753 | 154,224 |
| Change in Net Position | | | | | 496,983 | (826,336) | (329,353) | 318,340 | (249,764) |
| Net Position, beginning, as restated (Note 2) | | | | | 45,723,171 | 52,706,907 | 98,430,078 | (2,340,533) | 3,943,857 |
| Net Position, ending | | | | | \$46,220,154 | \$ 51,880,571 | \$ 98,100,725 | \$ (2,022,193) | \$ 3,694,093 |

See accompanying notes to basic financial statements.

City and Borough of Wrangell, Alaska

Governmental Funds
Balance Sheet

| | Major Funds | | | | | Total Govern- mental Funds |
|-------------------------------------------------------------------------------|--------------------|-----------------------------------------|------------------------------------|--------------------------------------------|---------------------|-------------------------------------|
| | General | Permanent Fund Special Revenue | Sales Tax Special Revenue | Economic Recovery Capital Project | Nonmajor Funds | |
| <i>June 30, 2018</i> | | | | | | |
| Assets | | | | | | |
| Cash and investments | \$6,628,865 | \$ 7,858,741 | \$ 643,915 | \$ 1,353,445 | \$ 5,725,618 | \$ 22,210,584 |
| Receivables, net of allowance for doubtful accounts: | | | | | | |
| Property and sales taxes | 501,893 | - | 221,185 | - | - | 723,078 |
| Accounts | 290,903 | - | - | - | - | 290,903 |
| Grants and shared revenues | 26,571 | - | - | - | - | 26,571 |
| Accrued interest | 40,256 | 15,771 | - | - | 3,571 | 59,598 |
| Land sales and improvements | - | - | - | - | 56,741 | 56,741 |
| Interfund loans receivable | 102,146 | - | - | - | - | 102,146 |
| Due from other funds | 3,864 | - | - | - | - | 3,864 |
| Inventory | - | - | - | - | 94,334 | 94,334 |
| Total Assets | \$7,594,498 | \$ 7,874,512 | \$ 865,100 | \$ 1,353,445 | \$ 5,880,264 | \$ 23,567,819 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 72,642 | \$ - | \$ - | \$ - | \$ 114,217 | \$ 186,859 |
| Unearned revenue | 12,225 | - | - | - | 81,860 | 94,085 |
| Due to other funds | - | - | - | - | 3,864 | 3,864 |
| Total Liabilities | 84,867 | - | - | - | 199,941 | 284,808 |
| Deferred Inflows of Resources | | | | | | |
| Delinquent property taxes | 60,414 | - | - | - | - | 60,414 |
| Taxes collected in advance | 12,377 | - | - | - | - | 12,377 |
| Land sale receivables not yet due | - | - | - | - | 56,741 | 56,741 |
| Total Deferred Inflows of Resources | 72,791 | - | - | - | 56,741 | 129,532 |
| Total Liabilities and Deferred Inflows of Resources | 157,658 | - | - | - | 256,682 | 414,340 |
| Fund Balances | | | | | | |
| Nonspendable | 102,146 | - | - | - | 94,334 | 196,480 |
| Restricted | - | 7,874,512 | - | - | 3,320,698 | 11,195,210 |
| Committed | - | - | 865,100 | - | 1,789,144 | 2,654,244 |
| Assigned | - | - | - | 1,353,445 | 423,270 | 1,776,715 |
| Unassigned (deficit) | 7,334,694 | - | - | - | (3,864) | 7,330,830 |
| Total Fund Balances | 7,436,840 | 7,874,512 | 865,100 | 1,353,445 | 5,623,582 | 23,153,479 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$7,594,498 | \$ 7,874,512 | \$ 865,100 | \$ 1,353,445 | \$ 5,880,264 | \$ 23,567,819 |

See accompanying notes to basic financial statements.

City and Borough of Wrangell, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2018

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|
| Total fund balances for governmental funds | | \$ 23,153,479 |
| Total net position reported for governmental activities in the Statement of Net Position is different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation consist of: | | |
| Land and land improvements | \$ 1,186,678 | |
| Infrastructure | 16,034,223 | |
| Buildings | 48,373,983 | |
| Improvements other than buildings | 6,293,283 | |
| Machinery and equipment | 4,094,365 | |
| Accumulated depreciation | <u>(47,772,327)</u> | |
| Total capital assets | | 28,210,205 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of: | | |
| Delinquent property taxes receivable | 60,414 | |
| Deferred land sales and improvements receivable | <u>56,741</u> | |
| Total long-term assets | | 117,155 |
| Long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of: | | |
| General obligation bonds payable | (750,000) | |
| Unamortized bond premium | (58,849) | |
| Accrued interest on bonds | (8,338) | |
| Accrued leave | (301,243) | |
| Net pension liability | (3,363,292) | |
| Net other postemployment benefits liability | <u>(576,503)</u> | |
| Total long term liabilities | | (5,058,225) |
| Certain changes in net pension and other postemployment benefits (OPEB) items are deferred rather than recognized immediately. These items are amortized over time. | | |
| Deferred outflows of resources related to pensions | 415,094 | |
| Deferred inflows of resources related to pensions | (437,338) | |
| Deferred outflows of resources related to OPEB | 103,683 | |
| Deferred inflows of resources related to OPEB | <u>(283,899)</u> | |
| Total deferred pension and OPEB items | | <u>(202,460)</u> |
| Total Net Position of Governmental Activities | | <u>\$ 46,220,154</u> |

See accompanying notes to basic financial statements.

City and Borough of Wrangell, Alaska

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

| Year Ended June 30, 2018 | Major Funds | | | | | Total Govern- mental Funds |
|----------------------------------------------|---------------------|-----------------------------------------|------------------------------------|--------------------------------------------|---------------------|-------------------------------------|
| | General | Permanent Fund Special Revenue | Sales Tax Special Revenue | Economic Recovery Capital Project | Nonmajor Funds | |
| Revenues | | | | | | |
| Property taxes, penalties and interest | \$ 1,783,561 | \$ - | \$ - | \$ - | \$ - | \$ 1,783,561 |
| Payments in lieu of taxes | 450,546 | - | - | - | - | 450,546 |
| Sales taxes, penalties and interest | 1,804,545 | - | 838,225 | - | - | 2,642,770 |
| Transient taxes | - | - | - | - | 99,971 | 99,971 |
| Intergovernmental | 929,917 | - | - | - | 1,075,655 | 2,005,572 |
| Charges for services | 197,618 | - | - | - | 167,618 | 365,236 |
| Sales and leases | 128,300 | 16,440 | - | 950,000 | 66,536 | 1,161,276 |
| Investment income | 7,802 | 578,163 | 722 | 1,453 | 47,242 | 635,382 |
| Land sales and improvements | - | - | - | - | 25,519 | 25,519 |
| Fines and forfeitures | 11,707 | - | - | - | - | 11,707 |
| Donations and contributions | - | - | - | - | 201,412 | 201,412 |
| Other | 28,356 | - | - | - | 25,166 | 53,522 |
| Total Revenues | 5,342,352 | 594,603 | 838,947 | 951,453 | 1,709,119 | 9,436,474 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 1,127,169 | - | - | - | - | 1,127,169 |
| Public safety | 2,130,410 | - | - | - | - | 2,130,410 |
| Public works | 996,146 | - | - | - | - | 996,146 |
| Parks and recreation | - | - | - | - | 607,153 | 607,153 |
| Library | 272,713 | - | - | - | - | 272,713 |
| Community services | 168,822 | 4,228 | - | - | 632,864 | 805,914 |
| Education - contributions to school district | - | - | 667,800 | - | 848,488 | 1,516,288 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 230,000 | 230,000 |
| Interest | - | - | - | - | 37,325 | 37,325 |
| Capital outlay | - | - | 554,077 | - | 141,911 | 695,988 |
| Total Expenditures | 4,695,260 | 4,228 | 1,221,877 | - | 2,497,741 | 8,419,106 |
| Excess of Revenues Over (under) | | | | | | |
| Expenditures | 647,092 | 590,375 | (382,930) | 951,453 | (788,622) | 1,017,368 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | 303,413 | - | - | - | 1,349,529 | 1,652,942 |
| Transfers out | (1,309,329) | (250,000) | (29,000) | - | (64,613) | (1,652,942) |
| Net Other Financing Sources (Uses) | (1,005,916) | (250,000) | (29,000) | - | 1,284,916 | - |
| Net Change in Fund Balances | (358,824) | 340,375 | (411,930) | 951,453 | 496,294 | 1,017,368 |
| Fund Balances, beginning | 7,795,664 | 7,534,137 | 1,277,030 | 401,992 | 5,127,288 | 22,136,111 |
| Fund Balances, ending | \$ 7,436,840 | \$ 7,874,512 | \$ 865,100 | \$ 1,353,445 | \$ 5,623,582 | \$ 23,153,479 |

See accompanying notes to basic financial statements.

City and Borough of Wrangell, Alaska
Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 1,017,368

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 (\$1,863,106) exceeded capital outlays (\$712,976). (1,150,130)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. This is the amount
of the increase in other long-term receivables. (47,869)

The repayment of the principal of long-term debt consumes current financial resources
in governmental funds. Also, governmental funds report the effect of bond premiums
when the debt is first issued, whereas this amount is deferred and amortized in the
Statement of Activities. In addition, accrued interest is not recorded in the fund
financial statements. This is the change in bond-related transactions:

| | | | |
|------------------------------|----|---------|---------|
| Principal payments | \$ | 230,000 | |
| Net decrease in bond premium | | 19,617 | |
| Decrease in accrued interest | | 2,341 | |
| | | | 251,958 |

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 accrued leave | | (35,475) | |
| Decrease in net pension obligation and related accounts | | 480,895 | |
| Increase in net other postemployment benefit obligation and related accounts | | (19,764) | |
| | | | 425,656 |

Change in Net Position of Governmental Activities \$ 496,983

See accompanying notes to basic financial statements.

City and Borough of Wrangell, Alaska

Enterprise Funds
Statement of Net Position

| | Major Funds | | | | Nonmajor Fund | Total |
|--------------------------------------------------------|---------------------|---------------------|----------------------|---------------------|-----------------------|----------------------|
| | Electric Utility | Water Utility | Port | Sewer Utility | Sanitation Utility | Enterprise Funds |
| <i>June 30, 2018</i> | | | | | | |
| Assets and Deferred Outflows of Resources | | | | | | |
| Current Assets | | | | | | |
| Cash and investments | \$ 3,483,047 | \$ 274,055 | \$ 4,588,186 | \$ 623,012 | \$ 96,886 | \$ 9,065,186 |
| Receivables, net of allowance for doubtful accounts: | | | | | | |
| Accounts | 302,651 | 39,829 | 133,729 | 37,888 | 33,008 | 547,105 |
| Accrued interest | - | 31 | 162 | 6 | - | 199 |
| Inventories | 172,477 | - | - | - | - | 172,477 |
| Total Current Assets | 3,958,175 | 313,915 | 4,722,077 | 660,906 | 129,894 | 9,784,967 |
| Restricted Cash and Investments | - | 668,215 | 1,841,946 | 74,665 | - | 2,584,826 |
| Property, plant and equipment | 6,939,460 | 17,152,880 | 57,566,226 | 12,551,526 | 1,535,039 | 95,745,131 |
| Less accumulated depreciation | (5,466,808) | (11,727,868) | (23,963,328) | (9,336,851) | (928,186) | (51,423,041) |
| Net Property, Plant and Equipment | 1,472,652 | 5,425,012 | 33,602,898 | 3,214,675 | 606,853 | 44,322,090 |
| Total Assets | 5,430,827 | 6,407,142 | 40,166,921 | 3,950,246 | 736,747 | 56,691,883 |
| Deferred Outflows of Resources | | | | | | |
| Related to pensions | 122,677 | 19,053 | 66,257 | 25,692 | 17,860 | 251,539 |
| Related to other postemployment benefits | 19,766 | 3,691 | 14,770 | 6,466 | 4,716 | 49,409 |
| Total Deferred Outflows of Resources | 142,443 | 22,744 | 81,027 | 32,158 | 22,576 | 300,948 |
| Total Assets and Deferred Outflows of Resources | \$ 5,573,270 | \$ 6,429,886 | \$ 40,247,948 | \$ 3,982,404 | \$ 759,323 | \$ 56,992,831 |

City and Borough of Wrangell, Alaska

Enterprise Funds
Statement of Net Position, continued

| | Major Funds | | | Nonmajor Fund | | Total |
|---------------------------------------------------------------------------|---------------------|---------------------|----------------------|---------------------|-----------------------|----------------------|
| | Electric Utility | Water Utility | Port | Sewer Utility | Sanitation Utility | Enterprise Funds |
| <i>June 30, 2018</i> | | | | | | |
| Liabilities, Deferred Inflows of Resources, and Net Position | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable | \$ 209,913 | \$ 1,731 | \$ 18,389 | \$ 96,519 | \$ 22,675 | \$ 349,227 |
| Accrued leave | 12,063 | 17,295 | 22,803 | 15,231 | 6,284 | 73,676 |
| Customer utility deposits | 96,685 | 10,820 | - | - | - | 107,505 |
| Accrued interest payable | - | 2,507 | - | 1,687 | - | 4,194 |
| Unearned revenue | - | - | 1,426,494 | - | - | 1,426,494 |
| Current portion of bonds and loans | - | 91,740 | - | 1,591 | - | 93,331 |
| Interfund loans payable | - | - | 16,848 | - | - | 16,848 |
| Total Current Liabilities | 318,661 | 124,093 | 1,484,534 | 115,028 | 28,959 | 2,071,275 |
| Long-term Liabilities, net of current portion | | | | | | |
| Revenue bonds | - | 171,846 | - | - | - | 171,846 |
| USDA Rural Development loan | - | - | - | 87,069 | - | 87,069 |
| ADEC loan | - | 176,004 | - | - | - | 176,004 |
| Interfund loans payable | - | - | 85,298 | - | - | 85,298 |
| Net pension liability | 880,789 | 143,261 | 518,324 | 208,677 | 147,376 | 1,898,427 |
| Net other postemployment benefits liability | 109,904 | 20,523 | 82,125 | 35,953 | 26,226 | 274,731 |
| Total Long-term Liabilities | 990,693 | 511,634 | 685,747 | 331,699 | 173,602 | 2,693,375 |
| Total Liabilities | 1,309,354 | 635,727 | 2,170,281 | 446,727 | 202,561 | 4,764,650 |
| Deferred Inflows of Resources | | | | | | |
| Related to pensions | 86,539 | 15,879 | 62,819 | 27,260 | 19,821 | 212,318 |
| Related to other postemployment benefits | 54,122 | 10,107 | 40,443 | 17,705 | 12,915 | 135,292 |
| Total Deferred Inflows of Resources | 140,661 | 25,986 | 103,262 | 44,965 | 32,736 | 347,610 |
| Net Position | | | | | | |
| Net investment in capital assets | 1,472,652 | 4,985,422 | 33,602,898 | 3,126,015 | 606,853 | 43,793,840 |
| Unrestricted (deficit) | 2,650,603 | 782,751 | 4,371,507 | 364,697 | (82,827) | 8,086,731 |
| Total Net Position | 4,123,255 | 5,768,173 | 37,974,405 | 3,490,712 | 524,026 | 51,880,571 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 5,573,270 | \$ 6,429,886 | \$ 40,247,948 | \$ 3,982,404 | \$ 759,323 | \$ 56,992,831 |

See accompanying notes to basic financial statements.

City and Borough of Wrangell, Alaska
Enterprise Funds
Statement of Revenues, Expenses and Changes in Net Position

| | Major Funds | | | | Nonmajor | Total |
|------------------------------------------------------|---------------------|------------------|---------------|------------------|-----------------------|---------------------|
| | Electric Utility | Water Utility | Port | Sewer Utility | Sanitation Utility | Enterprise Funds |
| <i>Year Ended June 30, 2018</i> | | | | | | |
| Operating Revenues | | | | | | |
| Charges for services | \$ 4,182,634 | \$ 705,825 | \$ 1,409,799 | \$ 594,142 | \$ 589,310 | \$ 7,481,710 |
| Operating Expenses | | | | | | |
| Salaries and employee benefits | 606,630 | 156,730 | 566,175 | 156,839 | 154,818 | 1,641,192 |
| Other operating expenses | 3,138,710 | 489,893 | 384,797 | 178,487 | 330,244 | 4,522,131 |
| Depreciation | 276,361 | 651,933 | 1,898,130 | 353,067 | 76,132 | 3,255,623 |
| Total Operating Expenses | 4,021,701 | 1,298,556 | 2,849,102 | 688,393 | 561,194 | 9,418,946 |
| Income (Loss) from Operations | 160,933 | (592,731) | (1,439,303) | (94,251) | 28,116 | (1,937,236) |
| Nonoperating Revenues (Expenses) | | | | | | |
| Investment income | 3,597 | 1,851 | 8,595 | 916 | 139 | 15,098 |
| Interest expense | (1,946) | (14,057) | - | (11,702) | - | (27,705) |
| State PERS relief | 65,934 | 3,752 | 15,014 | 6,573 | 4,795 | 96,068 |
| State raw fish tax | - | - | 314,455 | - | - | 314,455 |
| Loss on disposal of assets | - | - | (186,779) | - | (2,972) | (189,751) |
| Noncapital grant revenue | - | 39,428 | - | - | - | 39,428 |
| SEAPA dividend | 609,547 | - | - | - | - | 609,547 |
| Other revenues | 32,105 | 40,100 | - | 621 | - | 72,826 |
| Net Nonoperating Revenues (Expenses) | 709,237 | 71,074 | 151,285 | (3,592) | 1,962 | 929,966 |
| Income (Loss) Before Capital Contributions | 870,170 | (521,657) | (1,288,018) | (97,843) | 30,078 | (1,007,270) |
| Capital contributions | - | - | 180,934 | - | - | 180,934 |
| Change in Net Position | 870,170 | (521,657) | (1,107,084) | (97,843) | 30,078 | (826,336) |
| Net Position, beginning, as restated (Note 2) | 3,253,085 | 6,289,830 | 39,081,489 | 3,588,555 | 493,948 | 52,706,907 |
| Net Position, ending | \$ 4,123,255 | \$ 5,768,173 | \$ 37,974,405 | \$ 3,490,712 | \$ 524,026 | \$ 51,880,571 |

See accompanying notes to basic financial statements.

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City and Borough of Wrangell, Alaska

Enterprise Funds
Statement of Cash Flows

| <i>Year Ended June 30, 2018</i> | Major Funds | | | | Nonmajor Fund | Total |
|--------------------------------------------------------------------------------|---------------------|-------------------|---------------------|-------------------|-----------------------|----------------------|
| | Electric Utility | Water Utility | Port | Sewer Utility | Sanitation Utility | Enterprise Funds |
| Cash Flows from Operating Activities | | | | | | |
| Receipts from customers and users | \$ 4,804,028 | \$ 786,494 | \$ 1,359,529 | \$ 596,105 | \$ 592,290 | \$ 8,138,446 |
| Payments for interfund services used | (169,625) | (119,039) | (83,117) | (56,133) | (83,747) | (511,661) |
| Payments to suppliers | (3,009,668) | (396,664) | (392,776) | (77,357) | (262,616) | (4,139,081) |
| Payments to employees | (656,485) | (165,826) | (615,445) | (182,324) | (169,733) | (1,789,813) |
| Net cash flows from operating activities | 968,250 | 104,965 | 268,191 | 280,291 | 76,194 | 1,697,891 |
| Cash Flows from Noncapital Financing Activities | | | | | | |
| State fish taxes received | - | - | 314,455 | - | - | 314,455 |
| Cash Flows for Capital and Related Financing Activities | | | | | | |
| Purchase of property, plant and equipment | (36,468) | (18,492) | (409,307) | (40,194) | (184,680) | (689,141) |
| Principal payments on long-term debt | - | (90,200) | (40,357) | (184,530) | - | (315,087) |
| Interest payments on long-term debt | - | (14,057) | - | (11,702) | - | (25,759) |
| Capital contributions received | - | - | 279,053 | - | - | 279,053 |
| Net cash flows for capital and related financing activities | (36,468) | (122,749) | (170,611) | (236,426) | (184,680) | (750,934) |
| Cash Flows from Investing Activities | | | | | | |
| Investment income received | 3,597 | 1,851 | 8,595 | 1,166 | 139 | 15,348 |
| Net Increase (Decrease) in Cash and Investments | 935,379 | (15,933) | 420,630 | 45,031 | (108,347) | 1,276,760 |
| Cash and Investments, beginning | 2,547,668 | 958,203 | 6,009,502 | 652,646 | 205,233 | 10,373,252 |
| Cash and Investments, ending | \$ 3,483,047 | \$ 942,270 | \$ 6,430,132 | \$ 697,677 | \$ 96,886 | \$ 11,650,012 |
| Reconciliation of Cash and Investments to Statement of Net Position | | | | | | |
| Cash and investments: | | | | | | |
| Current assets | \$ 3,483,047 | \$ 274,055 | \$ 4,588,186 | \$ 623,012 | \$ 96,886 | \$ 9,065,186 |
| Restricted cash and investments | - | 668,215 | 1,841,946 | 74,665 | - | 2,584,826 |
| Total Cash and Investments | \$ 3,483,047 | \$ 942,270 | \$ 6,430,132 | \$ 697,677 | \$ 96,886 | \$ 11,650,012 |

See accompanying notes to basic financial statements.

City and Borough of Wrangell, Alaska

Enterprise Funds

Statement of Cash Flows, continued

| | Major Funds | | | | Nonmajor Fund | Total |
|-----------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|---------------------|
| | Electric Utility | Water Utility | Port | Sewer Utility | Sanitation Utility | Enterprise Funds |
| Reconciliation of Income (Loss) from Operations to Net Cash | | | | | | |
| Flows from Operating Activities | | | | | | |
| Income (loss) from operations | \$ 160,933 | \$ (592,731) | \$ (1,439,303) | \$ (94,251) | \$ 28,116 | \$ (1,937,236) |
| Adjustments to reconcile income (loss) from operations to net cash flows from operating activities: | | | | | | |
| Depreciation | 276,361 | 651,933 | 1,898,130 | 353,067 | 76,132 | 3,255,623 |
| Noncash expense - PERS relief | 65,934 | 3,752 | 15,014 | 6,573 | 4,795 | 96,068 |
| Decrease in allowance for doubtful accounts | (18,744) | - | - | - | - | (18,744) |
| Miscellaneous nonoperating revenues | 639,706 | 79,528 | - | 621 | - | 719,855 |
| (Increase) decrease in assets: | | | | | | |
| Accounts receivable | (9,386) | (274) | (16,574) | 1,342 | 2,980 | (21,912) |
| Noncapital grants receivable | - | 540 | - | - | - | 540 |
| Inventories | (25,913) | - | - | - | - | (25,913) |
| Decrease in deferred outflows related to pensions | 81,967 | 15,306 | 61,249 | 26,814 | 19,560 | 204,896 |
| Decrease in deferred outflows related to other postemployment benefits | 28,993 | 5,414 | 21,665 | 9,485 | 6,919 | 72,476 |
| Increase (decrease) in liabilities: | | | | | | |
| Accounts payable | (14,670) | (25,810) | (91,096) | 44,997 | (16,119) | (102,698) |
| Accrued leave | (27,878) | 3,567 | 1,405 | (3,301) | 1,270 | (24,937) |
| Unearned revenue | - | - | (33,696) | - | - | (33,696) |
| Customer utility deposits | 9,818 | 875 | - | - | - | 10,693 |
| Net pension liability | (245,309) | (45,807) | (183,305) | (80,248) | (58,538) | (613,207) |
| Net other postemployment benefits liability | (79,348) | (14,817) | (59,292) | (25,957) | (18,935) | (198,349) |
| Increase in deferred inflows related to pensions | 71,664 | 13,382 | 53,551 | 23,444 | 17,101 | 179,142 |
| Increase in deferred inflows related to other postemployment benefits | 54,122 | 10,107 | 40,443 | 17,705 | 12,913 | 135,290 |
| Net Cash Flows from Operating Activities | \$ 968,250 | \$ 104,965 | \$ 268,191 | \$ 280,291 | \$ 76,194 | \$ 1,697,891 |

See accompanying notes to basic financial statements.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements Year Ended June 30, 2018

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Wrangell (City) was incorporated in 1903 as a home rule municipality under the laws of the State of Alaska. It operated as a home rule city until May 30, 2008, at which time it was incorporated and certified as a unified home rule borough by the State of Alaska. On May 30, 2008, the City and Borough of Wrangell (the Borough) was created and the City of Wrangell was dissolved. The City and Borough of Wrangell immediately succeeded to all rights, powers, duties, assets, and liabilities of the former City of Wrangell.

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

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

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

Wrangell Public Schools

Wrangell Public Schools is responsible for elementary and secondary education within the Borough. The voters elect the members of the School Board; however, the School District is fiscally dependent upon the Borough because the Borough Assembly approves the total annual budget of the School District, levies the necessary taxes and approves the issuance of bonds for School construction.

Wrangell Medical Center

Wrangell Medical Center provides health care, including long-term care, in the Wrangell area. The voters elect the members of the Hospital Board; however, the Borough Assembly approves the total annual budget of the Hospital and approves the issuance of bonds for construction.

Complete financial statements of individual component units can be obtained from their respective administrative offices at the addresses below:

Wrangell Public Schools
P.O. Box 2319
Wrangell, AK 99929

Wrangell Medical Center
P.O. Box 1081
Wrangell, AK 99929

Related Organization

Thomas Bay Power Authority (TBPA), a related organization, was formed as a joint venture between the cities (now boroughs) of Petersburg and Wrangell. The function of TBPA in recent years was to operate and maintain the Tyee Lake Hydroelectric Project under contract to the Southeast Alaska Power Agency (SEAPA). TBPA had been overseen by a Commission composed of three appointed members from each community, with a seventh "at large" member chosen by the Commission.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

In 2014 the two Boroughs surrendered the O&M contract to SEAPA. TBPA is now “dormant” until such time as the two communities agree on a specific task.

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property and sales taxes, intergovernmental revenues, charges for services, sales and leases, and investment income 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. Only the portion of

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue in the current period. All other revenue items are considered to be measurable and available only when received by the government.

The Borough reports the following major funds based on the required quantitative calculations:

Major governmental funds:

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

The *Permanent Fund Special Revenue Fund* accounts for monies set aside to help provide future economic stability to the citizens of Wrangell.

Sales Tax Special Revenue Fund accounts for sales tax revenue collected by the Borough from purchases made within the Borough from consumers and business owners.

The *Economic Recovery Capital Project Fund* account for the funding and interest earnings associated with a U.S. Department of Agriculture grant for the purpose of economic assistance within the Borough.

Major proprietary funds:

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

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

The *Port Enterprise Fund* is used to account for the operations of the municipal dock, boat harbors, and travel lift.

The *Sewer Utility Enterprise Fund* is used to account for the operations of the wastewater utility. The Borough has elected to report this fund as major due to the fund's significance to the public.

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

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

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

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Central Treasury

A central treasury is used to account for cash from most funds of the Borough to maximize interest income. Investments are stated at fair value. Investment earnings are allocated to most funds based on their respective cash balances. The School District and Medical Center maintain separate cash accounts from the Borough.

Cash and Cash Equivalents

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

Inventories

Inventories are 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."

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 upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

Property Taxes

Property taxes are assessed on real property on January 1 of each year. Mill rates are established annually by Borough ordinance. Taxes are levied on July 1 of each year and are due in two equal installments on August 15 and December 15. Property taxes are recorded as revenue when measurable and available. Borough statutes call for annual foreclosures on property for delinquent taxes.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Interfund Transactions

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

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. Infrastructure assets (e.g. roads, sidewalks, etc.) were capitalized and included in capital assets for the first time during 2006. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

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

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

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

| | |
|-----------------------------------|-------------|
| Infrastructure | 50 years |
| Buildings | 20-40 years |
| Improvements other than buildings | 20-50 years |
| Machinery and equipment | 3-8 years |

Deferred Outflows of Resources

A deferred outflow of resources is an item that will result in a future decrease or consumption of equity. In the Government-Wide and Enterprise Fund financial statements, deferred outflows are comprised entirely of pension and other postemployment benefits related transactions.

Long-term Liabilities

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.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Compensated Absences

The Borough allows employees to accumulate earned but unused vacation and sick leave benefits. All 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). Because the Borough does not have a policy to pay unpaid accumulated sick leave upon termination, there is typically no liability for unpaid accumulated sick leave. One exception is that any employees who have accumulated sick leave in excess of 480 hours as of fiscal year end must make an election the following month to either convert the excess over 480 hours to vacation leave or convert half of the excess to vacation leave and cash out the other half. A liability for unpaid sick leave is therefore reported which represents only this excess over 480 hours that some employees have accumulated as of June 30.

Deferred Inflows of Resources

A deferred inflow of resources is an item that will result in a future increase or acquisition of equity. In the Governmental Funds, deferred inflows are reported in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and taxes collected in advance of their levy date.

In the Government-Wide and Enterprise Fund Financial Statements, deferred inflows are reported in connection with taxes paid in advance and certain pension, and other postemployment benefits related transactions. Those items deferred under modified accrual in the governmental funds as "unavailable" are reversed to revenue at the full-accrual level.

Pensions and Other Postemployment Benefits

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

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

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:

Nonspendable fund balance - This 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.

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.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

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

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

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

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

Encumbrances

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

Unearned Grant Revenue

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

Comparative Data

Comparative data for the prior year have been presented in some of the accompanying individual financial statements in order to provide an understanding of changes in the Borough's financial position and operations. Certain amounts in the prior year data have been reclassified to conform to the current year's presentation.

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City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

2. Change in Accounting Principle

As discussed in Note 14 to the financial statements, the Borough participates in the Alaska Public Employees' Retirement System (PERS) plan. In 2018, the Borough adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net other Postemployment Benefits Liability (and related deferred inflows of resources and deferred outflows of resources), as of the beginning of the Borough's fiscal year. As a result of the implementation of this statement, the Borough has recorded an opening balance adjustment to reflect opening balance other Postemployment Benefits liabilities and related accounts and to decrease opening net position as follows:

| | Opening Net Position, as Originally Presented | Change in Accounting Principle Adjustment | Opening Net Position (Deficit), as Restated |
|----------------------------------|--------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|
| Governmental Activities | \$ 46,460,126 | \$ (736,955) | \$ 45,723,171 |
| Business-type Activities | 53,058,102 | (351,195) | 52,706,907 |
| Electric Utility Enterprise Fund | 3,393,578 | (140,493) | 3,253,085 |
| Water Utility Enterprise Fund | 6,316,065 | (26,235) | 6,289,830 |
| Port Enterprise Fund | 39,186,471 | (104,982) | 39,081,489 |
| Sewer Utility Enterprise Fund | 3,634,514 | (45,959) | 3,588,555 |
| Nonmajor Enterprise Fund | 527,474 | (33,526) | 493,948 |

3. Stewardship, Compliance and Accountability

Budgetary Accounting

An operating budget is adopted each fiscal year for the General Fund, most Special Revenue Funds, and the Debt Service Fund on the same modified accrual basis used to reflect actual revenues and expenditures. Appropriations for these funds lapse at year end to the extent that they have not been expended or encumbered. Budgetary control is exercised at the department level. The Borough 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 Assembly approval. The budgeted financial statements presented in this report reflect the final budget authorization, including Assembly amendments made during the year.

Budgetary comparison statements are presented as Required Supplementary Information for the following major funds: General Fund, Permanent Fund Special Revenue Fund and Sales Tax Special Revenue Fund. For the year ended June 30, 2018, expenditures exceeded appropriations in the Personnel Services, Public Works and Community Services departments by \$58,038, \$59,851, and \$80,060, respectively.

Compliance with Bond Covenants

Certain covenants of the revenue bonds require establishment of bond redemption and bond reserve accounts. The balances in these accounts are included as restricted cash in the financial statements.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

The 1997 Water Utility and Sewer Utility revenue bonds require that rates be maintained at a level that will produce net revenues at least equal to the annual debt service for each year. For the year ended June 30, 2018, the Borough met this requirement for the Sewer Utility but not the Water Utility.

Revenue requirements of the bonds are computed as follows:

| <i>Year Ended June 30, 2018</i> | Water Utility | Sewer Utility |
|-------------------------------------------------|-------------------|-------------------|
| Loss before capital contributions and transfers | \$ (521,657) | \$ (97,843) |
| Add back: | | |
| Depreciation | 651,933 | 353,067 |
| Interest on bonded debt | 8,854 | 8,854 |
| Amount available for debt service | 139,130 | 264,078 |
| Requirement | 14,270 | 14,270 |
| Excess of Revenue Over Requirement | \$ 124,860 | \$ 249,808 |

4. Cash and Investments

The City and Borough of Wrangell 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." The Borough also maintains water and sewer bond redemption and reserve accounts as required by the bond covenants.

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the Borough's deposit and investment balances to the financial statements as of June 30, 2018.

| | Pooled Cash and Investments | Other | Totals |
|-------------------------------------------------|-----------------------------------|---------------------|----------------------|
| Bank deposits | \$ 11,833,735 | \$ 101,705 | \$ 11,935,440 |
| Investments | 14,387,717 | 7,537,439 | 21,925,156 |
| Total Cash and Investments | \$ 26,221,452 | \$ 7,639,144 | \$ 33,860,596 |
| Government-wide Statement of Net Position | | | |
| Cash and investments | | \$ | 31,275,770 |
| Restricted cash and investments | | | 2,584,826 |
| Total Cash and Investments | | \$ | 33,860,596 |

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Investment Policy

The Borough's general investment policy authorizes investments in:

1. Treasury bonds, bills, notes or other general obligation evidences of indebtedness of the United States or an agency or instrumentality of the United States, or of the State of Alaska, or of other states of the United States, or of this Borough, of other cities of the State, and of boroughs of this State;
2. Fully insured or fully collateralized certificates of deposit, savings deposits, and other interest-bearing deposit accounts in member banks insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC); and/or
3. Repurchase agreements where the general checking balance at the end of each business day is used to buy a security from the bank and held overnight.

The Borough's Permanent Fund investment policy authorizes investments in:

1. Fixed income securities, including corporate notes and bonds, mortgage backed bonds, preferred stock, fixed income securities of foreign governments and corporations, and collateralized mortgage obligations;
2. Equity securities, including common stocks, convertible notes and bonds, convertible preferred stocks and other stocks;
3. Mutual funds which invest in allowable securities; and
4. Miscellaneous other assets.

Investments may be placed with or through member banks insured by the FDIC or FSLIC and broker dealers that are members of the New York Stock Exchange (NYSE), members of the Securities Investor Protection Corporation (SIPC) and registered broker dealers in Alaska.

The Permanent Fund's investment policy has the following asset allocation guidelines based on fair value:

| Asset Class | Minimum | Maximum |
|---------------------------|---------|---------|
| Fixed income | 30% | 60% |
| Equities | 35% | 65% |
| Cash and cash equivalents | 5% | 15% |

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Investment maturities in general investments at June 30, 2018 are as follows:

| Investment Type | Fair Value | Investment Maturities (In Years) | | | |
|-------------------------------------|---------------------|-------------------------------------|--------------|------------|--------------------------|
| | | Less Than 1 | 1-5 | 6-10 | More than 10 Years |
| Money market funds | \$ 23,171 | \$ 23,171 | \$ - | \$ - | \$ - |
| Certificates of deposit | 10,571,567 | 4,746,605 | 5,824,962 | - | - |
| U.S. Treasuries | 2,948,882 | 24,159 | 2,845,177 | 79,546 | - |
| U.S. government agencies | 104,343 | 25,143 | 70,019 | 9,181 | - |
| Corporate bonds | 264,232 | 33,934 | 184,705 | 45,593 | - |
| Total subject to interest rate risk | 13,912,195 | \$ 4,853,012 | \$ 8,924,863 | \$ 134,320 | \$ - |
| Equity securities | 475,522 | | | | |
| Total General Investments | \$14,387,717 | | | | |

Fair Value Measurement

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

General investments are classified in the fair value hierarchy as follows at June 30, 2018:

| <i>Investment Type</i> | Level 1 | Level 2 | Level 3 | Fair Value |
|----------------------------------------|---------------------|-------------------|-------------|---------------------|
| U.S. Treasuries | \$ 2,948,882 | \$ - | \$ - | \$ 2,948,882 |
| U.S. government agencies | - | 104,343 | - | 104,343 |
| Corporate bonds | - | 264,232 | - | 264,232 |
| Equity securities | 475,522 | - | - | 475,522 |
| Total Investments at Fair Value | \$ 3,424,404 | \$ 368,575 | \$ - | \$ 3,792,979 |

Investments at amortized cost:

| | |
|--------------------------------------------|----------------------|
| Money market funds | \$ 23,171 |
| Certificates of deposit | 10,571,567 |
| Total Investments at Amortized Cost | 10,594,738 |
| Total Investments | \$ 14,387,717 |

The Borough has investments in money market funds and certificates of deposit that are not held at fair value, but instead are recorded at amortized cost, as of June 30, 2018.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Credit Risk

The Borough's general investments in corporate bonds of \$264,232 were rated as follows by Standard & Poors: \$6,934 rated AAA, \$9,672 rated AA+, \$33,394 rated AA-, \$42,494 rated A+, \$18,830 rated A, \$77,406 rated A-, and \$75,502 rated BBB+. All of the Borough's investments in U.S. Treasuries are rated AAA. The U.S. government agencies and treasuries are rated AA+.

Investment maturities in Permanent Fund Special Revenue Fund investments at June 30, 2018 are as follows:

| Investment Type | Investment Maturities (in Years) | | | | |
|-----------------------------------------|----------------------------------|-------------|--------------|------------|--------------------|
| | Fair Value | Less Than 1 | 1-5 | 6-10 | More Than 10 Years |
| Money market funds | \$ 191,696 | \$ 191,696 | \$ - | \$ - | \$ - |
| U.S. Treasuries | 1,023,809 | 52,333 | 578,466 | 332,707 | 60,303 |
| U.S. government agencies | 796,119 | 62,410 | 112,570 | 88,788 | 532,351 |
| Corporate bonds | 840,385 | 65,079 | 538,827 | 104,868 | 131,611 |
| Total subject to interest rate risk | 2,852,009 | \$ 371,518 | \$ 1,229,863 | \$ 526,363 | \$ 724,265 |
| Equity securities | 4,685,430 | | | | |
| Total Permanent Fund Investments | \$ 7,537,439 | | | | |

In addition to the investments disclosed above, the Permanent Fund Special Revenue Fund holds \$321,302 in cash. When combined with the investment held in the Permanent Fund Special Revenue Fund at fair value, the total balance of cash and investments is \$7,858,741.

Fair Value Measurement

Permanent fund investments are classified in the fair value hierarchy as follows at June 30, 2018:

| Investment Type | Level 1 | Level 2 | Level 3 | Fair Value |
|----------------------------------------|---------------------|---------------------|-------------|---------------------|
| Equity securities | \$ 4,685,430 | \$ - | \$ - | \$ 4,685,430 |
| Money market funds | 191,696 | - | - | 191,696 |
| Corporate bonds | - | 840,385 | - | 840,385 |
| U.S. Treasuries | 1,023,809 | - | - | 1,023,809 |
| U.S. government agencies | - | 796,119 | - | 796,119 |
| Total Investments at Fair Value | \$ 5,900,935 | \$ 1,636,504 | \$ - | \$ 7,537,439 |

Credit Risk

The Borough's Permanent Fund Special Revenue Fund investments in corporate bonds of \$840,385 were rated as follows by Standard & Poors: \$8,411 rated AAA, \$17,502 rated AA+, \$19,847 rated AA, \$70,008 rated AA-, \$128,165 rated A+, \$199,284 rated A, \$207,770 rated A-, \$106,112 rated BBB+, and \$83,286 rated BBB. All of the Borough's investments in U.S. Treasuries are rated AAA. The U.S. government agencies and treasuries are rated AA+.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

5. Accounts Receivable and Valuation Allowances

The Borough maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful receivables. At June 30, 2018, receivables for the Borough's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

| <i>June 30, 2018</i> | Major Governmental Funds | | | Nonmajor Govern- mental Funds | Total Govern- mental Funds |
|--------------------------------------|--------------------------|------------------|-------------------|----------------------------------------|-------------------------------------|
| | General | Permanent | Sales Tax | | |
| Grants and shared revenues | \$ 26,571 | \$ - | \$ - | \$ - | 26,571 |
| Property taxes | 77,778 | - | - | - | 77,778 |
| Sales taxes | 424,115 | - | 221,185 | - | 645,300 |
| Accounts | 295,208 | - | - | - | 295,208 |
| Land sales and improvements | - | - | - | 56,741 | 56,741 |
| Accrued interest | 40,256 | 15,771 | - | 3,571 | 59,598 |
| Total receivables | 863,928 | 15,771 | 221,185 | 60,312 | 1,161,196 |
| Less allowance for doubtful accounts | (4,305) | - | - | - | (4,305) |
| Net Receivables | \$ 859,623 | \$ 15,771 | \$ 221,185 | \$ 60,312 | \$ 1,156,891 |

| | Major Enterprise Funds | | | | Nonmajor Enterprise Fund | Total Enterprise Funds |
|-----------------------------------------|------------------------|------------------|-------------------|------------------|--------------------------------|------------------------------|
| | Electric Utility | Water Utility | Port | Sewer Utility | Sanitation Utility | |
| Accounts | \$ 303,907 | \$ 39,829 | \$ 156,729 | \$ 37,888 | \$ 33,008 | \$ 571,361 |
| Accrued interest | - | 31 | 162 | 6 | - | 199 |
| Total receivables | 303,907 | 39,860 | 156,891 | 37,894 | 33,008 | 571,560 |
| Less allowance for doubtful accounts | (1,256) | - | (23,000) | - | - | (24,256) |
| Net Receivables | \$ 302,651 | \$ 39,860 | \$ 133,891 | \$ 37,894 | \$ 33,008 | \$ 547,304 |

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

6. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

| | Balance July 1, 2017 | Additions and Reclass- ifications | Deletions and Reclass- ifications | Balance June 30, 2018 |
|----------------------------------------------------|----------------------------|-----------------------------------------|-----------------------------------------|-----------------------------|
| Governmental Activities | | | | |
| <i>Capital assets not being depreciated -</i> | | | | |
| Land and land improvements | \$ 1,186,678 | \$ - | \$ - | \$ 1,186,678 |
| <i>Capital assets being depreciated:</i> | | | | |
| Infrastructure | 15,429,146 | 605,077 | - | 16,034,223 |
| Buildings | 48,368,164 | 5,819 | - | 48,373,983 |
| Improvements other than buildings | 6,268,622 | 24,661 | - | 6,293,283 |
| Machinery and equipment | 6,037,964 | 77,419 | (2,021,018) | 4,094,365 |
| Total capital assets being depreciated | 76,103,896 | 712,976 | (2,021,018) | 74,795,854 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 3,251,926 | 360,028 | - | 3,611,954 |
| Buildings | 35,537,255 | 1,112,355 | - | 36,649,610 |
| Improvements other than buildings | 4,039,506 | 192,493 | - | 4,231,999 |
| Machinery and equipment | 5,101,552 | 198,230 | (2,021,018) | 3,278,764 |
| Total accumulated depreciation | 47,930,239 | 1,863,106 | (2,021,018) | 47,772,327 |
| Total capital assets being depreciated, net | 28,173,657 | (1,530,130) | - | 27,023,527 |
| Governmental Activities Capital Assets, net | | | | |
| | \$ 29,360,335 | \$ (1,150,130) | \$ - | \$ 28,210,205 |

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City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

| | Balance July 1, 2017 | Additions and Reclass- ifications | Deletions and Reclass- ifications | Balance June 30, 2018 |
|----------------------------------------------------|----------------------------|-----------------------------------------|-----------------------------------------|-----------------------------|
| Business-type Activities | | | | |
| <i>Capital assets not being depreciated -</i> | | | | |
| Land and land improvements | \$ 959,233 | \$ - | \$ - | \$ 959,233 |
| Construction in progress | 1,540,899 | 283,581 | (955,127) | 869,353 |
| Total capital assets not being depreciated | 2,500,132 | 283,581 | (955,127) | 1,828,586 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings | 9,045,651 | - | - | 9,045,651 |
| Improvements other than buildings | 79,086,888 | 1,201,735 | (778,246) | 79,510,377 |
| Machinery and equipment | 5,214,682 | 246,595 | (100,760) | 5,360,517 |
| Total capital assets being depreciated | 93,347,221 | 1,448,330 | (879,006) | 93,916,545 |
| Less accumulated depreciation for: | | | | |
| Buildings | 6,735,216 | 396,043 | - | 7,131,259 |
| Improvements other than buildings | 38,349,730 | 2,556,542 | (591,467) | 40,314,805 |
| Machinery and equipment | 3,771,727 | 303,038 | (97,788) | 3,976,977 |
| Total accumulated depreciation | 48,856,673 | 3,255,623 | (689,255) | 51,423,041 |
| Total capital assets being depreciated, net | 44,490,548 | (1,807,293) | (189,751) | 42,493,504 |
| Business-Type Activity Capital Assets, net | \$ 46,990,680 | \$ (1,523,712) | \$ (1,144,878) | \$ 44,322,090 |

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City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Depreciation expense was charged to the functions as follows for the year ended June 30, 2018:

| | |
|-------------------------------------------------------------|---------------------|
| Governmental Activities | |
| General government | \$ 52,401 |
| Public safety | 256,978 |
| Public works | 497,875 |
| Parks and recreation | 60,429 |
| Community services | 466,025 |
| Education | 529,398 |
| Total Depreciation Expense - Governmental Activities | \$ 1,863,106 |

| | |
|--------------------------------------------------------------|---------------------|
| Business-Type Activities | |
| Electric utility | \$ 276,361 |
| Water utility | 651,933 |
| Sewer utility | 353,067 |
| Sanitation utility | 76,132 |
| Port | 1,898,130 |
| Total Depreciation Expense - Business Type Activities | \$ 3,255,623 |

7. Interfund Balances and Transfers

A schedule of interfund balances and transfers for the year ended June 30, 2018, follows:

| | |
|-------------------------------------------------------------|-----------------|
| Due to Other Funds | |
| Due to General Fund from: | |
| Nonmajor governmental funds for short-term capital advances | \$ 3,864 |
| Total Amount Due to General Fund | \$ 3,864 |

| | |
|-----------------------------------------------------|-------------------|
| Interfund Loans | |
| Due to General Fund from: | |
| Port Enterprise Fund for long-term capital advances | \$ 102,146 |
| Total Amount Due to General Fund | \$ 102,146 |

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Transfers

From General Fund to:

| | |
|--------------------------------------------------------|------------|
| Nonmajor governmental fund to cover debt service costs | \$ 102,079 |
| Nonmajor governmental funds to cover operating costs | 713,750 |
| Nonmajor governmental funds to cover capital costs | 493,500 |

| | |
|-----------------------------------|-----------|
| Total transfers from General Fund | 1,309,329 |
|-----------------------------------|-----------|

| | |
|------------------------------------------------------------------------------|---------|
| From Permanent Fund Special Revenue Fund to General Fund for operating costs | 250,000 |
|------------------------------------------------------------------------------|---------|

| | |
|--------------------------------------------------------------------------------------------|--------|
| From Sales Tax Special Revenue Fund to Nonmajor governmental fund for pool operating costs | 29,000 |
|--------------------------------------------------------------------------------------------|--------|

From nonmajor governmental funds to:

| | |
|-------------------------------------------------------|--------|
| Other nonmajor governmental funds for operating costs | 11,200 |
| General Fund to transfer fund balance | 53,413 |

| | |
|--------------------------------------------------|--------|
| Total transfers from nonmajor governmental funds | 64,613 |
|--------------------------------------------------|--------|

| | |
|--------------------------------|--------------|
| Total Transfers to Other Funds | \$ 1,652,942 |
|--------------------------------|--------------|

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City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

8. Long-term Liabilities

The following is a summary of long-term liability transactions of the Borough for the year ended June 30, 2018:

| | Balance July 1, 2017 | Additions | Retired | Balance June 30, 2018 | Due Within One Year |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------|-------------------|-----------------------------|---------------------------|
| Governmental Activities | | | | | |
| General Obligation Bonds: | | | | | |
| \$1,289,000 refunding 2015A Series One School bond, due in annual installments of \$205,000 to \$240,000 through 2021, plus semi-annual interest payments at rates ranging from 2.0% to 5.0% per annum | \$ 880,000 | \$ - | \$ 205,000 | \$ 675,000 | \$ 215,000 |
| \$220,000 2011 school bonds, due in annual installments of \$25,000 through 2021, plus semi-annual interest payments at rates ranging from 3.0% to 4.0% per annum | 100,000 | - | 25,000 | 75,000 | 25,000 |
| Accrued leave | 265,768 | 58,355 | 22,880 | 301,243 | 301,243 |
| Total Governmental Activities | 1,245,768 | \$ 58,355 | \$ 252,880 | 1,051,243 | \$ 541,243 |
| Plus unamortized bond premium | 78,466 | | | 58,849 | |
| | <u>\$ 1,324,234</u> | | | <u>\$ 1,110,092</u> | |

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

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City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

| Business-type Activities | Balance July 1, 2017 | Additions | Retired | Balance June 30, 2018 | Due Within One Year |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------|-------------------|--------------------------------------|------------------------------------|
| Revenue Bonds: | | | | | |
| \$250,000 1997 Sewer Utility revenue bonds, due in semi-annual installments of \$7,135 including interest at 4.875% through 2038 | \$ 182,960 | \$ - | \$ 182,960 | \$ - | \$ - |
| \$250,000 1997 Water Utility revenue bonds, due in semi-annual installments of \$7,135 including interest at 4.875% through 2038 | 182,946 | - | 5,416 | 177,530 | 5,684 |
| Loans Payable: | | | | | |
| \$91,000 Sewer loan due in semi-annual installments of \$1,623 including interest at 1.875% through 2057 | 90,230 | - | 1,570 | 88,660 | 1,591 |
| \$1,501,836 Water Utility loan due in annual installments of \$89,987 including interest at 1.5% through 2021 | 346,844 | - | 84,784 | 262,060 | 86,056 |
| \$200,000 Port loan from the General Fund to be paid with 50% of port development fees | 118,994 | - | 16,848 | 102,146 | 16,848* |
| \$235,096 Port loan from the Permanent Fund Special Revenue Fund | 23,509 | - | 23,509 | - | - |
| Accrued leave | 98,613 | 6,740 | 31,677 | 73,676 | 73,676 |
| Total Business-Type Activities | \$ 1,044,096 | \$ 6,740 | \$ 346,764 | \$ 704,072 | \$ 183,855 |

* This interfund loan has been eliminated from long-term debt and loans receivable on the government-wide Statement of Net Position.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Annual debt service requirements to maturity for all of the above obligations, except the accrued leave and the Port loan, follow:

| Governmental Activities <i>Year Ending June 30,</i> | General Obligation Bonds | | |
|--------------------------------------------------------|--------------------------|-----------|------------|
| | Principal | Interest | Total |
| 2019 | \$ 240,000 | \$ 28,050 | \$ 268,050 |
| 2020 | 250,000 | 18,250 | 268,250 |
| 2021 | 260,000 | 6,875 | 266,875 |
| | \$ 750,000 | \$ 53,175 | \$ 803,175 |

| Business-type Activities <i>Year Ending June 30,</i> | Revenue Bonds | | | Loans Payable | | |
|---------------------------------------------------------|---------------|-----------|------------|---------------|-----------|------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2019 | \$ 5,684 | \$ 8,586 | \$ 14,270 | \$ 87,647 | \$ 5,586 | \$ 93,233 |
| 2020 | 5,964 | 8,306 | 14,270 | 88,968 | 4,265 | 93,233 |
| 2021 | 6,258 | 8,012 | 14,270 | 90,308 | 2,925 | 93,233 |
| 2022 | 6,567 | 7,703 | 14,270 | 1,682 | 1,564 | 3,246 |
| 2023 | 6,891 | 7,379 | 14,270 | 1,714 | 1,532 | 3,246 |
| 2024-2028 | 39,905 | 31,445 | 71,350 | 9,068 | 7,162 | 16,230 |
| 2029-2033 | 50,772 | 20,578 | 71,350 | 9,955 | 6,275 | 16,230 |
| 2034-2038 | 55,489 | 6,678 | 62,167 | 10,928 | 5,302 | 16,230 |
| 2039-2043 | - | - | - | 11,997 | 4,233 | 16,230 |
| 2044-2048 | - | - | - | 13,170 | 3,060 | 16,230 |
| 2049-2053 | - | - | - | 14,459 | 1,771 | 16,230 |
| 2054-2058 | - | - | - | 10,824 | 407 | 11,231 |
| | \$ 177,530 | \$ 98,687 | \$ 276,217 | \$ 350,720 | \$ 44,082 | \$ 394,802 |

9. Net Position

In the Statement of Net Position, net position is reported in the following categories:

| | Governmental Activities | | Business -type Activities | | Total |
|----------------------------------|-------------------------|------------|---------------------------|------------|---------------|
| Net investment in capital assets | \$ | 27,401,356 | \$ | 43,793,840 | \$ 71,195,196 |
| Restricted: | | | | | |
| Barnes Endowment | | 50,000 | | - | 50,000 |
| Economic stability | | 7,874,512 | | - | 7,874,512 |
| Schools and roads | | 3,270,698 | | - | 3,270,698 |
| Total restricted | | 11,195,210 | | - | 11,195,210 |
| Unrestricted | | 7,623,588 | | 8,086,731 | 15,710,319 |
| Total Net Position | \$ | 46,220,154 | \$ | 51,880,571 | \$ 98,100,725 |

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

10. Fund Balances

Fund balances, reported in the Borough's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints at June 30, 2018:

| | <u>Major Governmental Funds</u> | | | | | |
|------------------------------------|---------------------------------|-----------------------------------------|---------------------------------|--------------------------------------------|---------------------|----------------------|
| | General | Permanent Fund Special Revenue | Sales Tax Special Revenue | Economic Recovery Capital Project | Nonmajor Funds | Totals |
| Nonspendable: | | | | | | |
| Interfund loans | \$ 102,146 | \$ - | \$ - | \$ - | \$ - | 102,146 |
| Inventory | - | - | - | - | 94,334 | 94,334 |
| Total nonspendable | 102,146 | - | - | - | 94,334 | 196,480 |
| Restricted: | | | | | | |
| Economic stability | - | 7,874,512 | - | - | - | 7,874,512 |
| Schools and roads | - | - | - | - | 3,270,698 | 3,270,698 |
| Barnes Endowment | - | - | - | - | 50,000 | 50,000 |
| Total restricted | - | 7,874,512 | - | - | 3,320,698 | 11,195,210 |
| Committed: | | | | | | |
| Community services | - | - | - | - | 356,489 | 356,489 |
| Education and health | - | - | 865,100 | - | - | 865,100 |
| Swimming pool | - | - | - | - | 1,077,193 | 1,077,193 |
| Land and industrial development | - | - | - | - | 355,462 | 355,462 |
| Total committed | - | - | 865,100 | - | 1,789,144 | 2,654,244 |
| Assigned: | | | | | | |
| Projects | - | - | - | - | 375,296 | 375,296 |
| Economic recovery | - | - | - | 1,353,445 | - | 1,353,445 |
| Community services | - | - | - | - | 47,974 | 47,974 |
| Total assigned | - | - | - | 1,353,445 | 423,270 | 1,776,715 |
| Unassigned (deficit) | 7,334,694 | - | - | - | (3,864) | 7,330,830 |
| Total Fund Balances | \$ 7,436,840 | \$ 7,874,512 | \$ 865,100 | \$ 1,353,445 | \$ 5,623,582 | \$ 23,153,479 |

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

11. Municipal Landfill Closure and Postclosure Liability

On January 15, 1998, the Borough entered into an agreement with company to transport and dispose of municipal solid waste. State and federal laws and regulations require the Borough 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.

The Borough has been successful in obtaining grants to assist with closing the landfill and the closure was completed at the end of fiscal year 2012. Management believes that the ongoing monitoring costs will be minimal; therefore no liability has been reflected in these financial statements.

12. Restrictions of Sales Tax Revenues

According to the Municipal Code, 28% of sales tax revenue is to be used (1) to pay principal and interest for any bond indebtedness relating to education and health of the Borough; (2) to operate and maintain school facilities; and (3) to construct and maintain sewers within the Borough and other purposes relating to the health and sanitation of the Borough.

Four percent of the total sales tax revenue is to be used to plan, design, construct, and/or improve streets and sidewalks, such as pavement of gravel streets or the replacement of previously paved streets.

The remaining 68% of the current sales tax is available for any General Fund purpose as authorized by law or charter.

13. School Support

The following is a summary of the total support provided by the Borough to the School District for the year ended June 30, 2018. Support provided to the School District does not include debt service payments on school facilities or capital expenditures.

| | |
|----------------------------------------|--------------|
| Special Revenue Funds: | |
| Sales Tax | \$ 667,800 |
| National Forest Receipts | 848,488 |
| <hr/> | |
| Total Contributions to School District | \$ 1,516,288 |

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City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

14. Retirement Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Plan

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

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

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

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

Historical Context and Special Funding Situation

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

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/outflows of resources, and disclosures on this basis.

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

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

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

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

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

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 FY18, the rate uses an 8% pension discount rate and a 4.30% healthcare discount rate.

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

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City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Contribution rates for the year ended June 30, 2018 were determined in the June 30, 2015 actuarial valuation.

| | Employer Effective Rate | ARM Board Adopted Rate | State Contribution Rate | GASB Rate |
|---------------------------------------------|-------------------------------|------------------------------|-------------------------------|---------------|
| Pension | 17.12% | 21.90% | 3.01% | 29.07% |
| Other postemployment benefits (see Note 14) | 4.88% | 3.11% | 0.00% | 66.85% |
| Total Contribution Rates | 22.00% | 25.01% | 3.01% | 95.92% |

In 2018, the Borough was credited with the following contributions to the pension plan.

| | Measurement Period Borough FY17 | Borough FY18 |
|-----------------------------------------|------------------------------------|-------------------|
| Employer contributions (including DBUL) | \$ 537,369 | \$ 525,495 |
| Nonemployer contributions (on-behalf) | 144,324 | 108,202 |
| Total Contributions | \$ 681,693 | \$ 633,697 |

In addition, employee contributions to the Plan totaled \$145,813 during the Borough's fiscal year.

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

At June 30, 2018, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

| | 2018 |
|----------------------------------------------------------------|---------------------|
| Borough proportionate share of NPL | \$ 5,261,719 |
| State's proportionate share of NPL associated with the Borough | 1,960,717 |
| Total Net Pension Liability | \$ 7,222,436 |

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 Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2017 measurement date, the Borough's proportion was 0.10179 percent, which was a decrease of 0.02634 from its proportion measured as of June 30, 2016.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

For the year ended June 30, 2018, the Borough recognized pension expense of \$(184,569) and on-behalf revenue of \$155,625 for support provided by the State. At June 30, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ (94,600) |
| Net difference between projected and actual earnings on pension plan investments | 141,138 | - |
| Changes in proportion and differences between Borough contributions and proportionate share of contributions | - | (555,056) |
| Borough contributions subsequent to the measurement date | 525,495 | - |
| Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions | \$ 666,633 | \$ (649,656) |

The \$525,495 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

| | |
|------|--------------|
| 2019 | \$ (639,811) |
| 2020 | 146,967 |
| 2021 | 65,976 |
| 2022 | (81,650) |

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City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

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 percentage of payroll |
| Amortization method | Level dollar, closed |
| Inflation | 3.12% |
| Salary increases | Graded by service, from 9.66% to 4.92% for peace officer/ firefighter Graded by age and service, from 8.55% to 4.34% for all others |
| Allocation Methodology | Amounts for 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. |

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City and Borough of Wrangell, 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> | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|-------------------|----------------------------------------|
| Broad domestic equity | 26% | 8.83% |
| Global ex-U.S. equity | 22% | 7.79% |
| Intermediate Treasuries | 13% | 1.29% |
| Opportunistic | 5% | 4.76% |
| Real assets | 17% | 4.94% |
| Absolute return | 7% | 4.76% |
| Private equity | 9% | 12.02% |
| Cash equivalents | 1% | 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 Borough's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 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%) |
|------------------------------------------------------------------|-----------------------|------------------------|-------------------------------------|------------------------|
| Borough's proportionate share of the net pension liability | 0.10179% | \$ 6,911,752 | \$ 5,261,719 | \$ 3,868,328 |

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Pension Plan Fiduciary Net Position

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

(b) Defined Contribution (DC) Pension Plan

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

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

Benefit Terms

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

Employee Contribution Rate

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2018, the Borough was required to contribute 5% of covered salary into the Plan.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2018 were \$60,239 and \$96,383, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plan

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

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Employer Contribution Rate

The Borough is required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

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

| | Measurement Period Borough FY17 | Borough FY18 |
|---------------------------------------|------------------------------------|-------------------|
| Employer contributions | \$ 377,649 | \$ 151,842 |
| Nonemployer contributions (on-behalf) | - | - |
| Total Contributions | \$ 377,649 | \$ 151,842 |

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

At June 30, 2018, the Borough reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

| | 2018 |
|--------------------------------------------------------------------|---------------------|
| Borough's proportionate share of NOL - ARHCT | \$ 860,457 |
| Borough's proportionate share of NOL - RMP | 5,359 |
| Borough's proportionate share of NOL - ODD | (14,582) |
| State's proportionate share of the NOL associated with the Borough | 320,648 |
| Total Net OPEB Liabilities | \$ 1,171,882 |

The total OPEB liabilities 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 OPEB liabilities as of that date. The Borough's proportion of the net OPEB liabilities were based on a projection of the Borough's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

| | June 30, 2016 Measurement Date Employer Proportion | June 30, 2017 Measurement Date Employer Proportion | Change |
|---------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|------------|
| Borough's proportionate share of the net OPEB liabilities: | | | |
| ARHCT | 0.12821 % | 0.10186% | (0.02635)% |
| RMP | 0.11454 % | 0.10277% | (0.01177)% |
| ODD | 0.11454 % | 0.10277% | (0.01177)% |

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

As a result of its requirement to contribute to the Plan, the Borough recognized OPEB expense of \$83,076 and on-behalf revenue of \$50,382 for support provided by the State. At June 30, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ (46,874) |
| Net difference between projected and actual earnings on OPEB plan investments | - | (272,974) |
| Changes in proportion and differences between Borough contributions and proportionate share of contributions | 1,250 | (99,343) |
| Borough contributions subsequent to the measurement date | 151,842 | - |
| Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans | \$ 153,092 | \$ (419,191) |

The \$151,842 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,

| | |
|------------|--------------|
| 2019 | \$ (148,699) |
| 2020 | (132,613) |
| 2021 | (68,267) |
| 2022 | (68,267) |
| 2023 | (23) |
| Thereafter | (72) |

The remainder of this page intentionally left blank.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total OPEB liability for the measurement period ended June 30, 2017 (Borough fiscal year 2018) 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 percentage of payroll |
| Amortization method | Level dollar, closed |
| Inflation | 3.12% |
| Salary increases | Graded by service from 9.66% to 4.92% for peace officer/ firefighter Graded by service from 8.55% to 4.34% for all others |
| Allocation Methodology | Amounts for 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 postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%. |
| Healthcare cost trend rates | Pre-65 medical; 8.8% grading down to 4.4% Post-65 medical; 5.8% grading down to 4.0% Prescription drug; 5.4% grading down to 4.0% |
| Mortality | Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others. Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB. |

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

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

| <i>Asset Class</i> | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|-------------------|----------------------------------------|
| Broad domestic equity | 26% | 8.83% |
| Global ex-U.S. equity | 22% | 7.79% |
| Intermediate Treasuries | 13% | 1.29% |
| Opportunistic | 5% | 4.76% |
| Real assets | 17% | 4.94% |
| Absolute return | 7% | 4.76% |
| Private equity | 9% | 12.02% |
| Cash equivalents | 1% | 0.63% |

Discount Rate

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

Discount Rate Sensitivity

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

| | Proportional Share | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---------------------------------------------------------------|-----------------------|------------------------|-------------------------------------|------------------------|
| Borough's proportionate share of the net OPEB liabilities: | | | | |
| ARHCT | 0.10186% | \$ 1,841,468 | \$ 860,457 | \$ 35,292 |
| RMP | 0.10277% | \$ 25,107 | \$ 5,359 | \$ (10,061) |
| ODD | 0.10277% | \$ (13,164) | \$ (14,582) | \$ (15,741) |

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City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Healthcare Cost Trend Rates Sensitivity

The following presents the Borough's proportionate share of the net OPEB liabilities calculated using the healthcare cost trend rate, as well as what the Borough's proportionate share of the net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | Proportional Share | 1% Decrease | Current Discount Rate | 1% Increase |
|---------------------------------------------------------------|-----------------------|-------------|--------------------------|--------------|
| Borough's proportionate share of the net OPEB liabilities: | | | | |
| ARHCT | 0.10186% | \$ (95,449) | \$ 860,457 | \$ 2,009,684 |
| RMP | 0.10277% | \$ (13,266) | \$ 5,359 | \$ 30,314 |
| ODD | 0.10277% | \$ - | \$ (14,582) | \$ - |

OPEB Plan Fiduciary Net Position

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

(d) Defined Contribution OPEB Plans

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

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2018 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% |

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.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

Annual Postemployment Healthcare Cost

In 2018, the Borough contributed \$47,074 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

17. Risk Management

The Borough faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The Borough is a member of Alaska Public Entity Insurance (APEI), a governmental insurance pool. APEI provides insurance coverage for property and contents damage, torts, general and automobile liability, public officials and employees' liability, law enforcement professional liability and workers' compensation. The Borough has no coverage for potential losses from environmental damages. APEI is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2018. Coverage limits and the deductibles on the policies have stayed relatively constant for the last several years.

18. Contingencies

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and State governments. Any disallowed claims, including amounts already collected, would become a liability.

Environmental Remediation

The City and Borough of Wrangell foreclosed on a piece of property in 2004 for the owner's failure to pay property taxes. This property was previously used as a junk yard and is classified as contaminated by both the Alaska Department of Environmental Conservation (ADEC) and the U.S. Environmental Protection Agency (EPA). Both ADEC and EPA have met with the Borough in regards to cleaning this site up to a residential level. As of June 30, 2018, the debris has been removed and the EPA and ADEC have completed their assessment. Clean-up costs have been estimated in the \$4 million range. In September 2015, the ADEC announced that it would step in and manage the project with funding under the State's Oil and Hazardous Substance Release Prevention and Response Fund. Management believes that the State funding will cover the costs of clean up and that the Borough will only provide limited administrative support. No liability has been recorded in these financial statements in connection with this issue.

City and Borough of Wrangell, Alaska

Notes to Basic Financial Statements

19. Subsequent Events

Subsequent to year-end, the Wrangell Medical Center, a discreetly presented component unit, was purchased by an independent third party. The sale was finalized on October 26, 2018.

Subsequent to year-end, the Borough incurred approximately \$4.4 million in expenditures related to the Shoemaker Harbor Float Replacement project.

20. New Accounting Pronouncements

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

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

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

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

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

GASB 91 - Conduit Debt Obligations - Effective for year-end December 31, 2021, with earlier application encouraged - This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

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Required Supplementary Information

City and Borough of Wrangell, Alaska

General Fund

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

| <i>Year Ended June 30, 2018</i> | Original Budget | Final Budget | Actual | Variance with Final Budget |
|-------------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| Revenues | | | | |
| Taxes | \$ 3,955,000 | \$ 3,955,000 | \$ 4,038,652 | \$ 83,652 |
| Intergovernmental | 1,041,799 | 1,041,799 | 929,917 | (111,882) |
| Charges for services | 275,633 | 275,633 | 197,618 | (78,015) |
| Sales and leases | 114,500 | 114,500 | 128,300 | 13,800 |
| Fines and forfeitures | 7,500 | 7,500 | 11,707 | 4,207 |
| Investment income | 35,000 | 35,000 | 7,802 | (27,198) |
| Other | 8,750 | 8,750 | 28,356 | 19,606 |
| Total Revenues | 5,438,182 | 5,438,182 | 5,342,352 | (95,830) |
| Expenditures | | | | |
| General government | 1,117,650 | 1,204,350 | 1,127,169 | 77,181 |
| Public safety | 2,686,502 | 2,349,502 | 2,130,410 | 219,092 |
| Public works | 984,295 | 936,295 | 996,146 | (59,851) |
| Library | 300,830 | 305,830 | 272,713 | 33,117 |
| Community services | 409,800 | 140,100 | 168,822 | (28,722) |
| Total Expenditures | 5,499,077 | 4,936,077 | 4,695,260 | 240,817 |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | (60,895) | 502,105 | 647,092 | 144,987 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 304,250 | 304,250 | 303,413 | (837) |
| Transfers out | (700,666) | (1,268,165) | (1,309,329) | (41,164) |
| Net Other Financing Sources (Uses) | (396,416) | (963,915) | (1,005,916) | (42,001) |
| Net Change in Fund Balance | \$ (457,311) | \$ (461,810) | (358,824) | \$ 102,986 |
| Fund Balance, beginning | | | 7,795,664 | |
| Fund Balance, ending | | | \$ 7,436,840 | |

See accompanying notes to Required Supplementary Information.

City and Borough of Wrangell, Alaska
Permanent Fund Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

| <i>Year Ended June 30, 2018</i> | Original and Final Budget | Actual | Variance with Budget |
|------------------------------------------------------|---------------------------------|---------------------|----------------------------|
| Revenues | | | |
| Investment income | \$ 250,000 | \$ 578,163 | \$ 328,163 |
| Lease revenue | 16,440 | 16,440 | - |
| Total Revenues | 266,440 | 594,603 | 328,163 |
| Expenditures - community services - insurance | - | 4,228 | (4,228) |
| Excess of Revenue Over Expenditures | 266,440 | 590,375 | 323,935 |
| Other Financing Uses - transfers out | (650,000) | (250,000) | 400,000 |
| Net Change in Fund Balance | <u>\$ (383,560)</u> | 340,375 | <u>\$ 723,935</u> |
| Fund Balance, beginning | | <u>7,534,137</u> | |
| Fund Balance, ending | | <u>\$ 7,874,512</u> | |

See accompanying notes to Required Supplementary Information.

City and Borough of Wrangell, Alaska
Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

| <i>Year Ended June 30, 2018</i> | Original and Final Budget | Actual | Variance with Budget |
|--------------------------------------------------|---------------------------------|-------------------|----------------------------|
| Revenues | | | |
| Sales tax | \$ 840,000 | \$ 838,225 | \$ 1,775 |
| Investment income | 10,000 | 722 | 9,278 |
| Total Revenues | 850,000 | 838,947 | 11,053 |
| Expenditures | | | |
| Contributions to school district | 667,800 | 667,800 | - |
| Street design/construction | 585,000 | 554,077 | 30,923 |
| Total Expenditures | 1,252,800 | 1,221,877 | 30,923 |
| Excess of Revenues Under Expenditures | (402,800) | (382,930) | (19,870) |
| Other Financing Uses - transfers out | - | (29,000) | 29,000 |
| Net Change in Fund Balance | \$ (402,800) | (411,930) | \$ 9,130 |
| Fund Balance, beginning | | 1,277,030 | |
| Fund Balance, ending | | \$ 865,100 | |

See accompanying notes to Required Supplementary Information.

City and Borough of Wrangell, Alaska
Public Employees' Retirement System (PERS)
Schedule of the Borough's Information on the Net Pension Liability

| <i>Year Ended June 30,</i> | Borough's Proportion of the Net Pension Liability | Borough's Proportionate Share of the Net Pension Liability | State of Alaska Proportionate Share of the Net Pension Liability | Total Net Pension Liability | Borough's Covered Payroll | Borough'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 |
|----------------------------|---------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------|---------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| 2009 | * | * | * | * | * | * | * |
| 2010 | * | * | * | * | * | * | * |
| 2011 | * | * | * | * | * | * | * |
| 2012 | * | * | * | * | * | * | * |
| 2013 | * | * | * | * | * | * | * |
| 2014 | * | * | * | * | * | * | * |
| 2015 | 0.09481% | \$ 4,421,796 | \$ 3,807,733 | \$ 8,229,709 | \$ 3,598,834 | 122.87% | 62.37% |
| 2016 | 0.12944% | \$ 6,277,982 | \$ 1,682,286 | \$ 7,960,268 | \$ 3,219,425 | 195.00% | 63.96% |
| 2017 | 0.12813% | \$ 7,161,690 | \$ 901,438 | \$ 8,063,128 | \$ 3,146,642 | 227.60% | 59.55% |
| 2018 | 0.10179% | \$ 5,261,718 | \$ 1,960,717 | \$ 7,222,435 | \$ 3,185,949 | 165.15% | 63.37% |

* Information for these years is not available.

See accompanying notes to Required Supplementary Information.

City and Borough of Wrangell, Alaska
Public Employees' Retirement System (PERS)
Schedule of the Borough's Contributions

| <i>Year Ended June 30,</i> | Contractually Required Contribution | Contributions Relative to the Contractually Required Contribution | Contribution Deficiency (Excess) | Borough's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|----------------------------|-------------------------------------------|-------------------------------------------------------------------------------|----------------------------------------|---------------------------------|-----------------------------------------------------------|
| 2009 | * | * | * | * | * |
| 2010 | * | * | * | * | * |
| 2011 | * | * | * | * | * |
| 2012 | * | * | * | * | * |
| 2013 | * | * | * | * | * |
| 2014 | * | * | * | * | * |
| 2015 | \$ 340,908 | \$ 340,908 | \$ - | \$ 3,219,425 | 10.59% |
| 2016 | \$ 343,399 | \$ 343,399 | \$ - | \$ 3,146,642 | 10.91% |
| 2017 | \$ 537,369 | \$ 537,369 | \$ - | \$ 3,185,949 | 16.87% |
| 2018 | \$ 525,495 | \$ 525,495 | \$ - | \$ 3,289,940 | 15.97% |

* Information for these years is not available.

See accompanying notes to Required Supplementary Information.

City and Borough of Wrangell, Alaska
Public Employees' Retirement System (PERS) OPEB Plan
Schedule of the Borough's Information on the Net Pension Liability

| <i>Year Ended June 30,</i> | Borough's Proportion of the Net OPEB Liability | Borough's Proportionate Share of the Net OPEB Liability | State of Alaska Proportionate Share of the Net OPEB Liability | Total Net OPEB Liability | Borough's Covered Payroll | Borough's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|----------------------------|------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------|---------------------------------|------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| 2009 | * | * | * | * | * | * | * |
| 2010 | * | * | * | * | * | * | * |
| 2011 | * | * | * | * | * | * | * |
| 2012 | * | * | * | * | * | * | * |
| 2013 | * | * | * | * | * | * | * |
| 2014 | * | * | * | * | * | * | * |
| 2015 | * | * | * | * | * | * | * |
| 2016 | * | * | * | * | * | * | * |
| 2017 | * | * | * | * | * | * | * |
| 2018 | 0.10186% | \$ 860,457 | \$ 320,648 | \$ 1,181,105 | \$ 3,185,949 | 27.01% | 89.68% |

* Information for these years is not available.

See accompanying notes to Required Supplementary Information.

City and Borough of Wrangell, Alaska
Public Employees' Retirement System (PERS) OPEB Plan
Schedule of the Borough's Contributions

| <i>Year Ended June 30,</i> | Contractually Required Contribution | Contributions Relative to the Contractually Required Contribution | Contribution Deficiency (Excess) | Borough's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|----------------------------|-------------------------------------------|-------------------------------------------------------------------------------|----------------------------------------|---------------------------------|-----------------------------------------------------------|
| 2009 | * | * | * | * | * |
| 2010 | * | * | * | * | * |
| 2011 | * | * | * | * | * |
| 2012 | * | * | * | * | * |
| 2013 | * | * | * | * | * |
| 2014 | * | * | * | * | * |
| 2015 | * | * | * | * | * |
| 2016 | * | * | * | * | * |
| 2017 | * | * | * | * | * |
| 2018 | \$ 151,842 | \$ 151,842 | \$ - | \$ 3,289,940 | 4.62% |

* Information for these years is not available.

See accompanying notes to Required Supplementary Information.

City and Borough of Wrangell, Alaska
Notes to Required Supplementary Information
June 30, 2018

1. Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

The schedules are presented on the modified accrual basis of accounting.

2. Public Employees' Retirement System - Schedule of the Borough's Information on the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2018, the Plan measurement date is June 30, 2017.

There were no changes in benefit terms from the prior measurement period.

There were no changes in assumptions from the prior measurement period.

There were no changes in allocation methodology.

3. Public Employees' Retirement System Pension Plan - Schedule of the Borough's Contributions

This table is based on the Borough's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

4. Public Employees' Retirement System - Schedule of the Borough's Information on the Net OPEB Liability

This table is presented based on the Plan measurement date. For June 30, 2018, the Plan measurement date is June 30, 2017.

There were no changes in benefit terms from the prior measurement period.

There were no changes in assumptions from the prior measurement period.

There were no changes in allocation methodology.

5. Public Employees' Retirement System OPEB Plan - Schedule of the Borough's Contributions

This table is based on the Borough's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

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Supplementary Information

City and Borough of Wrangell, Alaska

Nonmajor Governmental Funds

Combining Balance Sheet

| | Special Revenue Funds | | | | Capital Project Funds | | | Total Nonmajor Govern- mental Funds |
|-----------------------------|-----------------------|----------------------------|-------------------------|-------------------|----------------------------------|---------------------------------|--------------------|-------------------------------------------------|
| | Transient Tax | Secure Rural Schools | Parks and Recreation | Nolan Center | Residential Construc- tion | Industrial Construc- tion | Misc- ellaneous | |
| <i>June 30, 2018</i> | | | | | | | | |
| Assets | | | | | | | | |
| Cash and investments | \$ 363,531 | \$ 3,270,698 | \$ 1,092,885 | \$ 112,353 | \$ - | \$ 355,462 | \$ 530,689 | \$ 5,725,618 |
| Receivables: | | | | | | | | |
| Accrued interest | - | - | 3,569 | 2 | - | - | - | 3,571 |
| Land sales and improvements | - | - | - | - | 23,685 | 33,056 | - | 56,741 |
| Inventory | - | - | - | 94,334 | - | - | - | 94,334 |
| Total Assets | \$ 363,531 | \$ 3,270,698 | \$ 1,096,454 | \$ 206,689 | \$ 23,685 | \$ 388,518 | \$ 530,689 | \$ 5,880,264 |

City and Borough of Wrangell, Alaska

Nonmajor Governmental Funds
Combining Balance Sheet, continued

| | Special Revenue Funds | | | | Capital Project Funds | | | Total Nonmajor Govern- mental Funds |
|-------------------------------------------------------------------------------|-----------------------|----------------------------|-------------------------|-------------------|----------------------------------|---------------------------------|--------------------|-------------------------------------------------|
| | Transient Tax | Secure Rural Schools | Parks and Recreation | Nolan Center | Residential Construc- tion | Industrial Construc- tion | Misc- ellaneous | |
| <i>June 30, 2018</i> | | | | | | | | |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ 7,042 | \$ - | \$ 19,261 | \$ 4,031 | \$ - | \$ - | \$ 83,883 | \$ 114,217 |
| Unearned revenue | - | - | - | 10,350 | - | - | 71,510 | 81,860 |
| Due to other funds | - | - | - | - | 3,864 | - | - | 3,864 |
| Total Liabilities | 7,042 | - | 19,261 | 14,381 | 3,864 | - | 155,393 | 199,941 |
| Deferred Inflows of Resources - land sale receivables not yet due | - | - | - | - | 23,685 | 33,056 | - | 56,741 |
| Fund Balances | | | | | | | | |
| Nonspendable - inventory | - | - | - | 94,334 | - | - | - | 94,334 |
| Restricted: | | | | | | | | |
| Schools and roads | - | 3,270,698 | - | - | - | - | - | 3,270,698 |
| Barnes Endowment | - | - | - | 50,000 | - | - | - | 50,000 |
| Committed: | | | | | | | | |
| Community services | 356,489 | - | - | - | - | - | - | 356,489 |
| Swimming pool | - | - | 1,077,193 | - | - | - | - | 1,077,193 |
| Land development | - | - | - | - | - | 355,462 | - | 355,462 |
| Assigned: | | | | | | | | |
| Projects | - | - | - | - | - | - | 375,296 | 375,296 |
| Community services | - | - | - | 47,974 | - | - | - | 47,974 |
| Unassigned (deficit) | - | - | - | - | (3,864) | - | - | (3,864) |
| Total Fund Balances (deficits) | 356,489 | 3,270,698 | 1,077,193 | 192,308 | (3,864) | 355,462 | 375,296 | 5,623,582 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 363,531 | \$ 3,270,698 | \$ 1,096,454 | \$ 206,689 | \$ 23,685 | \$ 388,518 | \$ 530,689 | \$ 5,880,264 |

City and Borough of Wrangell, Alaska

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

| | Special Revenue Funds | | | | | Capital Project Funds | | | Total Nonmajor Governmental Funds |
|---------------------------------|-----------------------|----------------------------|-------------------------|-----------------|-------------------------|----------------------------------|---------------------------------|--------------------|--------------------------------------------|
| | Transient Tax | Secure Rural Schools | Parks and Recreation | Nolan Center | Debt Service Fund | Residential Construc- tion | Industrial Construc- tion | Misc- ellaneous | |
| <i>Year Ended June 30, 2018</i> | | | | | | | | | |
| Revenues | | | | | | | | | |
| Taxes | \$ 99,971 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 99,971 |
| Intergovernmental | - | 890,217 | 4,487 | 11,533 | 165,246 | - | - | 4,172 | 1,075,655 |
| Charges for services | - | - | 75,444 | 92,174 | - | - | - | - | 167,618 |
| Sales and leases | - | - | - | 66,536 | - | - | - | - | 66,536 |
| Investment income (loss) | 392 | 3,521 | 38,750 | 29 | - | (112) | 4,662 | - | 47,242 |
| Land sales and improvements | - | - | - | - | - | 1,362 | 24,157 | - | 25,519 |
| Donations and contributions | 50,000 | - | 4,380 | 147,032 | - | - | - | - | 201,412 |
| Other | 636 | - | 3,304 | 21,226 | - | - | - | - | 25,166 |
| Total Revenues | 150,999 | 893,738 | 126,365 | 338,530 | 165,246 | 1,250 | 28,819 | 4,172 | 1,709,119 |

City and Borough of Wrangell, Alaska

Nonmajor Governmental Funds

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

| <i>Year Ended June 30, 2018</i> | Special Revenue Funds | | | | | Capital Project Funds | | | Total Nonmajor Governmental Funds |
|---------------------------------------------------------|-----------------------|----------------------------|-------------------------|-----------------|-------------------------|----------------------------------|---------------------------------|--------------------|--------------------------------------------|
| | Transient Tax | Secure Rural Schools | Parks and Recreation | Nolan Center | Debt Service Fund | Residential Construc- tion | Industrial Construc- tion | Misc- ellaneous | |
| Expenditures | | | | | | | | | |
| Parks and recreation | \$ - | \$ - | \$ 607,153 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 607,153 |
| Community services | 44,390 | - | - | 588,474 | - | - | - | - | 632,864 |
| Education - contributions to school district | - | 848,488 | - | - | - | - | - | - | 848,488 |
| Debt service: | | | | | | | | | |
| Principal | - | - | - | - | 230,000 | - | - | - | 230,000 |
| Interest | - | - | - | - | 37,325 | - | - | - | 37,325 |
| Capital outlay | - | - | 1,045 | - | - | 800 | 1,283 | 138,783 | 141,911 |
| Total Expenditures | 44,390 | 848,488 | 608,198 | 588,474 | 267,325 | 800 | 1,283 | 138,783 | 2,497,741 |
| Excess of Revenues Over (Under) Expenditures | 106,609 | 45,250 | (481,833) | (249,944) | (102,079) | 450 | 27,536 | (134,611) | (788,622) |
| Other Financing Sources (Uses) | | | | | | | | | |
| Transfers in | - | - | 472,665 | 252,285 | 102,079 | - | - | 522,500 | 1,349,529 |
| Transfers out | (11,200) | (53,413) | - | - | - | - | - | - | (64,613) |
| Net Other Financing Sources (Uses) | (11,200) | (53,413) | 472,665 | 252,285 | 102,079 | - | - | 522,500 | 1,284,916 |
| Net Change in Fund Balances | 95,409 | (8,163) | (9,168) | 2,341 | - | 450 | 27,536 | 387,889 | 496,294 |
| Fund Balances (Deficits), beginning | 261,080 | 3,278,861 | 1,086,361 | 189,967 | - | (4,314) | 327,926 | (12,593) | 5,127,288 |
| Fund Balances (Deficits), ending | \$ 356,489 | \$ 3,270,698 | \$ 1,077,193 | \$ 192,308 | \$ - | \$ (3,864) | \$ 355,462 | \$ 375,296 | \$ 5,623,582 |

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General Fund

The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the Borough such as fire and police protection, public works, recreation, planning, administrative services, etc. Appropriations are made from the General Fund annually.

Revenue is recorded by source, i.e., taxes, State of Alaska, charges for services, etc. Expenditures are recorded first by function then by activity and object of expenditure.

City and Borough of Wrangell, Alaska

General Fund
Balance Sheet

| <i>June 30,</i> | 2018 | 2017 |
|---------------------------------------------------------------------------|---------------------|---------------------|
| Assets | | |
| Cash and investments | \$ 6,628,865 | \$ 7,098,486 |
| Receivables: | | |
| Property taxes | 77,778 | 82,764 |
| Sales taxes | 424,115 | 429,671 |
| Accounts | 295,208 | 131,425 |
| Accrued interest | 40,256 | 33,744 |
| Grants and shared revenues | 26,571 | 79,945 |
| Total receivables | 863,928 | 757,549 |
| Less allowance for doubtful accounts | (4,305) | (83,871) |
| Net receivables | 859,623 | 673,678 |
| Due from other funds | 3,864 | 115,766 |
| Interfund loan receivable | 102,146 | 118,994 |
| Total Assets | \$ 7,594,498 | \$ 8,006,924 |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 72,642 | \$ 111,332 |
| Unearned revenue | 12,225 | 11,825 |
| Total Liabilities | 84,867 | 123,157 |
| Deferred Inflows of Resources | | |
| Delinquent property taxes | 60,414 | 82,764 |
| Taxes collected in advance | 12,377 | 5,339 |
| Total Liabilities and Deferred Inflows of Resources | 157,658 | 211,260 |
| Fund Balance | | |
| Nonspendable - interfund loan receivable | 102,146 | 118,994 |
| Unassigned | 7,334,694 | 7,676,670 |
| Total Fund Balance | 7,436,840 | 7,795,664 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 7,594,498 | \$ 8,006,924 |

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

| <i>Years Ended June 30,</i> | 2018 | | | 2017 |
|-------------------------------------|--------------|--------------|----------------------------|--------------|
| | Budget | Actual | Variance with Budget | Actual |
| Revenues | | | | |
| Taxes: | | | | |
| Real property taxes | \$ 1,750,000 | \$ 1,753,974 | \$ 3,974 | \$ 1,719,014 |
| Property tax penalties and interest | 15,000 | 29,587 | 14,587 | 20,390 |
| Payments in lieu of taxes | 400,000 | 450,546 | 50,546 | 434,795 |
| Sales taxes | 1,775,000 | 1,788,890 | 13,890 | 1,774,678 |
| Sales tax penalties and interest | 15,000 | 15,655 | 655 | 34,046 |
| Total taxes | 3,955,000 | 4,038,652 | 83,652 | 3,982,923 |
| Intergovernmental: | | | | |
| State of Alaska: | | | | |
| Jail contract | 325,274 | 356,408 | 31,134 | 325,274 |
| Community assistance | 408,105 | 435,897 | 27,792 | 379,515 |
| Library grants | 7,900 | 7,000 | (900) | 7,964 |
| LEPC grant revenue | 8,900 | 11,900 | 3,000 | 9,278 |
| State PERS relief | 274,620 | 66,472 | (208,148) | 85,466 |
| Sate of Alaska reimbursement | - | 1,384 | 1,384 | 5,512 |
| Fisheries business tax | - | 11,156 | 11,156 | - |
| Liquor licenses | 10,000 | 8,200 | (1,800) | 13,200 |
| Total State of Alaska | 1,034,799 | 898,417 | (136,382) | 826,209 |
| Federal government: | | | | |
| 911 system replacement | - | 8,250 | 8,250 | 134,194 |
| Replacement grants | - | 16,250 | 16,250 | - |
| Library grants | 7,000 | 7,000 | - | 7,000 |
| Total federal government | 7,000 | 31,500 | 24,500 | 141,194 |
| Total intergovernmental | 1,041,799 | 929,917 | (111,882) | 967,403 |
| Charges for services: | | | | |
| Cemetery services | 2,000 | 5,235 | 3,235 | 1,816 |
| Police services | 107,000 | 114,213 | 7,213 | 95,512 |
| 911 surcharge | 48,000 | 48,512 | 512 | 50,177 |
| Airport security | 118,633 | 29,658 | (88,975) | 118,633 |
| Total charges for services | 275,633 | 197,618 | (78,015) | 266,138 |

City and Borough of Wrangell, Alaska

General Fund

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

| Years Ended June 30, | 2018 | | | 2017 |
|----------------------------|------------------|------------------|----------------------------|------------------|
| | Budget | Actual | Variance with Budget | Actual |
| Revenues, continued | | | | |
| Sales and leases: | | | | |
| Court rental | \$ 62,000 | \$ 62,400 | \$ 400 | \$ 65,374 |
| Tideland leases | 40,000 | 56,076 | 16,076 | 46,972 |
| Material sales | 10,000 | 8,722 | (1,278) | 9,442 |
| Cemetery plot sales | 2,500 | 1,102 | (1,398) | 2,075 |
| Total sales and leases | 114,500 | 128,300 | 13,800 | 123,863 |
| Fines and forfeitures | 7,500 | 11,707 | 4,207 | 4,575 |
| Investment income (loss) | 35,000 | 7,802 | (27,198) | (1,710) |
| Other revenues: | | | | |
| Licenses and permits | 4,500 | 1,871 | (2,629) | 3,024 |
| Copies | 250 | 96 | (154) | 72 |
| Library grants | - | 15,021 | 15,021 | 6,303 |
| Public works labor | - | 7,389 | 7,389 | 2,062 |
| Miscellaneous | 4,000 | 3,979 | (21) | 13,299 |
| Total other revenues | 8,750 | 28,356 | 19,606 | 24,760 |
| Total Revenues | 5,438,182 | 5,342,352 | (95,830) | 5,367,952 |
| Expenditures | | | | |
| General government: | | | | |
| Finance: | | | | |
| Personnel services: | | | | |
| Salaries | 246,720 | 263,257 | (16,537) | 234,792 |
| Overtime salaries | 12,500 | 7,195 | 5,305 | 6,904 |
| Employee benefits | 202,640 | 165,063 | 37,577 | 158,248 |
| Total personnel services | 461,860 | 435,515 | 26,345 | 399,944 |
| Contractual services: | | | | |
| Auditor | 25,000 | 62,246 | (37,246) | 21,436 |
| Assessor | 70,000 | 92,759 | (22,759) | 51,000 |
| Telephone and internet | - | 9,653 | (9,653) | 1,447 |
| Travel and training | - | - | - | (43) |

City and Borough of Wrangell, Alaska

General Fund

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

| <i>Years Ended June 30,</i> | 2018 | | | 2017 |
|-----------------------------------------|-----------|-----------|----------------------------|-----------|
| | Budget | Actual | Variance with Budget | Actual |
| Expenditures, continued | | | | |
| General government, continued: | | | | |
| Finance, continued: | | | | |
| Contractual services, continued: | | | | |
| Utilities | \$ - | \$ 14,051 | \$ (14,051) | \$ - |
| Equipment rental & repair | - | 6,284 | (6,284) | 283 |
| Programming | 47,000 | 25,784 | 21,216 | 49,963 |
| Financial services | - | - | - | 346 |
| Foreclosure costs | 3,000 | 7,680 | (4,680) | 5,689 |
| Bank & credit card | - | 44,946 | (44,946) | - |
| Allocated - public works building costs | 37,275 | 1,827 | 35,448 | 41,466 |
| Collection charges | - | 221 | (221) | (81) |
| Total contractual services | 182,275 | 265,451 | (83,176) | 171,506 |
| Commodities: | | | | |
| Materials and supplies | 16,000 | 28,823 | (12,823) | 15,344 |
| Custodial supplies | - | 2,627 | (2,627) | 1,113 |
| Postage | 15,000 | 4,256 | 10,744 | 15,504 |
| Facility repairs and maintenance | - | 2,125 | (2,125) | - |
| Equipment repairs and maintenance | 8,000 | 2,376 | 5,624 | 9,891 |
| Publications and advertising | - | - | - | 686 |
| Total commodities | 39,000 | 40,207 | (1,207) | 42,538 |
| Bad debts | - | - | - | 16,127 |
| Total finance | 683,135 | 741,173 | (58,038) | 630,115 |
| Less charges to other funds | (168,200) | (168,200) | - | (163,600) |
| Net finance | 514,935 | 572,973 | (58,038) | 466,515 |
| Administration: | | | | |
| Personnel services: | | | | |
| Salaries | 215,010 | 197,199 | 17,811 | 223,273 |
| Employee benefits | 94,810 | 79,733 | 15,077 | 63,547 |
| Total personnel services | 309,820 | 276,932 | 32,888 | 286,820 |

City and Borough of Wrangell, Alaska

General Fund

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

| <i>Years Ended June 30,</i> | 2018 | | | 2017 |
|-----------------------------------------|-----------|-----------|----------------------------|------------|
| | Budget | Actual | Variance with Budget | Actual |
| Expenditures, continued | | | | |
| General government, continued: | | | | |
| Administration, continued: | | | | |
| Contractual services: | | | | |
| Attorney | \$ 65,000 | \$ 75,420 | \$ (10,420) | \$ 124,777 |
| Telephone and internet | - | 2,014 | (2,014) | 1,248 |
| Administration travel and training | 6,000 | 11,384 | (5,384) | 9,019 |
| Publications and advertising | 15,000 | 670 | 14,330 | 1,358 |
| Litigation | 72,200 | - | 72,200 | - |
| Allocated - public works building costs | - | - | - | 11,058 |
| Tourism program | 20,000 | 5,206 | 14,794 | 6,707 |
| Total contractual services | 178,200 | 94,694 | 83,506 | 154,167 |
| Commodities: | | | | |
| Materials and supplies | 5,000 | 1,773 | 3,227 | 1,565 |
| Memberships and dues | - | 113 | (113) | 455 |
| Total commodities | 5,000 | 1,886 | 3,114 | 2,020 |
| General insurance | 11,000 | 8,636 | 2,364 | 6,885 |
| Total administration | 504,020 | 382,148 | 121,872 | 449,892 |
| Clerk and assembly: | | | | |
| Personnel services: | | | | |
| Salaries | 73,450 | 75,603 | (2,153) | 71,682 |
| Overtime salaries | 300 | 248 | 52 | 241 |
| Employee benefits | 65,000 | 52,435 | 12,565 | 53,044 |
| Total personnel services | 138,750 | 128,286 | 10,464 | 124,967 |
| Contractual services: | | | | |
| Telephone and internet | - | - | - | 395 |
| Clerk travel and training | 16,000 | 14,000 | 2,000 | 12,932 |
| Recorder fees | 850 | 619 | 231 | 779 |
| Allocated - public works building costs | - | - | - | 2,764 |
| Total contractual services | 16,850 | 14,619 | 2,231 | 16,870 |

City and Borough of Wrangell, Alaska

General Fund

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

| <i>Years Ended June 30,</i> | 2018 | | | 2017 |
|------------------------------------------------|-----------|-----------|----------------------------|-----------|
| | Budget | Actual | Variance with Budget | Actual |
| Expenditures, continued | | | | |
| General government, continued: | | | | |
| Clerk and assembly, continued: | | | | |
| Commodities: | | | | |
| Materials and supplies | \$ 2,000 | \$ 2,629 | \$ (629) | \$ 844 |
| Publications | 21,120 | 21,490 | (370) | 19,864 |
| Records preservation | 1,000 | 426 | 574 | 1,093 |
| Election supplies | 2,675 | 1,856 | 819 | 4,107 |
| Republishing WMC | 3,000 | 2,742 | 258 | 2,441 |
| Total commodities | 29,795 | 29,143 | 652 | 28,349 |
| Total clerk and assembly | 185,395 | 172,048 | 13,347 | 170,186 |
| City hall building: | | | | |
| Personnel services: | | | | |
| Salaries | - | - | - | 5,179 |
| Overtime salaries | - | - | - | 121 |
| Employee benefits | - | - | - | 6,933 |
| Total personnel services | - | - | - | 12,233 |
| Contractual services: | | | | |
| Telephone and internet | - | - | - | 8,760 |
| Utilities | - | - | - | 13,368 |
| Software programming and licensing | - | - | - | 14,845 |
| Computer repairs and maintenance | - | - | - | 2,051 |
| Equipment rental | - | - | - | 566 |
| Allocated - public works labor | - | - | - | 766 |
| Total contractual services | - | - | - | 40,356 |
| Commodities: | | | | |
| Materials and supplies | - | - | - | 259 |
| Facility repair and maintenance | - | - | - | 8,078 |
| Custodial supplies | - | - | - | 645 |
| Equipment repair and maintenance | - | - | - | 1,180 |
| Capital outlay | - | - | - | 4,770 |
| Total commodities | - | - | - | 14,932 |
| Total city hall building | - | - | - | 67,521 |
| Less charges to other departments and funds | - | - | - | (55,288) |
| Net city hall building | - | - | - | 12,233 |
| Total general government | 1,204,350 | 1,127,169 | 77,181 | 1,098,826 |

City and Borough of Wrangell, Alaska

General Fund

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

| <i>Years Ended June 30,</i> | 2018 | | | 2017 |
|------------------------------------|----------------|----------------|----------------------------|----------------|
| | Budget | Actual | Variance with Budget | Actual |
| Expenditures, continued | | | | |
| Public safety: | | | | |
| Fire department: | | | | |
| Personnel services: | | | | |
| Salaries | \$ 85,840 | \$ 97,170 | \$ (11,330) | \$ 89,013 |
| Overtime salaries | 11,220 | 9,584 | 1,636 | 8,707 |
| Employee benefits | 82,155 | 65,596 | 16,559 | 69,124 |
| Contributions for fire calls | 5,500 | 5,500 | - | 5,500 |
| Total personnel services | 184,715 | 177,850 | 6,865 | 172,344 |
| Contractual services: | | | | |
| Telephone and internet | 6,500 | 6,239 | 261 | 6,950 |
| Travel and training | 10,000 | 2,494 | 7,506 | 12,208 |
| Publications and advertising | - | 78 | (78) | 72 |
| Volunteer accident hospital | 12,600 | - | 12,600 | - |
| Fire prevention and education | 2,000 | 602 | 1,398 | - |
| Hydrant rental | 39,750 | 39,750 | - | 42,112 |
| Insurance | 13,580 | 13,903 | (323) | 7,890 |
| Capital expenditures | 49,000 | 5,500 | 43,500 | - |
| Allocated - public works labor | - | - | - | 3,544 |
| LEPC costs | 8,900 | - | 8,900 | - |
| Total contractual services | 142,330 | 68,566 | 73,764 | 72,776 |
| Commodities: | | | | |
| Materials and supplies | 11,000 | 4,202 | 6,798 | 6,074 |
| Fire substation costs | 19,000 | 12,317 | 6,683 | 15,622 |
| Vehicle maintenance | 40,249 | 38,997 | 1,252 | 56,250 |
| Allocated vehicle charges - garage | - | - | - | 26,870 |
| Fire truck replacement fund | 25,000 | - | 25,000 | - |
| Turn out gear | 7,000 | 944 | 6,056 | 2,173 |
| Total commodities | 102,249 | 56,460 | 45,789 | 106,989 |
| Total fire department | 429,294 | 302,876 | 126,418 | 352,109 |
| Police department: | | | | |
| Personnel services: | | | | |
| Salaries | 440,915 | 474,066 | (33,151) | 493,413 |
| Overtime salaries | 53,000 | 97,965 | (44,965) | 53,501 |
| Employee benefits | 318,575 | 281,986 | 36,589 | 304,738 |
| Uniform allowances | 5,700 | 4,555 | 1,145 | 2,125 |
| Total personnel services | 818,190 | 858,572 | (40,382) | 853,777 |

City and Borough of Wrangell, Alaska

General Fund

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

| <i>Years Ended June 30,</i> | 2018 | | | 2017 |
|------------------------------------|------------------|------------------|----------------------------|------------------|
| | Budget | Actual | Variance with Budget | Actual |
| Expenditures, continued | | | | |
| Public safety, continued: | | | | |
| Police department, continued: | | | | |
| Contractual services: | | | | |
| Telephone and internet | \$ 20,750 | \$ 14,757 | \$ 5,993 | \$ 12,778 |
| Utilities | - | 32,220 | (32,220) | 76,030 |
| Insurance | 30,120 | 30,837 | (717) | 17,499 |
| Travel and training | 38,000 | 17,469 | 20,531 | 5,960 |
| Professional dues | - | - | - | 75,612 |
| 911 expenditures | 5,000 | 24,500 | (19,500) | 2,469 |
| Capital expenditures | 46,000 | 2,525 | 43,475 | 3,972 |
| Animal control | 7,000 | 1,977 | 5,023 | 1,971 |
| State portion of driver licenses | 70,000 | 72,532 | (2,532) | 60,274 |
| Vehicle impound | 500 | - | 500 | 250 |
| State portion of citations | 500 | 530 | (30) | 150 |
| Total contractual services | 217,870 | 197,347 | 20,523 | 256,965 |
| Commodities: | | | | |
| Materials and supplies | 12,000 | 8,893 | 3,107 | 5,778 |
| Boat expenditures | 5,000 | 1,309 | 3,691 | 1,106 |
| Publications | 1,000 | 154 | 846 | 482 |
| Ammunition | 7,500 | 7,162 | 338 | 7,599 |
| Special investigations | 2,500 | 1,675 | 825 | - |
| Equipment repairs and maintenance | 48,299 | 41,559 | 6,740 | 8,210 |
| Health & safety permits | - | 125 | (125) | - |
| Capital expenditures | - | - | - | 56,709 |
| Allocated vehicle charges - garage | - | - | - | 43,467 |
| Total commodities | 76,299 | 60,877 | 15,422 | 123,351 |
| Total police department | 1,112,359 | 1,116,796 | (4,437) | 1,234,093 |
| Police corrections department: | | | | |
| Personnel services: | | | | |
| Salaries | 275,000 | 249,219 | 25,781 | 221,109 |
| Overtime salaries | 32,500 | 33,065 | (565) | 27,577 |
| Employee benefits | 225,000 | 176,670 | 48,330 | 175,331 |
| Total personnel services | 532,500 | 458,954 | 73,546 | 424,017 |
| Contractual services: | | | | |
| Telephone and internet | 1,500 | 1,500 | - | 1,500 |
| Travel and training | 2,000 | - | 2,000 | - |
| Total contractual services | 3,500 | 1,500 | 2,000 | 1,500 |

City and Borough of Wrangell, Alaska

General Fund

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

| Years Ended June 30, | 2018 | | | 2017 |
|-------------------------------------------|-----------|-----------|----------------------------|-----------|
| | Budget | Actual | Variance with Budget | Actual |
| Expenditures, continued | | | | |
| Public safety continued: | | | | |
| Police corrections department, continued: | | | | |
| Materials and supplies | \$ 3,500 | \$ 141 | \$ 3,359 | \$ 1,520 |
| Allocated vehicle charges - garage | 2,559 | - | 2,559 | 1,919 |
| Prisoner meals | 20,000 | 7,478 | 12,522 | 5,423 |
| Reimbursement of prisoner costs | - | (30) | 30 | 248 |
| Total commodities | 26,059 | 7,589 | 18,470 | 9,110 |
| Total police corrections department | 562,059 | 468,043 | 94,016 | 434,627 |
| Public safety building: | | | | |
| Personnel services: | | | | |
| Salaries | 20,850 | 21,196 | (346) | 19,188 |
| Overtime | - | - | - | 206 |
| Employee benefits | 23,740 | 25,378 | (1,638) | 30,667 |
| Total personnel services | 44,590 | 46,574 | (1,984) | 50,061 |
| Telephone and internet | 600 | 537 | 63 | 523 |
| Insurance | 8,100 | 8,293 | (193) | 4,706 |
| Allocated - public works labor | 35,000 | 46,495 | (11,495) | 35,173 |
| Utilities | 120,000 | 88,207 | 31,793 | 50,129 |
| Total contractual services | 163,700 | 143,532 | 20,168 | 90,531 |
| Commodities: | | | | |
| Materials & supplies | - | 213 | (213) | - |
| Custodial supplies | 2,500 | 2,451 | 49 | 3,073 |
| Capital outlay | - | 28,543 | (28,543) | 42,822 |
| Facility repair and maintenance | 35,000 | 21,382 | 13,618 | 32,974 |
| Total commodities | 37,500 | 52,589 | (15,089) | 78,869 |
| Total public safety building | 245,790 | 242,695 | 3,095 | 219,461 |
| Total public safety | 2,349,502 | 2,130,410 | 219,092 | 2,240,290 |
| Public works: | | | | |
| Garage: | | | | |
| Personnel services: | | | | |
| Salaries | 118,690 | 120,493 | (1,803) | 117,852 |
| Overtime salaries | 5,500 | 2,265 | 3,235 | 796 |
| Employee benefits | 106,675 | 81,242 | 25,433 | 110,552 |
| Total personnel services | 230,865 | 204,000 | 26,865 | 229,200 |

City and Borough of Wrangell, Alaska

General Fund

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

| <i>Years Ended June 30,</i> | 2018 | | | 2017 |
|------------------------------------------------|-----------|-----------|----------------------------|-----------|
| | Budget | Actual | Variance with Budget | Actual |
| Expenditures, continued | | | | |
| Public works, continued: | | | | |
| Garage, continued: | | | | |
| Contractual services: | | | | |
| Utilities | \$ 23,500 | \$ 23,094 | \$ 406 | \$ 23,134 |
| Insurance | 1,750 | 1,792 | (42) | 1,017 |
| Telephone and internet | - | - | - | 18 |
| Vehicle maintenance | - | 1,565 | (1,565) | 48 |
| Computer maintenance and repair | - | - | - | 285 |
| Software programming and licensing | - | 1,428 | (1,428) | - |
| Publications and advertising | - | - | - | 367 |
| Allocated - public works labor | 10,000 | 6,757 | 3,243 | 8,608 |
| Travel and training | 6,000 | - | 6,000 | 150 |
| Total contractual services | 41,250 | 34,636 | 6,614 | 33,627 |
| Commodities: | | | | |
| Materials and supplies | 150,000 | 25,712 | 124,288 | 39,469 |
| Fuel oil | 13,000 | 6,442 | 6,558 | 12,544 |
| Fuel and lubrication | 65,000 | 60,052 | 4,948 | 45,386 |
| Facility repair and maintenance | - | 3,048 | (3,048) | - |
| Capital outlay | 60,000 | 730 | 59,270 | 10,588 |
| Expendable tools | 3,000 | 1,067 | 1,933 | 2,952 |
| Total commodities | 291,000 | 97,051 | 193,949 | 110,939 |
| Total garage | 563,115 | 335,687 | 227,428 | 373,766 |
| Less charges to other departments and funds | (450,492) | (241,450) | (209,042) | (339,991) |
| Net garage | 112,623 | 94,237 | 18,386 | 33,775 |
| General: | | | | |
| Personnel services: | | | | |
| Salaries | 407,600 | 437,106 | (29,506) | 381,438 |
| Overtime salaries | 34,500 | 37,221 | (2,721) | 28,124 |
| Uniform allowances | 1,600 | 2,786 | (1,186) | 2,817 |
| Employee benefits | 302,850 | 257,727 | 45,123 | 250,237 |
| Total personnel services | 746,550 | 734,840 | 11,710 | 662,616 |

City and Borough of Wrangell, Alaska

General Fund

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

| Years Ended June 30, | 2018 | | | 2017 |
|-----------------------------------------------------------|-----------|-----------|----------------------------|-----------|
| | Budget | Actual | Variance with Budget | Actual |
| Expenditures, continued | | | | |
| Public works, continued: | | | | |
| General, continued: | | | | |
| Contractual services: | | | | |
| Telephone | \$ 9,500 | \$ 9,197 | \$ 303 | \$ 10,666 |
| Senior Citizen Program | - | - | - | 638 |
| Publications and advertising | - | - | - | 220 |
| Vehicle maintenance | - | 2,310 | (2,310) | 993 |
| Insurance | 8,800 | 9,010 | (210) | 5,113 |
| Travel and training | 5,000 | 1,050 | 3,950 | 1,034 |
| Total contractual services | 23,300 | 21,567 | 1,733 | 18,664 |
| Materials and supplies | 10,500 | 8,685 | 1,815 | 10,877 |
| Engineering supplies | 2,500 | 290 | 2,210 | 79 |
| Publications and advertising | - | - | - | 585 |
| Capital outlay | - | 57,782 | (57,782) | 14,247 |
| Building repairs and maintenance | 10,000 | 5,011 | 4,989 | 2,659 |
| Total commodities | 23,000 | 71,768 | (48,768) | 28,447 |
| Total general | 792,850 | 828,175 | (35,325) | 709,727 |
| Less charges to other departments and funds | (430,000) | (384,262) | (45,738) | (406,133) |
| Net general | 362,850 | 443,913 | (81,063) | 303,594 |
| Streets: | | | | |
| Personnel services - allocated salaries - public works | 165,022 | 123,526 | 41,496 | 154,557 |
| Contractual services: | | | | |
| Street lighting | 7,800 | 2,215 | 5,585 | 12,215 |
| Insurance | - | - | - | 5,113 |
| Rock quarry electricity | 3,000 | 21,177 | (18,177) | 12,143 |
| Capital outlay | 60,000 | 71,501 | (11,501) | - |
| Allocated - public works labor | 150,000 | 150,827 | (827) | 161,383 |
| Sanding and snow removal | - | 1,617 | (1,617) | (3,761) |
| Total contractual services | 220,800 | 247,337 | (26,537) | 187,093 |
| Commodities: | | | | |
| Materials and supplies | 55,000 | 36,948 | 18,052 | 6,849 |
| Crushing and maintenance | 20,000 | 32,582 | (12,582) | 15,253 |
| Street repairs and maintenance | - | 17,603 | (17,603) | 41,342 |
| Total commodities | 75,000 | 87,133 | (12,133) | 63,444 |
| Total streets | 460,822 | 457,996 | 2,826 | 405,094 |
| Total public works | 936,295 | 996,146 | (59,851) | 742,463 |

City and Borough of Wrangell, Alaska

General Fund

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

| Years Ended June 30, | 2018 | | | 2017 |
|-----------------------------------|------------|------------|----------------------------|------------|
| | Budget | Actual | Variance with Budget | Actual |
| Expenditures, continued | | | | |
| Parks and recreation: | | | | |
| Library: | | | | |
| Personnel services: | | | | |
| Salaries | \$ 115,150 | \$ 122,779 | \$ (7,629) | \$ 108,272 |
| Employee benefits | 101,030 | 81,866 | 19,164 | 77,052 |
| Total personnel services | 216,180 | 204,645 | 11,535 | 185,324 |
| Contractual services: | | | | |
| Telephone and internet | 4,500 | 2,702 | 1,798 | 2,235 |
| Travel and training | 2,000 | 1,496 | 504 | 2,553 |
| Insurance | 3,000 | 3,072 | (72) | 1,743 |
| Allocated - public works labor | - | 1,204 | (1,204) | 1,639 |
| Utilities | 8,000 | 9,326 | (1,326) | 8,499 |
| Total contractual services | 17,500 | 17,800 | (300) | 16,669 |
| Commodities: | | | | |
| Materials and supplies | 5,000 | 6,897 | (1,897) | 4,227 |
| Custodian supplies | 1,500 | 905 | 595 | 155 |
| Books, subscriptions and dues | 20,000 | 19,114 | 886 | 20,586 |
| Library grant expenditures | 13,250 | 7,000 | 6,250 | 7,106 |
| State library grant expenditures | 6,900 | (33) | 6,933 | 4,360 |
| Postage | 2,000 | - | 2,000 | 953 |
| Building repairs and maintenance | 13,500 | 3,317 | 10,183 | 2,275 |
| Equipment repairs and maintenance | - | 3,998 | (3,998) | 1,593 |
| Computer repairs and maintenance | 10,000 | 9,070 | 930 | - |
| Vehicle maintenance | - | - | - | 7,155 |
| Capital outlay | - | - | - | 4,500 |
| Total commodities | 72,150 | 50,268 | 21,882 | 52,910 |
| Total library | 305,830 | 272,713 | 33,117 | 254,903 |
| Community services: | | | | |
| Community development: | | | | |
| Contractual services: | | | | |
| Dues and subscriptions | - | 6,420 | (6,420) | 4,983 |
| Telephone and internet | - | - | - | 959 |
| Lobbyist | - | 67,600 | (67,600) | 64,200 |
| Publications and advertising | - | - | - | 50 |
| Web hosting | - | - | - | 3,000 |
| Allocated - public works labor | - | 1,968 | (1,968) | 1,877 |
| Travel and training | - | - | - | 115 |
| Total contractual services | - | 75,988 | (75,988) | 75,184 |

City and Borough of Wrangell, Alaska

General Fund

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

| Years Ended June 30, | 2018 | | | 2017 |
|-----------------------------------------|------------------|------------------|----------------------------|------------------|
| | Budget | Actual | Variance with Budget | Actual |
| Expenditures, continued | | | | |
| Community services, continued: | | | | |
| Contributions: | | | | |
| Senior citizens program | \$ 15,500 | \$ 11,073 | \$ 4,427 | \$ 11,240 |
| Community promotion | - | 8,464 | (8,464) | 1,099 |
| Chamber of Commerce | 23,000 | 23,000 | - | 23,000 |
| Local radio | 8,500 | 8,500 | - | 8,500 |
| Miscellaneous donations | - | - | - | 7,691 |
| Volunteer fire department | 4,000 | 4,035 | (35) | 4,551 |
| Total contributions | 51,000 | 55,072 | (4,072) | 56,081 |
| Total community development | 51,000 | 131,060 | (80,060) | 131,265 |
| Planning and zoning: | | | | |
| Personnel services - allocated clerical | 23,000 | 23,000 | - | 17,894 |
| Contractual services: | | | | |
| Travel and training | 1,500 | 1,919 | (419) | 1,804 |
| Computer IT and software support | - | - | - | 210 |
| Total contractual services | 1,500 | 1,919 | (419) | 2,014 |
| Commodities: | | | | |
| Materials and supplies | 100 | 396 | (296) | 37 |
| Publications | 1,500 | 72 | 1,428 | 147 |
| Subdivisions and surveys | 45,000 | 220 | 44,780 | 2,725 |
| Memberships and dues | - | - | - | 428 |
| Mapping upgrade | 6,000 | 3,150 | 2,850 | 2,480 |
| Total commodities | 52,600 | 3,838 | 48,762 | 5,817 |
| Total planning and zoning | 77,100 | 28,757 | 48,343 | 25,725 |
| Cemetery: | | | | |
| Personnel services - | | | | |
| allocated salaries - public works | 10,000 | 8,387 | 1,613 | 3,494 |
| Commodities - materials and supplies | 2,000 | 618 | 1,382 | 1,100 |
| Total cemetery | 12,000 | 9,005 | 2,995 | 4,594 |
| Total community services | 140,100 | 168,822 | (28,722) | 161,584 |
| Total Expenditures | 4,936,077 | 4,695,260 | 240,817 | 4,498,066 |

City and Borough of Wrangell, Alaska

General Fund

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

| <i>Years Ended June 30,</i> | 2018 | | | 2017 |
|--------------------------------------|---------------------|---------------------|----------------------------|---------------------|
| | Budget | Actual | Variance with Budget | Actual |
| Excess of Revenues Over Expenditures | \$ 502,105 | \$ 647,092 | \$ 144,987 | \$ 869,886 |
| Other Financing Uses | | | | |
| Transfers in | 304,250 | 303,413 | (837) | 256,595 |
| Transfers out | (1,268,165) | (1,309,329) | (41,164) | (766,010) |
| Net Other Financing Uses | (963,915) | (1,005,916) | (42,001) | (509,415) |
| Net Change in Fund Balance | <u>\$ (461,810)</u> | (358,824) | <u>\$ 102,986</u> | 360,471 |
| Fund Balance, beginning | | <u>7,795,664</u> | | <u>7,435,193</u> |
| Fund Balance, ending | | <u>\$ 7,436,840</u> | | <u>\$ 7,795,664</u> |

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Special Revenue Funds

Transient Tax

This fund accounts for transient occupancy tax revenue, which is used to develop and implement a visitor industry program.

Sales Tax

This fund accounts for the portion of the sales tax revenue that is designated to finance various street, water and sewer, and community development activities.

Parks and Recreation

This fund accounts for the operations and maintenance of the swimming pool recreational activities and parks.

Nolan Center

This fund accounts for the operating activities of the museum, civic center, Nolan center and theater.

Permanent Fund

This fund accounts for monies set aside to help provide future economic stability to the citizens of Wrangell.

Secure Rural Schools

This fund is established to provide for the receipt and subsequent use of National Forest Receipt monies.

City and Borough of Wrangell, Alaska

Transient Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

| <i>Years Ended June 30,</i> | 2018 | | 2017 | |
|---------------------------------------------|------------------|-------------------|----------------------------|-------------------|
| | Budget | Actual | Variance with Budget | Actual |
| Revenues | | | | |
| Transient and excise taxes | \$ 41,000 | \$ 99,971 | \$ 58,971 | \$ 93,825 |
| Advertising and promotion | 3,000 | 636 | (2,364) | 2,278 |
| Donations | 2,500 | 50,000 | 47,500 | 500 |
| CPV revenue sharing | 35,000 | - | (35,000) | - |
| Investment income (loss) | 250 | 392 | 142 | (58) |
| Total Revenues | 81,750 | 150,999 | 69,249 | 96,545 |
| Expenditures - community services: | | | | |
| Travel and training | 8,000 | 7,929 | 71 | 9,082 |
| Materials and supplies | - | 1,616 | (1,616) | 45 |
| Telephone and internet | 1,000 | 817 | 183 | 1,014 |
| Postage | 1,500 | - | 1,500 | 888 |
| Promotional | 20,000 | 17,178 | 2,822 | 8,281 |
| Web hosting | 1,400 | 1,243 | 157 | 970 |
| Dues | 5,500 | 4,885 | 615 | 1,975 |
| Publications | 18,000 | 10,544 | 7,456 | 9,500 |
| CPV expenditures | - | 178 | (178) | 4,703 |
| Total Expenditures | 55,400 | 44,390 | 11,010 | 36,458 |
| Excess of Revenues Over Expenditures | 26,350 | 106,609 | 80,259 | 60,087 |
| Other Financing Uses - transfers out | (10,000) | (11,200) | (1,200) | (11,760) |
| Net Change in Fund Balance | \$ 16,350 | 95,409 | \$ 79,059 | 48,327 |
| Fund Balance, beginning | | 261,080 | | 212,753 |
| Fund Balance, ending | | \$ 356,489 | | \$ 261,080 |

City and Borough of Wrangell, Alaska
Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

| Years Ended June 30, | 2018 | | | | | 2017 |
|-----------------------------------------------------|---------------------|-------------------|-------------------|-------------------|----------------------------|---------------------|
| | Budget | Actual | | Total | Variance with Budget | Actual |
| | | Restricted | | | | |
| | | 28% | 4% | | | |
| Revenues | | | | | | |
| Sales tax | \$ 840,000 | \$ 732,996 | \$ 105,229 | \$ 838,225 | \$ (1,775) | \$ 834,640 |
| Miscellaneous reimbursement | - | - | - | - | - | 39,961 |
| Investment income (loss) | 10,000 | 722 | - | 722 | (9,278) | (241) |
| Total Revenues | 850,000 | 733,718 | 105,229 | 838,947 | (11,053) | 874,360 |
| Expenditures | | | | | | |
| Contributions to school district | 667,800 | 667,800 | - | 667,800 | - | 667,800 |
| Street design/construction | 585,000 | - | 554,077 | 554,077 | 30,923 | 306,305 |
| Total Expenditures | 1,252,800 | 667,800 | 554,077 | 1,221,877 | 30,923 | 974,105 |
| Excess of Revenues Over (Under) Expenditures | (402,800) | 65,918 | (448,848) | (382,930) | 19,870 | (99,745) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | - | - | - | - | 5,156 |
| Transfers out | (29,000) | - | (29,000) | (29,000) | - | (29,000) |
| Net Change in Fund Balance | \$ (431,800) | 65,918 | (477,848) | (411,930) | \$ 19,870 | (123,589) |
| Fund Balance, beginning | | 682,857 | 594,173 | 1,277,030 | | 1,400,619 |
| Fund Balance, ending | | \$ 748,775 | \$ 116,325 | \$ 865,100 | | \$ 1,277,030 |

City and Borough of Wrangell, Alaska
Parks and Recreation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

| <i>Years Ended June 30,</i> | 2018 | | | | | | 2017 | |
|---------------------------------------------|----------------|------------------|--------------------------|---------------|----------------------|----------------|----------------------------|----------------|
| | Budget | Swimming Pool | Recreational Activity | Actual | | | Variance with Budget | Actual |
| | | | | Parks | Helping our Parks | Total | | |
| Revenues | | | | | | | | |
| User fees | \$ 66,500 | \$ 49,420 | \$ 22,527 | \$ 3,497 | \$ - | \$ 75,444 | \$ 8,944 | \$ 72,688 |
| Investment income | - | 38,750 | - | - | - | 38,750 | 38,750 | 48,130 |
| Donations | - | - | - | - | 4,380 | 4,380 | 4,380 | 11,045 |
| Other | 2,700 | 3,304 | - | - | - | 3,304 | 604 | 1,403 |
| State PERS relief | - | 4,487 | - | - | - | 4,487 | 4,487 | 4,785 |
| Total Revenues | 69,200 | 95,961 | 22,527 | 3,497 | 4,380 | 126,365 | 57,165 | 138,051 |
| Expenditures - parks and recreation: | | | | | | | | |
| Personnel services: | | | | | | | | |
| Salaries | 134,430 | 57,570 | 78,308 | 25,834 | - | 161,712 | (27,282) | 158,667 |
| Casual labor | 85,300 | 69,058 | - | - | - | 69,058 | 16,242 | 67,292 |
| Allocated salaries - public works | 4,500 | 9,435 | 220 | 743 | - | 10,398 | (5,898) | 1,026 |
| Employee benefits | - | 45,960 | 33,782 | 5,714 | - | 85,456 | (85,456) | 67,306 |
| Total personnel services | 224,230 | 182,023 | 112,310 | 32,291 | - | 326,624 | (102,394) | 294,291 |
| Contractual services: | | | | | | | | |
| Telephone and internet | 57,750 | 5,887 | 2,027 | - | - | 7,914 | 49,836 | 7,251 |
| Utilities | 66,500 | 109,100 | 7,750 | 10,966 | - | 127,816 | (61,316) | 60,801 |
| Travel and training | 6,000 | 4,586 | 307 | - | - | 4,893 | 1,107 | 4,015 |
| Insurance | 19,160 | 14,641 | 4,331 | 645 | - | 19,617 | (457) | 22,239 |
| Total contractual services | 149,410 | 134,214 | 14,415 | 11,611 | - | 160,240 | (10,830) | 94,306 |

City and Borough of Wrangell, Alaska
Parks and Recreation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual, continued

| <i>Years Ended June 30,</i> | 2018 | | | | | | | 2017 |
|--------------------------------------------------------|------------------|----------------|-----------------------|---------------|-------------------|---------------------|--------------------|---------------------|
| | Actual | | | | | | Variance with | |
| | Budget | Swimming Pool | Recreational Activity | Parks | Helping our Parks | Total | Budget | Actual |
| Expenditures - parks and recreation, continued: | | | | | | | | |
| Commodities: | | | | | | | | |
| Materials and supplies | \$ 32,000 | \$ 21,531 | \$ 11,831 | \$ 4,287 | \$ - | \$ 37,649 | \$ (5,649) | \$ 46,325 |
| Allocated vehicle charges - garage | - | - | - | - | - | - | - | 5,477 |
| Heating fuel | - | - | - | - | - | - | - | 45,696 |
| Vehicle maintenance | 10,000 | - | - | 9,544 | - | 9,544 | 456 | 1,748 |
| Chemicals | 15,000 | 16,582 | - | - | - | 16,582 | (1,582) | 12,594 |
| Health reports and permits | 2,860 | 1,049 | 490 | - | - | 1,539 | 1,321 | 1,091 |
| Publications | 2,700 | 935 | 939 | 761 | - | 2,635 | 65 | 1,880 |
| Capital outlay | - | 1,045 | - | - | - | 1,045 | (1,045) | 32,752 |
| Facility repair and maintenance | 52,000 | 19,811 | 11,307 | 7,722 | 13,500 | 52,340 | (340) | 33,042 |
| Total commodities | 114,560 | 60,953 | 24,567 | 22,314 | 13,500 | 121,334 | (6,774) | 180,605 |
| Total Expenditures | 488,200 | 377,190 | 151,292 | 66,216 | 13,500 | 608,198 | (119,998) | 569,202 |
| Excess of Revenues | | | | | | | | |
| Under Expenditures | (419,000) | (281,229) | (128,765) | (62,719) | (9,120) | (481,833) | (62,833) | (431,151) |
| Other Financing Sources - transfers in | 467,246 | 281,229 | 128,717 | 62,719 | - | 472,665 | 5,419 | 508,470 |
| Net Change in Fund Balance | \$ 48,246 | \$ - | \$ (48) | \$ - | \$ (9,120) | (9,168) | \$ (57,414) | 77,319 |
| Fund Balance, beginning | | | | | | 1,086,361 | | 1,009,042 |
| Fund Balance, ending | | | | | | \$ 1,077,193 | | \$ 1,086,361 |

City and Borough of Wrangell, Alaska
Nolan Center Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

| <i>Years Ended June 30,</i> | 2018 | | | | | | | | 2017 | |
|-------------------------------------------|----------------|----------------|---------------|---------------|----------------|--------------|-----------|----------------|------------------|----------------|
| | Actual | | | | | | | | Variance | |
| | Budget | Museum | Civic Center | Theater | Nolan Center | Grants | Barnes | Total | with Budget | Actual |
| Revenues | | | | | | | | | | |
| Admissions | \$ 80,000 | \$ 31,674 | \$ - | \$ 32,801 | \$ - | \$ - | \$ - | \$ 64,475 | \$ (15,525) | \$ 76,320 |
| Concessions | 120,000 | - | - | 27,699 | - | - | - | 27,699 | (92,301) | 34,188 |
| Museum gift store revenue | - | 66,536 | - | - | - | - | - | 66,536 | 66,536 | 70,043 |
| Donations and contributions | 100,000 | 6,000 | - | - | 141,032 | - | - | 147,032 | 47,032 | 212,967 |
| Rental revenue | 25,000 | - | 21,226 | - | - | - | - | 21,226 | (3,774) | 19,639 |
| Investment income | - | - | - | - | - | - | 29 | 29 | 29 | 40 |
| State PERS relief | - | - | - | - | 2,321 | - | - | 2,321 | 2,321 | 3,458 |
| Other grant revenue | 3,000 | - | - | - | - | 9,212 | - | 9,212 | 6,212 | 3,051 |
| Total Revenues | 328,000 | 104,210 | 21,226 | 60,500 | 143,353 | 9,212 | 29 | 338,530 | 10,530 | 419,706 |
| Expenditures - community services: | | | | | | | | | | |
| Personnel services: | | | | | | | | | | |
| Salaries | 88,190 | 9,001 | 59,552 | 16,714 | 61 | - | - | 85,328 | 2,862 | 92,476 |
| Casual labor | 56,310 | 62,229 | 11,382 | - | 11,423 | - | - | 85,034 | (28,724) | 55,269 |
| Employee benefits | - | 9,376 | 19,873 | 1,531 | - | - | - | 30,780 | (30,780) | 34,234 |
| Total personnel services | 144,500 | 80,606 | 90,807 | 18,245 | 11,484 | - | - | 201,142 | (56,642) | 181,979 |
| Contractual services: | | | | | | | | | | |
| Travel and training | 4,500 | 1,997 | 788 | - | - | - | - | 2,785 | 1,715 | 1,852 |
| Building maintenance and utilities | 109,000 | 72,041 | - | 8,462 | 130,922 | - | - | 211,425 | (102,425) | 190,705 |
| Allocated salaries - public works | - | - | - | - | 947 | - | - | 947 | (947) | 1,930 |
| Credit card costs | 3,000 | 2,377 | - | - | - | - | - | 2,377 | 623 | 2,326 |
| Total contractual services | 116,500 | 76,415 | 788 | 8,462 | 131,869 | - | - | 217,534 | (101,034) | 196,813 |

City and Borough of Wrangell, Alaska

Nolan Center Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual, continued

| <i>Years Ended June 30,</i> | 2018 | | | | | | | | 2017 | |
|----------------------------------------|------------------|-----------------|--------------|-------------------|--------------|-----------------|--------------|------------|--------------------|------------|
| | | Actual | | | | | | | Variance | |
| | Budget | Museum | Civic Center | Theater | Nolan Center | Grants | Barnes | Total | with Budget | Actual |
| Expenditures, continued | | | | | | | | | | |
| Commodities: | | | | | | | | | | |
| Materials and supplies | \$ 14,400 | \$ 3,555 | \$ 76,215 | \$ 253 | \$ - | \$ 5,201 | \$ - | \$ 85,224 | \$ (70,824) | \$ 62,640 |
| Books, subscriptions and dues | 41,000 | 43,278 | - | - | - | - | - | 43,278 | (2,278) | 41,717 |
| Publications and advertising | 20,800 | 286 | 5,763 | 2,518 | - | - | - | 8,567 | 12,233 | 9,239 |
| Concessions | 20,000 | - | - | 10,752 | - | - | - | 10,752 | 9,248 | 14,590 |
| Film costs | 30,000 | - | - | 21,395 | - | - | - | 21,395 | 8,605 | 23,979 |
| Postage | 300 | - | 70 | - | - | - | - | 70 | 230 | 58 |
| Equipment repairs and maintenance | 2,000 | - | - | - | - | - | - | - | 2,000 | 12,699 |
| Insurance on loaned artifacts | 500 | 512 | - | - | - | - | - | 512 | (12) | 291 |
| Total commodities | 129,000 | 47,631 | 82,048 | 34,918 | - | 5,201 | - | 169,798 | (40,798) | 165,213 |
| Total Expenditures | 390,000 | 204,652 | 173,643 | 61,625 | 143,353 | 5,201 | - | 588,474 | (198,474) | 544,005 |
| Excess of Revenues | | | | | | | | | | |
| Over (Under) Expenditures | (62,000) | (100,442) | (152,417) | (1,125) | - | 4,011 | 29 | (249,944) | (187,944) | (124,299) |
| Other Financing Sources - transfers in | 105,281 | 99,868 | 152,417 | - | - | - | - | 252,285 | 147,004 | 125,214 |
| Net Change in Fund Balance | <u>\$ 43,281</u> | <u>\$ (574)</u> | <u>\$ -</u> | <u>\$ (1,125)</u> | <u>\$ -</u> | <u>\$ 4,011</u> | <u>\$ 29</u> | 2,341 | <u>\$ (40,940)</u> | 915 |
| Fund Balance, beginning | | | | | | | | 189,967 | | 189,052 |
| Fund Balance, ending | | | | | | | | \$ 192,308 | | \$ 189,967 |

City and Borough of Wrangell, Alaska
Permanent Fund Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

| <i>Years Ended June 30,</i> | 2018 | | | 2017 |
|-------------------------------------------------|---------------------|---------------------|----------------------------|---------------------|
| | Budget | Actual | Variance with Budget | Actual |
| Revenues | | | | |
| Investment income | \$ 250,000 | \$ 578,163 | \$ 328,163 | \$ 590,202 |
| Land sales | - | - | - | 65,858 |
| Lease revenue | 16,440 | 16,440 | - | 31,440 |
| Total Revenues | 266,440 | 594,603 | 328,163 | 687,500 |
| Expenditures - community services: | | | | |
| Insurance | - | 4,228 | (4,228) | 2,400 |
| Other | - | - | - | 250 |
| Total Expenditures | - | 4,228 | (4,228) | 2,650 |
| Excess of Revenues Over Expenditures | 266,440 | 590,375 | 323,935 | 684,850 |
| Other Financing Uses - transfers out | (650,000) | (250,000) | 400,000 | (250,000) |
| Net Change in Fund Balance | \$ (383,560) | 340,375 | \$ 723,935 | 434,850 |
| Fund Balance, beginning | | 7,534,137 | | 7,099,287 |
| Fund Balance, ending | | \$ 7,874,512 | | \$ 7,534,137 |

City and Borough of Wrangell, Alaska
Secure Rural Schools Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

| <i>Years Ended June 30,</i> | 2018 | | | 2017 |
|-------------------------------------------------|-------------------------|----------------------------|----------------------------|----------------------------|
| | Budget | Actual | Variance with Budget | Actual |
| Revenues | | | | |
| Intergovernmental - national forest receipts \$ | 904,250 | \$ 890,217 | \$ (14,033) | \$ - |
| Investment income (loss) | 20,000 | 3,521 | (16,479) | (731) |
| Total Revenues | 924,250 | 893,738 | (30,512) | (731) |
| Expenditures - education - | | | | |
| contributions to school district | 848,488 | 848,488 | - | 848,488 |
| Excess of Revenues Over | | | | |
| (Under) Expenditures | 75,762 | 45,250 | (30,512) | (849,219) |
| Other Financing Uses - transfers out | (54,250) | (53,413) | 837 | - |
| Net Change in Fund Balance | <u>\$ 21,512</u> | (8,163) | <u>\$ (29,675)</u> | (849,219) |
| Fund Balance, beginning | | <u>3,278,861</u> | | <u>4,128,080</u> |
| Fund Balance, ending | | <u>\$ 3,270,698</u> | | <u>\$ 3,278,861</u> |

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Debt Service Fund

The Debt Service Fund accounts for the accumulation of monies for payments of various general obligation bonds. Servicing of this debt requires various annual and semi-annual payments of principal and interest. Financing is provided by transfers, determined annually by budget, from other funds, and by the State of Alaska debt reimbursement program.

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

| <i>Years Ended June 30,</i> | 2018 | | | 2017 |
|-----------------------------------------------------|------------------|------------------|----------------------------|------------------|
| | Budget | Actual | Variance with Budget | Actual |
| Revenues | | | | |
| Intergovernmental - State of Alaska | \$ 125,186 | \$ 165,246 | \$ 40,060 | \$ 138,014 |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | 230,000 | 230,000 | - | 265,000 |
| Interest | 37,325 | 37,325 | - | 46,100 |
| Total Expenditures | 267,325 | 267,325 | - | 311,100 |
| Excess of Revenues Over (Under) Expenditures | (142,139) | (102,079) | 40,060 | (173,086) |
| Other Financing Sources | | | | |
| Transfers in | 142,139 | 102,079 | (40,060) | 173,086 |
| Net Change in Fund Balance | \$ - | - | \$ - | - |
| Fund Balance, beginning | | - | | - |
| Fund Balance, ending | | \$ - | | \$ - |

Capital Project Funds

Residential Construction

This fund accounts for residential water, sewer, and street projects, which are financed by revenues derived from sales of residential property.

Industrial Construction

This fund accounts for industrial water, sewer, and street projects, which are financed by revenues derived from sales of industrial property.

Miscellaneous Capital Projects

This fund was established to account for various capital projects and equipment purchases. It is funded primarily by grants and operating transfers from other funds.

Economic Recovery

This fund was established to account for the funding and interest earnings associated with a U.S. Department of Agriculture grant for the purpose of economic assistance within the Borough.

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

| <i>Year Ended June 30, 2018</i> | Residential Construc- tion | Industrial Construc- tion | Misc- ellaneous | Economic Recovery | Totals |
|---------------------------------------------------------|----------------------------------|---------------------------------|--------------------|----------------------|--------------------|
| Revenues | | | | | |
| Intergovernmental | \$ - | \$ - | \$ 4,172 | \$ - | \$ 4,172 |
| Sales and leases | - | - | - | 950,000 | 950,000 |
| Land sales and improvements | 1,362 | 24,157 | - | - | 25,519 |
| Investment income (loss) | (112) | 4,662 | - | 1,453 | 6,003 |
| Total Revenues | 1,250 | 28,819 | 4,172 | 951,453 | 985,694 |
| Expenditures | | | | | |
| Miscellaneous capital projects | 800 | - | 138,783 | - | 139,583 |
| Compliance testing and other | - | 1,283 | - | - | 1,283 |
| Total Expenditures | 800 | 1,283 | 138,783 | - | 140,866 |
| Excess of Revenues Over (Under) Expenditures | 450 | 27,536 | (134,611) | 951,453 | 844,828 |
| Other Financing Sources | | | | | |
| Transfers in | - | - | 522,500 | - | 522,500 |
| Net Change in Fund Balances | 450 | 27,536 | 387,889 | 951,453 | 1,367,328 |
| Fund Balances (Deficits), beginning | (4,314) | 327,926 | (12,593) | 401,992 | 713,011 |
| Fund Balances (Deficits), ending | \$ (3,864) | \$ 355,462 | \$ 375,296 | \$1,353,445 | \$2,080,339 |

Enterprise Funds

Electric Utility

This fund accounts for the electric utility revenues and the associated costs of generation, distribution, and administration.

Water Utility

This fund accounts for the activities associated with operating the Borough water systems.

Sewer Utility

This fund accounts for the activities associated with operating the Borough's sewer system.

Sanitation Utility

This fund accounts for user fees for refuse collection and landfill operations for the residents of the Borough.

Port

This fund accounts for the activities of the municipal dock and boat harbors.

City and Borough of Wrangell, Alaska

Electric Utility Enterprise Fund

Statement of Net Position

| <i>June 30,</i> | 2018 | 2017 |
|--------------------------------------------------------|---------------------|---------------------|
| Assets and Deferred Outflows of Resources | | |
| Current Assets | | |
| Cash and investments | \$ 3,483,047 | \$ 2,547,668 |
| Receivables: | | |
| Accounts | 303,907 | 294,521 |
| Less allowance for doubtful accounts | (1,256) | (20,000) |
| Net receivables | 302,651 | 274,521 |
| Inventories | 172,477 | 146,564 |
| Total Current Assets | 3,958,175 | 2,968,753 |
| Property, Plant and Equipment | | |
| Land | 10,900 | 10,900 |
| Buildings | 478,535 | 478,535 |
| Improvements other than buildings | 2,280,655 | 2,265,907 |
| Equipment | 4,169,370 | 4,147,650 |
| Total property, plant and equipment | 6,939,460 | 6,902,992 |
| Less accumulated depreciation | (5,466,808) | (5,190,447) |
| Net Property, Plant and Equipment | 1,472,652 | 1,712,545 |
| Total Assets | 5,430,827 | 4,681,298 |
| Deferred Outflows of Resources | | |
| Related to pensions | 122,677 | 204,644 |
| Related to other postemployment benefits | 19,766 | 48,759 |
| Total Deferred Outflows of Resources | 142,443 | 253,403 |
| Total Assets and Deferred Outflows of Resources | \$ 5,573,270 | \$ 4,885,942 |

City and Borough of Wrangell, Alaska

Electric Utility Enterprise Fund
Statement of Net Position, continued

| <i>June 30,</i> | 2018 | 2017 |
|---------------------------------------------------------------------------|---------------------|---------------------|
| Liabilities, Deferred Inflows of Resources, and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 209,913 | \$ 224,583 |
| Accrued leave | 12,063 | 39,941 |
| Customer utility deposits | 96,685 | 86,867 |
| Total Current Liabilities | 318,661 | 351,391 |
| Long-term Liabilities | | |
| Net pension liability | 880,789 | 1,126,098 |
| Net other postemployment benefits liability | 109,904 | 189,252 |
| Total Long-term Liabilities | 990,693 | 1,315,350 |
| Total Liabilities | 1,309,354 | 1,477,489 |
| Deferred Inflows of Resources | | |
| Related to pensions | 86,539 | 14,875 |
| Related to other postemployment benefits | 54,122 | - |
| Total Deferred Inflows of Resources | 140,661 | 14,875 |
| Net Position | | |
| Net investment in capital assets | 1,472,652 | 1,712,545 |
| Unrestricted | 2,650,603 | 1,681,033 |
| Total Net Position | 4,123,255 | 3,393,578 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 5,573,270 | \$ 4,885,942 |

City and Borough of Wrangell, Alaska

Electric Utility Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|------------------------------------------------------|---------------------|---------------------|
| Operating Revenues | | |
| Residential | \$ 1,718,220 | \$ 1,688,621 |
| Commercial | 2,353,733 | 2,240,535 |
| Fuel surcharge | 91,688 | - |
| Labor charges | 533 | 6,850 |
| Other | 18,460 | 25,868 |
| Total Operating Revenues | 4,182,634 | 3,961,874 |
| Operating Expenses | | |
| Generation | 3,125,226 | 3,055,453 |
| Distribution | 454,932 | 629,140 |
| General and administrative | 165,182 | 130,492 |
| Depreciation | 276,361 | 286,663 |
| Total Operating Expenses | 4,021,701 | 4,101,748 |
| Income (Loss) from Operations | 160,933 | (139,874) |
| Nonoperating Revenues (Expenses) | | |
| Equipment and pole rental | (1,359) | 76,090 |
| Late fees | 22,398 | (12,161) |
| Investment income (loss) | 3,597 | (536) |
| Material sales | 11,066 | 11,684 |
| Interest expense | (1,946) | (2,137) |
| State PERS relief | 65,934 | 19,107 |
| SEAPA dividend | 609,547 | 274,436 |
| Net Nonoperating Revenues (Expenses) | 709,237 | 366,483 |
| Change in Net Position | 870,170 | 226,609 |
| Net Position, beginning, as restated (Note 2) | 3,253,085 | 3,166,969 |
| Net Position, ending | \$ 4,123,255 | \$ 3,393,578 |

City and Borough of Wrangell, Alaska

Electric Utility Enterprise Fund

Statement of Cash Flows

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|-----------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 4,804,028 | \$ 4,284,930 |
| Payments for interfund services used | (169,625) | (115,724) |
| Payments to suppliers | (3,009,668) | (2,763,480) |
| Payments to employees | (656,485) | (806,269) |
| Net cash flows from operating activities | 968,250 | 599,457 |
| Cash Flows for Capital and Related Financing Activities | | |
| Purchase of property, plant and equipment | (36,468) | (65,063) |
| Cash Flows from (for) Investing Activities | | |
| Investment income received (loss) | 3,597 | (536) |
| Net Increase in Cash and Investments | 935,379 | 531,721 |
| Cash and Investments, beginning | 2,547,668 | 2,015,947 |
| Cash and Investments, ending | \$ 3,483,047 | \$ 2,547,668 |
| Reconciliation of Income (Loss) from Operations to Net Cash | | |
| Flows from Operating Activities | | |
| Income (loss) from operations | \$ 160,933 | \$ (139,874) |
| Adjustments to reconcile income (loss) from operations to net cash flows from operating activities: | | |
| Depreciation | 276,361 | 286,663 |
| Noncash expense - PERS relief | 65,934 | 19,107 |
| Decrease in allowance for doubtful accounts | (18,744) | (113,000) |
| Miscellaneous nonoperating revenues | 639,706 | 350,049 |
| (Increase) decrease in assets: | | |
| Accounts receivable | (9,386) | 88,340 |
| Inventories | (25,913) | 16,256 |
| (Increase) decrease in deferred outflows related to pensions | 81,967 | (38,283) |
| Decrease in deferred outflows related to other postemployment benefits | 28,993 | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (14,670) | 58,452 |
| Accrued leave | (27,878) | 2,377 |
| Customer utility deposits | 9,818 | (2,333) |
| Net pension liability | (245,309) | 81,829 |
| Net other postemployment benefits liability | (79,348) | - |
| Increase (decrease) in deferred inflows related to pensions | 71,664 | (10,126) |
| Increase in deferred inflows related to other postemployment benefits | 54,122 | - |
| Net Cash Flows from Operating Activities | \$ 968,250 | \$ 599,457 |

City and Borough of Wrangell, Alaska

Electric Utility Enterprise Fund
Schedule of Operating Expenses

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|-----------------------------------------|---------------------|---------------------|
| Generation | | |
| Salaries | \$ 163,066 | \$ 191,718 |
| Overtime salaries | 591 | 4,350 |
| Employee benefits | 94,566 | 150,569 |
| Telephone | 6,078 | 3,732 |
| Utilities | 2,280 | 2,246 |
| Travel and training | 1,420 | 2,839 |
| Materials and supplies | 6,719 | 8,308 |
| Gas and oil | 222,460 | 9,473 |
| Diesel fuel | 17,349 | 11,033 |
| Tyee hydro power purchases | 2,582,294 | 2,655,257 |
| Repairs and maintenance | 9,590 | 1,996 |
| Allocated vehicle charges - garage | 13,751 | 11,397 |
| O.S.H.A. requirements | 5,062 | 2,535 |
| Total Generation | 3,125,226 | 3,055,453 |
| Distribution | | |
| Salaries | 272,670 | 304,767 |
| Overtime salaries | 15,811 | 18,742 |
| Employee benefits | 59,926 | 191,027 |
| Allocated salaries - public works | 2,676 | 3,937 |
| Telephone | - | 2,493 |
| Utilities | 1,017 | 983 |
| Travel and training | 9,791 | 4,803 |
| Materials and supplies | 54,530 | 55,858 |
| Meters | 15,057 | 12,228 |
| Repairs and maintenance | (9,319) | 3,202 |
| Transformers | - | 775 |
| Allocated vehicle charges - garage | 32,773 | 30,325 |
| Total Distribution | 454,932 | 629,140 |
| General and Administrative | | |
| Allocated overhead - finance | 70,000 | 70,065 |
| Allocated salaries - public works | 50,425 | - |
| Professional services | 13,400 | 11,744 |
| Travel and training | 936 | - |
| Insurance | 16,555 | 9,395 |
| Credit card expense | 13,866 | 39,288 |
| Total General and Administrative | 165,182 | 130,492 |
| Depreciation | 276,361 | 286,663 |
| Total Operating Expenses | \$ 4,021,701 | \$ 4,101,748 |

City and Borough of Wrangell, Alaska

Water Utility Enterprise Fund

Statement of Net Position

| <i>June 30,</i> | 2018 | 2017 |
|--------------------------------------------------------|---------------------|---------------------|
| Assets and Deferred Outflows of Resources | | |
| Current Assets | | |
| Cash and investments | \$ 274,055 | \$ 291,501 |
| Receivables: | | |
| Accounts | 39,829 | 39,555 |
| Grants | - | 540 |
| Accrued interest | 31 | 31 |
| Total receivables | 39,860 | 40,126 |
| Total Current Assets | 313,915 | 331,627 |
| Restricted Cash and Investments | | |
| Bond redemption reserve | 25,286 | 25,159 |
| ADEC loan | 642,929 | 641,543 |
| Total Restricted Cash and Investments | 668,215 | 666,702 |
| Property, Plant and Equipment | | |
| Buildings | 5,128,436 | 5,128,436 |
| Improvements other than buildings | 11,862,986 | 11,862,986 |
| Equipment | 137,233 | 137,233 |
| Construction in progress | 24,225 | 5,733 |
| Total property, plant and equipment | 17,152,880 | 17,134,388 |
| Less accumulated depreciation | (11,727,868) | (11,075,935) |
| Net Property, Plant and Equipment | 5,425,012 | 6,058,453 |
| Total Assets | 6,407,142 | 7,056,782 |
| Deferred Outflows of Resources | | |
| Related to pensions | 19,053 | 34,359 |
| Related to other postemployment benefits | 3,691 | - |
| Total Deferred Outflows of Resources | 22,744 | 34,359 |
| Total Assets and Deferred Outflows of Resources | \$ 6,429,886 | \$ 7,091,141 |

City and Borough of Wrangell, Alaska

Water Utility Enterprise Fund
Statement of Net Position, continued

| <i>June 30,</i> | 2018 | 2017 |
|---------------------------------------------------------------------------|---------------------|---------------------|
| Liabilities, Deferred Inflows of Resources, and Net Position | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 1,731 | \$ 27,541 |
| Accrued leave | 17,295 | 13,728 |
| Customer utility deposits | 10,820 | 9,945 |
| Accrued interest payable | 2,507 | 2,507 |
| Current portion: | | |
| Revenue bonds | 5,684 | 5,416 |
| ADEC loan | 86,056 | 84,784 |
| Total Current Liabilities | 124,093 | 143,921 |
| Long-term Liabilities | | |
| Revenue bonds, net of current portion | 171,846 | 177,530 |
| ADEC loan, net of current portion | 176,004 | 262,060 |
| Net pension liability | 143,261 | 189,068 |
| Net other postemployment benefits liability | 20,523 | - |
| Total Long-term Liabilities | 511,634 | 628,658 |
| Total Liabilities | 635,727 | 772,579 |
| Deferred Inflows of Resources | | |
| Related to pensions | 15,879 | 2,497 |
| Related to other postemployment benefits | 10,107 | - |
| Total Deferred Inflows of Resources | 25,986 | 2,497 |
| Net Position | | |
| Net investment in capital assets | 4,985,422 | 5,528,663 |
| Unrestricted | 782,751 | 787,402 |
| Total Net Position | 5,768,173 | 6,316,065 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 6,429,886 | \$ 7,091,141 |

City and Borough of Wrangell, Alaska

Water Utility Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|------------------------------------------------------|---------------------|---------------------|
| Operating Revenues | | |
| Water sales | \$ 705,825 | \$ 627,336 |
| Operating Expenses | | |
| Salaries | 104,656 | 96,790 |
| Overtime salaries | 14,898 | 20,779 |
| Employee benefits | 37,176 | 111,939 |
| Allocated salaries - public works | 96,039 | 89,282 |
| Allocated overhead - finance | 23,000 | 22,802 |
| Telephone | 1,154 | 2,847 |
| Travel and training | 1,801 | 1,297 |
| Materials and supplies | 32,153 | 30,491 |
| Chlorination - electricity | 208,023 | 124,252 |
| Repairs and maintenance | 114,669 | 272,961 |
| Allocated vehicle charges - garage | - | 26,439 |
| Professional services | 3,650 | 27,574 |
| Insurance | 7,423 | 4,212 |
| Credit card expense | 1,981 | 4,355 |
| Depreciation | 651,933 | 667,280 |
| Total Operating Expenses | 1,298,556 | 1,503,300 |
| Loss from Operations | (592,731) | (875,964) |
| Nonoperating Revenues (Expenses) | | |
| Fire hydrant rental | 39,750 | 42,112 |
| Investment income | 1,851 | 1,318 |
| Material sales | 350 | - |
| Interest expense | (14,057) | (14,860) |
| Noncapital grant revenue | 39,428 | 77,670 |
| State PERS relief | 3,752 | 3,208 |
| Net Nonoperating Revenues (Expenses) | 71,074 | 109,448 |
| Loss before capital contributions | (521,657) | (766,516) |
| Capital contributions | - | 280,359 |
| Change in Net Position | (521,657) | (486,157) |
| Net Position, beginning, as restated (Note 2) | 6,289,830 | 6,802,222 |
| Net Position, ending | \$ 5,768,173 | \$ 6,316,065 |

City and Borough of Wrangell, Alaska

Water Utility Enterprise Fund

Statement of Cash Flows

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|----------------------------------------------------------------------------|------------|------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 786,494 | \$ 782,672 |
| Payments for interfund services used | (119,039) | (138,523) |
| Payments to suppliers | (396,664) | (451,861) |
| Payments to employees | (165,826) | (173,017) |
| Net cash flows from operating activities | 104,965 | 19,271 |
| Cash Flows for Capital and Related Financing Activities | | |
| Purchase of property, plant and equipment | (18,492) | (481,278) |
| Principal payments on revenue bonds | (5,416) | (5,162) |
| Principal payments on loan | (84,784) | (83,531) |
| Interest payments on bonds and loan | (14,057) | (15,565) |
| Capital contributions received | - | 280,359 |
| Net cash flows for capital and related financing activities | (122,749) | (305,177) |
| Cash Flows from Investing Activities | | |
| Investment income received | 1,851 | 1,344 |
| Net Decrease in Cash and Investments | (15,933) | (284,562) |
| Cash and Investments, beginning | 958,203 | 1,242,765 |
| Cash and Investments, ending | \$ 942,270 | \$ 958,203 |
| Reconciliation of Cash and Investments to Statement of Net Position | | |
| Cash and investments: | | |
| Current assets | \$ 274,055 | \$ 291,501 |
| Restricted assets | 668,215 | 666,702 |
| Total Cash and Investments | \$ 942,270 | \$ 958,203 |

City and Borough of Wrangell, Alaska

Water Utility Enterprise Fund
Statement of Cash Flows, continued

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|-----------------------------------------------------------------------------------------------|-------------------|------------------|
| Reconciliation of Loss from Operations to Net Cash | | |
| Flows from Operating Activities | | |
| Loss from operations | \$ (592,731) | \$ (875,964) |
| Adjustments to reconcile loss from operations to net cash flows from operating activities: | | |
| Depreciation | 651,933 | 667,280 |
| Noncash expense - PERS relief | 3,752 | 3,208 |
| Miscellaneous nonoperating revenues | 79,528 | 119,782 |
| (Increase) decrease in assets: | | |
| Accounts receivable | (274) | 12,517 |
| Noncapital grants receivable | 540 | 22,637 |
| (Increase) decrease in deferred outflows related to pensions | 15,306 | (12,041) |
| Increase in deferred outflows related to other postemployment benefits | 5,414 | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (25,810) | 16,128 |
| Accrued leave | 3,567 | 7,291 |
| Customer utility deposits | 875 | 400 |
| Net pension liability | (45,807) | 56,895 |
| Net other postemployment benefits liability | (14,817) | - |
| Increase in deferred inflows related to pensions | 13,382 | 1,138 |
| Increase in deferred inflows related to other postemployment benefits | 10,107 | - |
| Net Cash Flows from Operating Activities | \$ 104,965 | \$ 19,271 |

City and Borough of Wrangell, Alaska

Sewer Utility Enterprise Fund

Statement of Net Position

| <i>June 30,</i> | 2018 | 2017 |
|--------------------------------------------------------|---------------------|---------------------|
| Assets and Deferred Outflows of Resources | | |
| Current Assets | | |
| Cash and investments | \$ 623,012 | \$ 578,190 |
| Receivables: | | |
| Accounts | 37,888 | 39,230 |
| Accrued interest | 6 | 256 |
| Total receivables | 37,894 | 39,486 |
| Total Current Assets | 660,906 | 617,676 |
| Restricted Cash and Investments | | |
| Bond redemption reserve | 74,665 | 74,456 |
| Property, Plant and Equipment | | |
| Buildings | 2,233,579 | 2,233,579 |
| Improvements other than buildings | 10,122,946 | 10,122,946 |
| Equipment | 195,001 | 154,807 |
| Total property, plant and equipment | 12,551,526 | 12,511,332 |
| Less accumulated depreciation | (9,336,851) | (8,983,784) |
| Net Property, Plant and Equipment | 3,214,675 | 3,527,548 |
| Total Assets | 3,950,246 | 4,219,680 |
| Deferred Outflows of Resources | | |
| Related to pensions | 25,692 | 52,506 |
| Related to other postemployment benefits | 6,466 | - |
| Total Deferred Outflows of Resources | 32,158 | 52,506 |
| Total Assets and Deferred Outflows of Resources | \$ 3,982,404 | \$ 4,272,186 |

City and Borough of Wrangell, Alaska

Sewer Utility Enterprise Fund
Statement of Net Position, continued

| <i>June 30,</i> | 2018 | 2017 |
|---------------------------------------------------------------------------|---------------------|---------------------|
| Liabilities, Deferred Inflows of Resources, and Net Position | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 96,519 | \$ 51,522 |
| Accrued leave | 15,231 | 18,532 |
| Accrued interest payable | 1,687 | 1,687 |
| Current portion - USDA Rural Development loan | 1,591 | 1,561 |
| Current portion - revenue bonds | - | 5,416 |
| Total Current Liabilities | 115,028 | 78,718 |
| Long-term Liabilities | | |
| USDA Rural Development loan, net of current portion | 87,069 | 88,669 |
| Revenue bonds, net of current portion | - | 177,544 |
| Net pension liability | 208,677 | 288,925 |
| Net other postemployment benefits liability | 35,953 | - |
| Total Long-term Liabilities | 331,699 | 555,138 |
| Total Liabilities | 446,727 | 633,856 |
| Deferred Inflows of Resources | | |
| Related to pensions | 27,260 | 3,816 |
| Related to other postemployment benefits | 17,705 | - |
| Total Deferred Inflows of Resources | 44,965 | 3,816 |
| Net Position | | |
| Net investment in capital assets | 3,126,015 | 3,254,358 |
| Unrestricted | 364,697 | 380,156 |
| Total Net Position | 3,490,712 | 3,634,514 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 3,982,404 | \$ 4,272,186 |

City and Borough of Wrangell, Alaska
Sewer Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|-----------------------------------------------------|---------------------|---------------------|
| Operating Revenues | | |
| Sewer charges | \$ 593,042 | \$ 571,573 |
| Labor charges | 1,100 | 10,718 |
| Total Operating Revenues | 594,142 | 582,291 |
| Operating Expenses | | |
| Collection and treatment | 303,678 | 415,348 |
| General and administrative | 31,648 | 30,695 |
| Depreciation | 353,067 | 352,164 |
| Total Operating Expenses | 688,393 | 798,207 |
| Loss from Operations | (94,251) | (215,916) |
| Nonoperating Revenues (Expenses) | | |
| Material sales | 60 | 100 |
| Investment income | 916 | 39 |
| State PERS relief | 6,573 | 4,902 |
| Other revenue | 561 | 500 |
| Interest expense | (11,702) | (9,966) |
| Net Nonoperating Revenues (Expenses) | (3,592) | (4,425) |
| Loss before capital contributions | (97,843) | (220,341) |
| Capital contributions | - | 175,322 |
| Change in Net Position | (97,843) | (45,019) |
| Net Position, beginning as restated (Note 2) | 3,588,555 | 3,679,533 |
| Net Position, ending | \$ 3,490,712 | \$ 3,634,514 |

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City and Borough of Wrangell, Alaska

Sewer Utility Enterprise Fund
Statement of Cash Flows

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|----------------------------------------------------------------------------|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 596,105 | \$ 595,306 |
| Payments for interfund services used | (56,133) | (74,608) |
| Payments to suppliers | (77,357) | (60,903) |
| Payments to employees | (182,324) | (196,528) |
| Net cash flows from operating activities | 280,291 | 263,267 |
| Cash Flows from (for) Capital and Related Financing Activities | | |
| Purchase of property, plant and equipment | (40,194) | (45,905) |
| Proceeds from issuance of USDA Rural Development loan | - | 91,000 |
| Principal payments on USDA Rural Development loan | (1,570) | (770) |
| Principal payments on revenue bonds | (182,960) | (5,161) |
| Interest payments on long-term debt | (11,702) | (9,962) |
| Capital contributions received | - | 175,322 |
| Net cash flows from (for) capital and related financing activities | (236,426) | 204,524 |
| Cash Flows from (for) Investing Activities | | |
| Investment income received (loss) | 1,166 | (182) |
| Net Increase in Cash and Investments | 45,031 | 467,609 |
| Cash and Investments, beginning | 652,646 | 185,037 |
| Cash and Investments, ending | \$ 697,677 | \$ 652,646 |
| Reconciliation of Cash and Investments to Statement of Net Position | | |
| Cash and investments: | | |
| Current assets | \$ 623,012 | \$ 578,190 |
| Restricted assets | 74,665 | 74,456 |
| Total Cash and Investments | \$ 697,677 | \$ 652,646 |

City and Borough of Wrangell, Alaska

Sewer Utility Enterprise Fund
Statement of Cash Flows, continued

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|-----------------------------------------------------------------------------------------------|-------------------|-------------------|
| Reconciliation of Loss from Operations to Net Cash | | |
| Flows from Operating Activities | | |
| Loss from operations | \$ (94,251) | \$ (215,916) |
| Adjustments to reconcile loss from operations to net cash flows from operating activities: | | |
| Depreciation | 353,067 | 352,164 |
| Noncash expense - PERS relief | 6,573 | 4,902 |
| Miscellaneous nonoperating revenues | 621 | 600 |
| Decrease in assets - accounts receivable | 1,342 | 12,415 |
| (Increase) decrease in deferred outflows related to pensions | 26,814 | (16,237) |
| Decrease in deferred outflows related to other postemployment benefits | 9,485 | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 44,997 | 49,241 |
| Accrued leave | (3,301) | 2,660 |
| Net pension liability | (80,248) | 72,294 |
| Net other postemployment benefits liability | (25,957) | - |
| Increase in deferred inflows related to pensions | 23,444 | 1,144 |
| Increase in deferred inflows related to other postemployment benefits | 17,705 | - |
| Net Cash Flows from Operating Activities | \$ 280,291 | \$ 263,267 |

City and Borough of Wrangell, Alaska

Sewer Utility Enterprise Fund
Schedule of Operating Expenses

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|-----------------------------------------|-------------------|-------------------|
| Collection and Treatment | | |
| Salaries | \$ 110,094 | \$ 116,830 |
| Overtime salaries | 8,014 | 11,625 |
| Employee benefits | 38,731 | 132,836 |
| Allocated salaries - public works | 24,295 | 26,266 |
| Telephone | 5,009 | 3,320 |
| Utilities | 57,578 | 53,294 |
| Travel and training | 1,022 | 215 |
| Materials and supplies | 14,781 | 12,340 |
| Fuel oil | - | 429 |
| Facilities repairs and maintenance | 12,706 | 13,685 |
| Systems repairs and maintenance | 13,271 | 4,938 |
| Allocated vehicle charges - garage | 10,838 | 30,118 |
| Compliance testing | 7,339 | 9,452 |
| Total Collection and Treatment | 303,678 | 415,348 |
| General and Administrative | | |
| Allocated overhead - finance | 21,000 | 18,059 |
| Professional services | 5,800 | 5,291 |
| Insurance | 2,867 | 1,627 |
| Repairs and maintenance | - | 1,420 |
| Allocated vehicle charges - garage | - | 165 |
| Credit card expense | 1,981 | 4,133 |
| Total General and Administrative | 31,648 | 30,695 |
| Depreciation | 353,067 | 352,164 |
| Total Operating Expenses | \$ 688,393 | \$ 798,207 |

City and Borough of Wrangell, Alaska

Sanitation Utility Enterprise Fund

Statement of Net Position

| <i>June 30,</i> | 2018 | 2017 |
|---------------------------------------------------------------------------|-------------------|-------------------|
| Assets and Deferred Outflows of Resources | | |
| Current Assets | | |
| Cash and investments | \$ 96,886 | \$ 205,233 |
| Accounts receivable | 33,008 | 35,988 |
| Total Current Assets | 129,894 | 241,221 |
| Property, Plant and Equipment | | |
| Buildings | 982,637 | 982,635 |
| Equipment | 552,402 | 468,482 |
| Total property, plant and equipment | 1,535,039 | 1,451,117 |
| Less accumulated depreciation | (928,186) | (949,842) |
| Net Property, Plant and Equipment | 606,853 | 501,275 |
| Total Assets | 736,747 | 742,496 |
| Deferred Outflows of Resources | | |
| Related to pensions | 17,860 | 37,420 |
| Related to other postemployment benefits | 4,716 | - |
| Total Deferred Outflows of Resources | 22,576 | 37,420 |
| Total Assets and Deferred Outflows of Resources | \$ 759,323 | \$ 779,916 |
| Liabilities, Deferred Inflows of Resources, and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 22,675 | \$ 38,794 |
| Accrued leave | 6,284 | 5,014 |
| Total Current Liabilities | 28,959 | 43,808 |
| Long-term Liabilities | | |
| Net pension liability | 147,376 | 205,914 |
| Net other postemployment benefits liability | 26,226 | - |
| Total Long-term Liabilities | 173,602 | 205,914 |
| Total Liabilities | 202,561 | 249,722 |
| Deferred Inflows of Resources | | |
| Related to pensions | 19,821 | 2,720 |
| Related to other postemployment benefits | 12,915 | - |
| Total Deferred Inflows of Resources | 32,736 | 2,720 |
| Net Position | | |
| Net investment in capital assets | 606,853 | 501,275 |
| Unrestricted (deficit) | (82,827) | 26,199 |
| Total Net Position | 524,026 | 527,474 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 759,323 | \$ 779,916 |

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

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|-----------------------------------------------------|------------|------------|
| Operating Revenues | | |
| User fees | \$ 589,310 | \$ 587,399 |
| Operating Expenses | | |
| Collection | 116,011 | 146,617 |
| Landfill | 357,310 | 384,762 |
| General and administrative | 11,741 | 12,247 |
| Depreciation | 76,132 | 66,792 |
| Total Operating Expenses | 561,194 | 610,418 |
| Income (Loss) from Operations | 28,116 | (23,019) |
| Nonoperating Revenues | | |
| State PERS relief | 4,795 | 3,494 |
| Loss on disposal of assets | (2,972) | - |
| Investment income (loss) | 139 | (54) |
| Net Nonoperating Revenues | 1,962 | 3,440 |
| Change in Net Position | 30,078 | (19,579) |
| Net Position, beginning as restated (Note 2) | 493,948 | 547,053 |
| Net Position, ending | \$ 524,026 | \$ 527,474 |

City and Borough of Wrangell, Alaska

Sanitation Utility Enterprise Fund

Statement of Cash Flows

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|-----------------------------------------------------------------------------------------------------|------------|-------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 592,290 | \$ 598,787 |
| Payments for interfund services used | (83,747) | (90,674) |
| Payments to suppliers | (262,616) | (234,459) |
| Payments to employees | (169,733) | (172,927) |
| Net cash flows from operating activities | 76,194 | 100,727 |
| Cash Flows for Capital and Related Financing Activities | | |
| Purchase of property plant and equipment | (184,680) | (5,943) |
| Cash Flows from (for) Investing Activities | | |
| Investment income received (loss) | 139 | (54) |
| Net Increase (Decrease) in Cash and Investments | (108,347) | 94,730 |
| Cash and Investments, beginning | 205,233 | 110,503 |
| Cash and Investments, ending | \$ 96,886 | \$ 205,233 |
| Reconciliation of Income (Loss) from Operations to Net Cash | | |
| Flows from Operating Activities | | |
| Income (loss) from operations | \$ 28,116 | \$ (23,019) |
| Adjustments to reconcile income (loss) from operations to net cash flows from operating activities: | | |
| Depreciation | 76,132 | 66,792 |
| Noncash expense - PERS relief | 4,795 | 3,494 |
| Decrease in assets - accounts receivable | 2,980 | 11,388 |
| (Increase) decrease in deferred outflows related to pensions | 19,560 | (7,879) |
| Increase in deferred outflows related to other postemployment benefits | 6,919 | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (16,119) | 20,745 |
| Accrued leave | 1,270 | 1,676 |
| Net pension liability | (58,538) | 27,485 |
| Net other postemployment benefits liability | (18,935) | - |
| Increase in deferred inflows related to pensions | 17,101 | 45 |
| Increase in deferred inflows related to other postemployment benefits | 12,913 | - |
| Net Cash Flows from Operating Activities | \$ 76,194 | \$ 100,727 |

City and Borough of Wrangell, Alaska

Sanitation Utility Enterprise Fund

Schedule of Operating Expenses

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|-----------------------------------------|-------------------|-------------------|
| Collection | | |
| Salaries | \$ 43,847 | \$ 44,614 |
| Overtime salaries | 1,290 | 342 |
| Employee benefits | 13,857 | 57,844 |
| Allocated salaries - public works | 3,067 | 5,802 |
| Materials and supplies | 17,051 | 1,613 |
| Allocated vehicle charges - garage | 36,899 | 36,402 |
| Total Collection | 116,011 | 146,617 |
| Landfill | | |
| Salaries | 50,994 | 46,443 |
| Overtime salaries | 2,019 | 1,838 |
| Employee benefits | 42,811 | 46,667 |
| Allocated salaries - public works | 18,237 | 17,736 |
| Telephone | 1,261 | 1,245 |
| Utilities | 8,437 | 8,823 |
| Travel and training | - | 186 |
| Monitoring and testing | 1,018 | 3,758 |
| Disposal costs | 204,405 | 193,690 |
| Hazardous waste | 381 | 26,881 |
| Materials and supplies | 5,431 | 4,249 |
| Repairs and maintenance | 2,672 | 4,374 |
| Professional services | 1,300 | 456 |
| Allocated vehicle charges - garage | 18,344 | 24,096 |
| Equipment rental | - | 4,320 |
| Total Landfill | 357,310 | 384,762 |
| General and Administrative | | |
| Allocated overhead - finance | 7,200 | 6,638 |
| Insurance | 2,560 | 1,452 |
| Credit card expense | 1,981 | 4,157 |
| Total General and Administrative | 11,741 | 12,247 |
| Depreciation | 76,132 | 66,792 |
| Total Operating Expenses | \$ 561,194 | \$ 610,418 |

City and Borough of Wrangell, Alaska

Port Enterprise Fund
Statement of Net Position

| <i>June 30,</i> | 2018 | 2017 |
|--------------------------------------------------------|----------------------|----------------------|
| Assets and Deferred Outflows of Resources | | |
| Current Assets | | |
| Cash and investments | \$ 4,588,186 | \$ 4,170,602 |
| Receivables: | | |
| Accounts | 156,729 | 140,155 |
| Grants | - | 98,119 |
| Accrued interest | 162 | 162 |
| Less allowance for doubtful accounts | (23,000) | (23,000) |
| Net receivables | 133,891 | 215,436 |
| Total Current Assets | 4,722,077 | 4,386,038 |
| Restricted Cash and Investments - harbor improvements | 1,841,946 | 1,838,900 |
| Property, Plant and Equipment | | |
| Land | 948,333 | 948,333 |
| Harbor floats, docks and improvements | 34,166,723 | 33,757,983 |
| Travel lift | 18,391,507 | 18,391,507 |
| Gridiron | 154,636 | 154,636 |
| Buildings | 222,466 | 222,466 |
| Equipment | 306,510 | 306,510 |
| Paving | 2,530,923 | 2,530,923 |
| Construction in progress | 845,128 | 1,535,166 |
| Total property, plant and equipment | 57,566,226 | 57,847,524 |
| Less accumulated depreciation | (23,963,328) | (22,656,665) |
| Net Property, Plant and Equipment | 33,602,898 | 35,190,859 |
| Total Assets | 40,166,921 | 41,415,797 |
| Deferred Outflows of Resources | | |
| Related to pensions | 66,257 | 127,506 |
| Related to other postemployment benefits | 14,770 | - |
| Total Deferred Outflows of Resources | 81,027 | 127,506 |
| Total Assets and Deferred Outflows of Resources | \$ 40,247,948 | \$ 41,543,303 |

City and Borough of Wrangell, Alaska

Port Enterprise Fund
Statement of Net Position, continued

| <i>June 30,</i> | 2018 | 2017 |
|---------------------------------------------------------------------------|----------------------|----------------------|
| Liabilities, Deferred Inflows of Resources, and Net Position | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 18,389 | \$ 109,485 |
| Accrued leave | 22,803 | 21,398 |
| Unearned revenue | 1,426,494 | 1,372,549 |
| Interfund loans | 16,848 | 23,509 |
| Total Current Liabilities | 1,484,534 | 1,526,941 |
| Long-term Liabilities | | |
| Interfund loans, net of current portion | 85,298 | 118,994 |
| Net pension liability | 518,324 | 701,629 |
| Net other postemployment benefits liability | 82,125 | - |
| Total Long-term Liabilities | 685,747 | 820,623 |
| Total Liabilities | 2,170,281 | 2,347,564 |
| Deferred Inflows of Resources | | |
| Related to pensions | 62,819 | 9,268 |
| Related to other postemployment benefits | 40,443 | - |
| Total Deferred Inflows of Resources | 103,262 | 9,268 |
| Net Position | | |
| Net investment in capital assets | 33,602,898 | 35,190,859 |
| Unrestricted | 4,371,507 | 3,995,612 |
| Total Net Position | 37,974,405 | 39,186,471 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 40,247,948 | \$ 41,543,303 |

City and Borough of Wrangell, Alaska

Port Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|-----------------------------------------------------|----------------------|----------------------|
| Operating Revenues | | |
| Municipal dock: | | |
| Storage fees | \$ 101,297 | \$ 92,045 |
| Wharfage fees | 31,438 | 40,434 |
| Dockage fees | 67,311 | 42,999 |
| Port development fees | 33,694 | 23,585 |
| Transient fees | 247 | 10,762 |
| Total municipal dock | 233,987 | 209,825 |
| Small boat harbor: | | |
| Stall rentals and transient fees | 706,001 | 763,737 |
| Penalties and late fees | 17,720 | 12,595 |
| Materials sales | 6,375 | 29,000 |
| Other revenues | 19,342 | 54,683 |
| Total small boat harbor | 749,438 | 860,015 |
| Travel lift: | | |
| Lift fees | 185,402 | 186,359 |
| Storage fees | 225,458 | 156,308 |
| Electric revenues | 15,514 | 15,972 |
| Total travel lift | 426,374 | 358,639 |
| Total Operating Revenues | 1,409,799 | 1,428,479 |
| Operating Expenses | | |
| Municipal dock | 91,944 | 136,651 |
| Small boat harbor | 362,071 | 460,787 |
| Travel lift | 384,485 | 459,739 |
| General and administrative | 112,472 | 123,275 |
| Depreciation | 1,898,130 | 1,924,260 |
| Total Operating Expenses | 2,849,102 | 3,104,712 |
| Loss from Operations | (1,439,303) | (1,676,233) |
| Nonoperating Revenues (Expenses) | | |
| Investment income | 8,595 | 5,012 |
| State PERS relief | 15,014 | 11,904 |
| State raw fish tax | 314,455 | 233,563 |
| State fisheries business tax | - | 12,453 |
| Loss on disposal of assets | (186,779) | - |
| Net Nonoperating Revenues (Expenses) | 151,285 | 262,933 |
| Loss before capital contributions | (1,288,018) | (1,413,300) |
| Capital contributions | 180,934 | 193,579 |
| Change in Net Position | (1,107,084) | (1,219,721) |
| Net Position, beginning as restated (Note 2) | 39,081,489 | 40,406,192 |
| Net Position, ending | \$ 37,974,405 | \$ 39,186,471 |

City and Borough of Wrangell, Alaska

Port Enterprise Fund
Statement of Cash Flows

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|--------------------------------------------------------------------------------------------|----------------|----------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 1,359,529 | \$ 1,386,888 |
| Payments for interfund services used | (83,117) | (84,097) |
| Payments to suppliers | (392,776) | (307,176) |
| Payments to employees | (615,445) | (602,450) |
| Net cash flows from operating activities | 268,191 | 393,166 |
| Cash Flows from Noncapital Financing Activities | | |
| State fish taxes received | 314,455 | 246,016 |
| Cash Flows for Capital and Related Financing Activities | | |
| Purchase of property, plant and equipment | (409,307) | (342,731) |
| Principal payments on loan payable to other fund | (40,357) | (35,301) |
| Capital contributions received | 279,053 | 156,470 |
| Net cash flows for capital and related financing activities | (170,611) | (221,562) |
| Cash Flows from Investing Activities | | |
| Investment income received | 8,595 | 5,000 |
| Net Increase in Cash and Investments | 420,630 | 422,620 |
| Cash and Investments, beginning | 6,009,502 | 5,586,882 |
| Cash and Investments, ending | \$ 6,430,132 | \$ 6,009,502 |
| Reconciliation of Cash and Investments to Statement of Net Position | | |
| Cash and investments: | | |
| Current assets | \$ 4,588,186 | \$ 4,170,602 |
| Restricted assets | 1,841,946 | 1,838,900 |
| Total Cash and Investments | \$ 6,430,132 | \$ 6,009,502 |
| Reconciliation of Loss from Operations to Net Cash | | |
| Flows from Operating Activities | | |
| Loss from operations | \$ (1,439,303) | \$ (1,676,233) |
| Adjustments to reconcile loss from operations to net cash flows from operating activities: | | |
| Depreciation | 1,898,130 | 1,924,260 |
| Noncash expense - PERS relief | 15,014 | 11,904 |
| Increase in assets - accounts receivable | (16,574) | (41,591) |
| (Increase) decrease in deferred outflows related to pensions | 61,249 | (29,096) |
| Increase in deferred outflows related to other postemployment benefits | 21,665 | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (91,096) | 93,746 |
| Accrued leave | 1,405 | 2,392 |
| Unearned revenue | (33,696) | - |
| Net pension liability | (183,305) | 107,388 |
| Net other postemployment benefits liability | (59,292) | - |
| Increase in deferred inflows related to pensions | 53,551 | 395 |
| Increase in deferred inflows related to other postemployment benefits | 40,443 | - |
| Net Cash Flows from Operating Activities | \$ 268,191 | \$ 393,166 |

City and Borough of Wrangell, Alaska

Port Enterprise Fund
Schedule of Operating Expenses

| <i>Years Ended June 30,</i> | 2018 | 2017 |
|-----------------------------------------|---------------------|---------------------|
| Municipal Dock | | |
| Salaries | \$ 45,710 | \$ 63,319 |
| Employee benefits | 27,235 | 20,161 |
| Materials and supplies | 3,730 | 2,649 |
| Insurance | 14,538 | 8,250 |
| Utilities | 7,161 | 7,075 |
| Capital expenditures | (17,707) | 13,661 |
| Allocated vehicle charges - garage | 1,188 | 993 |
| Repairs and maintenance | 10,089 | 20,543 |
| Total Municipal Dock | 91,944 | 136,651 |
| Small Boat Harbor | | |
| Salaries | 143,354 | 156,829 |
| Employee benefits | 57,942 | 121,358 |
| Allocated salaries - public works | 4,125 | 2,203 |
| Materials and supplies | 12,359 | 16,024 |
| Insurance | 3,174 | 1,801 |
| Utilities | 102,079 | 96,013 |
| Repairs and maintenance | 28,842 | 60,633 |
| Allocated vehicle charges - garage | 10,196 | 5,001 |
| Miscellaneous expense | - | 925 |
| Total Small Boat Harbor | 362,071 | 460,787 |
| Travel Lift | | |
| Salaries | 187,419 | 131,772 |
| Overtime salaries | 16,305 | 13,111 |
| Employee benefits | 88,210 | 188,883 |
| Materials and supplies | 8,366 | 40,193 |
| Insurance | 27,643 | 15,687 |
| Utilities | 24,447 | 33,368 |
| Allocated vehicle charges - garage | 12,584 | 22,298 |
| Repairs and maintenance | 19,511 | 14,427 |
| Total Travel Lift | 384,485 | 459,739 |
| General and Administrative | | |
| Allocated overhead - finance | 24,000 | 28,142 |
| Travel and training | 6,020 | 10,709 |
| Professional services | 9,508 | 11,714 |
| Telephone | 6,655 | 6,498 |
| Materials and supplies | 4,851 | 6,589 |
| Allocated vehicle charges - garage | 31,024 | 25,460 |
| Insurance | 2,252 | 1,278 |
| Repairs and maintenance | 1,033 | 179 |
| Credit card expense | 17,210 | 16,359 |
| Compliance testing | - | 6,409 |
| Publications | 9,919 | 9,938 |
| Total General and Administrative | 112,472 | 123,275 |
| Depreciation | 1,898,130 | 1,924,260 |
| Total Operating Expenses | \$ 2,849,102 | \$ 3,104,712 |

City and Borough of Wrangell, Alaska
Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2018

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass- Through Entity Identifying Number | Provided to Subrecipients | Total Federal Expenditures |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------------------------------|---------------------------------|----------------------------------|
| Department of Agriculture | | | | |
| Passed through State of Alaska Department of Commerce, Community, and Economic Development - Forest Service Schools and Roads Cluster - School and Roads - Grants to States - National Forest Receipts | 10.665 | N/A | \$ - | \$ 901,901 |
| Department of the Interior | | | | |
| Payments in Lieu of Taxes | 15.226 | | - | 450,546 |
| Department of Homeland Security | | | | |
| Passed through State of Alaska Department of Military and Veteran Affairs - Homeland Security Grant Program - 911 System Replacement | 97.067 | 20SHSP-GY15 | - | 24,500 |
| Institute of Museum and Library Services | | | | |
| Passed through Wrangell Cooperative Association - Native American and Native Hawaiian Library Services - IMLS Library Grant | 45.311 | JG-01-13-0078-13 | - | 7,000 |
| Total Expenditures of Federal Awards | | | \$ - | \$ 1,383,947 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

City and Borough of Wrangell, Alaska

Notes to Schedules of Expenditures of Federal Awards *For the Year Ended June 30, 2018*

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City and Borough of Wrangell, Alaska under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City and Borough of Wrangell, Alaska, it is not intended to and does not present the financial position, changes in net position, or cash flows of City and Borough of Wrangell, Alaska.

2. Summary of Significant Accounting Principles

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

3. Indirect Cost Rate

The City and Borough of Wrangell, Alaska has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

4. National Forest Receipts

In accordance with the provisions of GASB Statement Number 33, National Forest Receipts are recorded directly to revenue and any unspent amounts are reported as restricted fund balance. The unspent balance reported in the Secure Rural Schools Special Revenue Fund includes interest earnings as well as unspent grant proceeds. At June 30, 2018, there were no unspent interest earnings and unspent grant funds were \$3,270,698.

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Single Audit Reports



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

Honorable Mayor and Borough Assembly
City and Borough of Wrangell, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Wrangell as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City and Borough of Wrangell's basic financial statements and have issued our report thereon dated July 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City and Borough of Wrangell'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 and Borough of Wrangell's internal control. Accordingly, we do not express an opinion on the effectiveness of City and Borough of Wrangell'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City and Borough of Wrangell'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 and Borough of Wrangell's Response to Finding

City and Borough of Wrangell's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City and Borough of Wrangell's response was not subjected to the auditing procedures applied in the audit of the basic 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
July 24, 2019



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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 Borough Assembly
City and Borough of Wrangell, Alaska

Report on Compliance for Each Major Federal Program

We have audited City and Borough of Wrangell'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 City and Borough of Wrangell's major federal programs for the year ended June 30, 2018. City and Borough of Wrangell's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City and Borough of Wrangell's basic financial statements include the operations of the Wrangell Public Schools and Wrangell Medical Center, governmental discretely presented component units. Our audit, described below, did not include the operations of Wrangell Public Schools and Wrangell Medical Center because they were subjected to separate audits. Neither Wrangell Public Schools nor Wrangell Medical Center met the threshold for an audit in accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City and Borough of Wrangell'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 City and Borough of Wrangell'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 City and Borough of Wrangell's compliance.

Opinion on Each Major Federal Program

In our opinion, City and Borough of Wrangell complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of City and Borough of Wrangell 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 and Borough of Wrangell'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 City and Borough of Wrangell'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-002 that we consider to be a material weakness.

City and Borough of Wrangell's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City and Borough of Wrangell's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
July 24, 2019

City and Borough of Wrangell, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

| <i>CFDA Number</i> | <i>Name of Federal Program or Cluster</i> | <i>Agency</i> |
|--------------------|-------------------------------------------|---------------------------|
| 10.665 | Forest Service Schools and Roads Cluster | Department of Agriculture |

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

Auditee qualified as low-risk auditee? X yes no

City and Borough of Wrangell, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2018

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

Finding 2018-001 General Ledger Reconciliation and External Financial Reporting - Internal Control over Financial Reporting - Material Weakness

Criteria *Government Accounting Standards* states management is responsible for establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; using resources efficiently; economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that financial information is reliable and properly reported. Internal controls over financial reporting should allow management to prevent or detect and correct misstatements on a timely basis.

Condition There were material adjustments made to the general ledger and the financial statements during the course of the audit. Specifically, adjustments were required to properly state opening net position, ending capital assets, depreciation expense, loss on disposal of capital assets, customer accounts receivable, deferred inflows of resources and tax revenues, intergovernmental revenue and receivables, and PERS on-behalf revenue and expense.

Cause Internal controls were not established and functioning properly to ensure that all general ledger accounts were properly reconciled and adjusted at year-end for GAAP based reporting.

Effect or Potential Effect Individual accounts were misstated, requiring entries to be made to net position, capital assets, accumulated depreciation, depreciation expense, loss on disposal of capital assets, customer accounts receivables, utility revenue, deferred inflows of resources, tax revenue, intergovernmental revenue, intergovernmental receivables, PERS on-behalf revenue and expense.

Recommendation Borough staff must closely review the activity in the general ledger. Information should be reviewed for completeness and accuracy. Year-end balance should be reviewed prior to closing of the books.

Views of Responsible Officials Management concurs with the findings. Refer to the corrective action plan.

City and Borough of Wrangell, Alaska
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2018

| |
|------------------------------------------------------------------|
| Section III - Federal Award Findings and Questioned Costs |
|------------------------------------------------------------------|

| | |
|------------------|-------------------------------------------------------------------------------------------|
| Finding 2018-002 | Material Weakness in Internal Control over Compliance, Material Noncompliance - Reporting |
|------------------|-------------------------------------------------------------------------------------------|

| | |
|--------|---------------------------|
| Agency | Department of Agriculture |
|--------|---------------------------|

| | |
|------|-----|
| FAIN | N/A |
|------|-----|

| | |
|---------------------|-----------------------------------------------------------------------------|
| Pass-Through Entity | State of Alaska Department of Commerce, Community, and Economic Development |
|---------------------|-----------------------------------------------------------------------------|

| | |
|----------------------------------------|-----|
| Pass-Through Entity Identifying Number | N/A |
|----------------------------------------|-----|

| | |
|------|--------|
| CFDA | 10.665 |
|------|--------|

| | |
|---------|------------------------------------------|
| Program | Forest Service Schools and Roads Cluster |
|---------|------------------------------------------|

| | |
|------------|---------|
| Award Year | FY 2018 |
|------------|---------|

| | |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| <i>Criteria or Specific Requirements</i> | The Borough is required to submit the single audit report and Form SF-SAC within nine months of the fiscal year end. |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------|

| | |
|------------------|--------------------------------------------------------------------------------|
| <i>Condition</i> | The Form SF-SAC for the fiscal year ended June 30, 2018 was not filed on time. |
|------------------|--------------------------------------------------------------------------------|

| | |
|--------------|--------------------------------------------------------------------------------------------------------|
| <i>Cause</i> | The audit was not completed in time to file the form, due to a delay in closing the books and records. |
|--------------|--------------------------------------------------------------------------------------------------------|

| | |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Effect or Potential Effect</i> | The Schedule of Expenditures of Federal Awards were not available in a timely manner in order to allow for timely submission of Form SF-SAC. |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|

| | |
|-------------------------|-------|
| <i>Questioned costs</i> | None. |
|-------------------------|-------|

| | |
|----------------|--------------------------------------------------------------------------------------------------------------------------------|
| <i>Context</i> | The Form SF-SAC is due nine months after the fiscal year end. The form for the fiscal year ended June 30, 2018 was filed late. |
|----------------|--------------------------------------------------------------------------------------------------------------------------------|

| | |
|-----------------------|-------------------------------------------------------------|
| <i>Recommendation</i> | We recommend the Form SF-SAC is filed timely in the future. |
|-----------------------|-------------------------------------------------------------|

| | |
|---------------------------------------|----------------------------------------------------------------------------|
| <i>Views of Responsible Officials</i> | Management concurs with the findings. Refer to the corrective action plan. |
|---------------------------------------|----------------------------------------------------------------------------|

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City and Borough of Wrangell Single Audit Responses
(Unaudited)



CITY AND BOROUGH OF WRANGELL

INCORPORATED MAY 30, 2008

P.O. BOX 531 (907)-874-2381
Wrangell, AK 99929 FAX (907)-874-3952

City and Borough of Wrangell, Alaska

Summary Schedule of Prior Audit Findings Year Ended June 30, 2018

Financial Statement Findings

Finding 2017-001 **Approved Timesheets - Internal Control over Financial Reporting
- Significant Deficiency**

Finding During entity wide test of controls over payroll transactions, 4 instances out of 40 transactions were noted in which payroll transactions were not supported by signed and approved timesheets. Internal controls related to payroll expense supporting documentation and review were not functioning properly.

Status Finding resolved in 2018.

Federal Award Findings and Questioned Costs

Finding 2017-002 **Activities Allowed or Unallowed - Approved Timesheets - Internal Control over Compliance - Significant Deficiency**

Agency Department of the Interior
Program 15.226 Payment in Lieu of Taxes
Award No. N/A

Finding During entity wide test of controls over payroll transactions, 4 instances out of 40 transactions were noted in which payroll transactions were not supported by signed and approved timesheets. Internal controls related to payroll expense supporting documentation and review were not functioning properly.

Status Finding resolved in 2018.



CITY AND BOROUGH OF WRANGELL

INCORPORATED MAY 30, 2008

P.O. BOX 531 (907)-874-2381
Wrangell, AK 99929 FAX (907)-874-3952

City and Borough of Wrangell, Alaska

Corrective Action Plan Year Ended June 30, 2018

Name of Contact Person Lee Burgess
Finance Director
lbjurgess@wrangell.com
907-874-2381

Finding 2018-001 - General Ledger Reconciliation and External Financial Reporting - Internal Control over Financial Reporting - Material Weakness

Corrective Action Plan

Numerous software, procedural and organization changes, limited technical support, and unusually significant departmental turnover within a short period of time contributed to staff difficulties providing the necessary amount of review and accuracy in certain areas. All department staff would benefit from significant additional training in new software systems and tools and improved technical and software support.

Planned Corrective Action

Staff will pursue training and improve skills in using new software systems. Staff will strongly pursue additional technical support to address weaknesses in knowledge, skills, and to complete the implementation of new software that has taken more than two years to complete.

Expected Completion Date

Currently in process in fiscal year 2019.

Finding 2018-002 - Material Weakness in Internal Control over Compliance, Material Noncompliance - Reporting

Corrective Action Plan

Numerous software, procedural and organization changes, limited technical support, and unusually significant departmental turnover within a short period of time contributed to staff difficulties providing the necessary amount of review and accuracy in certain areas. All department staff would benefit from significant additional training in new software systems and tools and improved technical and software support.

Planned Corrective Action

Staff will pursue training and improve skills in using new software systems. Staff will strongly pursue additional technical support to address weaknesses in knowledge, skills, and to complete the implementation of new software that has taken more than two years to complete.