



Bristol Bay Borough, Alaska

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

Bristol Bay Borough, Alaska

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

Bristol Bay Borough, Alaska

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Independent Auditor's Report

Honorable Mayor and Borough Assembly
Bristol Bay Borough
Naknek, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Bristol Bay 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 did not audit the financial statements of the Bristol Bay Borough School District, a component unit of the reporting entity. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Bristol Bay Borough School District is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, based on our audit and the report of other auditors, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Bristol Bay Borough, 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.

Emphasis of Matter

As discussed in Note 12 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 50-51, and the Schedules of Net Pension and OPEB Liability and Pension and OPEB Contributions on pages 52-55 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 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 Bristol Bay Borough's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform*

Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the Schedule of State Financial Assistance is required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits.

The accompanying supplementary 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 audit 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 accompanying 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 Bristol Bay Borough as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated March 30, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information. The 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 individual fund financial statements and schedules have 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 basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 March 29, 2019 on our consideration of Bristol Bay Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Bristol Bay Borough'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 Bristol Bay Borough's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
March 29, 2019

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Basic Financial Statements

Bristol Bay Borough, Alaska

Statement of Net Position

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bristol Bay Borough School District
<i>June 30, 2018</i>				
Assets and Deferred Outflows of Resources				
Assets				
Cash and investments	\$ 14,739,093	\$ 4,201,739	\$ 18,940,832	\$ 973,182
Receivables, net of allowance for doubtful accounts	1,344,624	1,440,533	2,785,157	187,015
Prepaid expenses	-	-	-	34,939
Inventory	-	-	-	13,651
Capital assets not being depreciated - land and construction in progress	47,733	1,589,120	1,636,853	-
Other capital assets, net of accumulated depreciation	44,419,370	26,312,652	70,732,022	117,188
Total Assets	60,550,820	33,544,044	94,094,864	1,325,975
Deferred Outflows of Resources				
Related to pensions	438,406	47,157	485,563	148,114
Related to other postemployment benefits	104,853	10,394	115,247	47,212
Total Deferred Inflows of Resources	543,259	57,551	600,810	195,326
Total Assets and Deferred Outflows of Resources	\$ 61,094,079	\$ 33,601,595	\$ 94,695,674	\$ 1,521,301

Bristol Bay Borough, Alaska
Statement of Net Position, continued

<i>June 30, 2018</i>	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bristol Bay Borough School District
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities				
Accounts payable	\$ 289,882	\$ 95,844	\$ 385,726	\$ 28,897
Accrued payroll and benefits	39,838	42,753	82,591	118,269
Accrued interest payable	3,771	-	3,771	-
Due to student groups	-	-	-	188,154
Noncurrent liabilities:				
Due within one year:				
ADEC loans	94,396	-	94,396	-
Capital lease	-	127,837	127,837	-
Due in more than one year:				
ADEC loans	235,915	-	235,915	-
Accrued leave	162,898	15,519	178,417	-
Capital lease	-	270,431	270,431	-
Landfill closure liability	175,377	-	175,377	-
Net pension liability	3,770,686	391,654	4,162,340	1,273,179
Net other postemployment benefits liability	608,742	60,685	669,427	151,957
Total Liabilities	5,381,505	1,004,723	6,386,228	1,760,456
Deferred Inflows of Resources				
Property taxes received in advance	426,113	-	426,113	-
Related to pensions	612,718	61,256	673,974	332,492
Related to other postemployment benefits	375,659	37,448	413,107	143,613
Total Deferred Inflows of Resources	1,414,490	98,704	1,513,194	476,105
Total Liabilities and Deferred Inflows of Resources	6,795,995	1,103,427	7,899,422	2,236,561
Net Position				
Net investment in capital assets	44,136,792	27,503,504	71,640,296	117,188
Restricted	-	-	-	318
Unrestricted (deficit)	10,161,292	4,994,664	15,155,956	(832,766)
Total Net Position (Deficit)	54,298,084	32,498,168	86,796,252	(715,260)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 61,094,079	\$ 33,601,595	\$ 94,695,674	\$ 1,521,301

See accompanying notes to basic financial statements.

Bristol Bay Borough, Alaska

Statement of Activities

Year Ended June 30, 2018	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Primary Government			Component Unit
					Govern- mental Activities	Business- type Activities	Total	Bristol Bay Borough School District
Primary Government								
Governmental Activities:								
General government	\$ 1,597,595	\$ (72,819)	\$ 47,089	\$ -	\$ (1,623,325)	\$ -	\$ (1,623,325)	\$
Public safety	1,874,766	305,325	185,990	-	(1,383,451)	-	(1,383,451)	
Public service	2,209,896	80,165	1,359,930	-	(769,801)	-	(769,801)	
Public works	669,504	-	24,358	-	(645,146)	-	(645,146)	
Education	3,602,179	-	-	2,513,331	(1,088,848)	-	(1,088,848)	
Parks and recreation	491,728	7,632	5,064	-	(479,032)	-	(479,032)	
Solid waste	656,763	247,155	6,299	1,589,334	1,186,025	-	1,186,025	
Sewer	1,413,509	396,083	16,705	-	(1,000,721)	-	(1,000,721)	
Total governmental activities	12,515,940	963,541	1,645,435	4,102,665	(5,804,299)	-	(5,804,299)	
Business-type Activities -								
Port of Bristol Bay	2,670,625	2,680,481	11,157	-	-	21,013	21,013	
Total Primary Government	\$ 15,186,565	\$ 3,644,022	\$ 1,656,592	\$ 4,102,665	(5,804,299)	21,013	(5,783,286)	

Bristol Bay Borough, Alaska
Statement of Activities, continued

<i>Year Ended June 30, 2018</i>	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Primary Government		Total	Component Unit
					Govern- mental Activities	Business- type Activities		Bristol Bay Borough School District
Component Unit								
Bristol Bay Borough								
School District	\$ 3,840,930	\$ 26,770	\$ 1,074,060	\$ -			(2,740,100)	
General Revenues								
Taxes:								
Sales taxes				1,799,474	-	1,799,474	-	
Property taxes				4,683,768	-	4,683,768	-	
Motor vehicle taxes				81,649	-	81,649	-	
Transient taxes				128,922	-	128,922	-	
Local aircraft tax				18,120	-	18,120	-	
Grants and entitlements not restricted to a specific purpose				3,247,051	-	3,247,051	1,238,823	
Borough appropriations and in-kind services				-	-	-	1,693,900	
E-rate				-	-	-	381,805	
Investment income				5,890	-	5,890	27	
Other				11,313	-	11,313	54,201	
Total General Revenues				9,976,187	-	9,976,187	3,368,756	
Change in Net Position				4,171,888	21,013	4,192,901	628,656	
Net Position, beginning, as restated (Note 11)				50,126,196	32,477,155	82,603,351	(1,343,916)	
Net Position (Deficit), ending				\$ 54,298,084	\$ 32,498,168	\$ 86,796,252	\$ (715,260)	

See accompanying notes to basic financial statements.

Bristol Bay Borough, Alaska

Governmental Funds
Balance Sheet

	Major Funds						Nonmajor Funds	Total Govern- mental Funds
	General	Sewer Special Revenue	Land Sales Special Revenue	Homeland Security Special Revenue	Wastewater Upgrades and Relocation Capital Project			
<i>June 30, 2018</i>								
Assets								
Cash and investments	\$ 10,980,880	\$ -	\$ 2,519,329	\$ -	\$ -	\$ 1,238,884	\$ 14,739,093	
Receivables, net of allowance for doubtful accounts	528,776	186,179	28,452	157,076	398,541	45,600	1,344,624	
Due from other funds	698,979	-	-	-	-	12,573	711,552	
Total Assets	\$ 12,208,635	\$ 186,179	\$ 2,547,781	\$ 157,076	\$ 398,541	\$ 1,297,057	\$ 16,795,269	
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts payable	\$ 213,232	\$ 28,037	\$ -	\$ -	\$ -	\$ 48,613	\$ 289,882	
Accrued payroll and benefits	25,924	7,984	-	-	-	5,930	39,838	
Due to other funds	-	150,158	-	157,076	398,541	5,777	711,552	
Total Liabilities	239,156	186,179	-	157,076	398,541	60,320	1,041,272	

Bristol Bay Borough, Alaska
Governmental Funds
Balance Sheet, continued

	Major Funds						Nonmajor Funds	Total Govern- mental Funds
	General	Sewer Special Revenue	Land Sales Special Revenue	Homeland Security Special Revenue	Wastewater Upgrades and Relocation Capital Project			
<i>June 30, 2018</i>								
Deferred Inflows of Resources								
Property taxes received in advance	426,113	-	-	-	-	-	-	426,113
Delinquent property taxes	1,336	-	-	-	-	-	-	1,336
Land sales receivables	-	-	28,452	-	-	-	-	28,452
Total Deferred Inflows of Resources	427,449	-	28,452	-	-	-	-	455,901
Total Liabilities and Deferred Inflows of Resources	666,605	186,179	28,452	157,076	398,541	60,320		1,497,173
Fund Balances								
Assigned:								
Land sales	-	-	2,519,329	-	-	-	-	2,519,329
Library	-	-	-	-	-	-	1,542	1,542
Capital projects	-	-	-	-	-	-	1,237,342	1,237,342
Unassigned (deficit)	11,542,030	-	-	-	-	-	(2,147)	11,539,883
Total Fund Balances	11,542,030	-	2,519,329	-	-	-	1,236,737	15,298,096
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,208,635	\$ 186,179	\$ 2,547,781	\$ 157,076	\$ 398,541	\$ 1,297,057		\$ 16,795,269

See accompanying notes to basic financial statements.

Bristol Bay Borough, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2018

Total fund balances for governmental funds		\$ 15,298,096
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	\$ 47,733	
Buildings	32,166,795	
Improvements other than buildings	44,380,747	
Machinery and equipment	7,886,481	
Infrastructure	6,954,540	
Software	106,045	
Accumulated depreciation	<u>(47,075,238)</u>	
Total capital assets		<u>44,467,103</u>
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	1,336	
Land sales receivables	<u>28,452</u>	
Total long-term assets		<u>29,788</u>
Long-term liabilities, including loans payable and net pension liability, are not due and payable in the current period and are therefore not reported as fund liabilities. These liabilities consist of:		
Loans payable	(330,311)	
Accrued interest payable	(3,771)	
Net pension liability	(3,770,686)	
Net OPEB liability	(608,742)	
Landfill closure liability	(175,377)	
Accrued leave	<u>(162,898)</u>	
Total long-term liabilities		<u>(5,051,785)</u>
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows related to pensions	438,406	
Deferred outflows related to OPEB	104,853	
Deferred inflows related to pensions	(612,718)	
Deferred inflows related to OPEB	<u>(375,659)</u>	
		<u>(445,118)</u>
Total Net Position of Governmental Activities		<u>\$ 54,298,084</u>

See accompanying notes to basic financial statements.

Bristol Bay Borough, Alaska

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2018	Major Funds					Nonmajor Funds	Total Govern- mental Funds
	General	Sewer Special Revenue	Land Sales Special Revenue	Homeland Security Special Revenue	Wastewater Upgrades and Relocation Capital Project		
Revenues							
Taxes	\$ 6,711,933	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,711,933
State of Alaska	5,967,063	7,328	-	157,076	1,589,334	31,451	7,752,252
Federal government	163,710	-	-	-	-	1,335,874	1,499,584
Charges for services	102,383	396,083	-	-	-	247,155	745,621
Investment income	5,890	-	-	-	-	-	5,890
Other	11,313	-	1,871	-	-	41	13,225
Total Revenues	12,962,292	403,411	1,871	157,076	1,589,334	1,614,521	16,728,505
Expenditures							
Current:							
General government	1,607,581	-	-	-	-	-	1,607,581
Public safety	1,697,279	-	-	157,076	-	9,968	1,864,323
Public service	900,936	-	-	-	-	1,335,874	2,236,810
Public works	1,473,094	-	-	-	-	-	1,473,094
Education	5,285,401	-	-	-	-	16,559	5,301,960
Parks and recreation	436,537	-	-	-	-	-	436,537
Solid waste	-	-	-	-	-	752,434	752,434
Sewer	-	768,356	-	-	-	-	768,356
Debt service:							
Principal	93,695	-	-	-	-	-	93,695
Interest	6,360	-	-	-	-	-	6,360
Capital outlay	-	-	-	-	1,869,805	59,561	1,929,366
Total Expenditures	11,500,883	768,356	-	157,076	1,869,805	2,174,396	16,470,516
Excess of revenues over (under) expenditures	1,461,409	(364,945)	1,871	-	(280,471)	(559,875)	257,989
Other Financing Sources (Uses)							
Transfers in	-	364,945	-	-	21,469	970,724	1,357,138
Transfers out	(1,357,138)	-	-	-	-	-	(1,357,138)
Net Other Financing Sources (Uses)	(1,357,138)	364,945	-	-	21,469	970,724	-
Net change in fund balances	104,271	-	1,871	-	(259,002)	410,849	257,989
Fund Balances, beginning	11,437,759	-	2,517,458	-	259,002	825,888	15,040,107
Fund Balances, ending	\$ 11,542,030	\$ -	\$ 2,519,329	\$ -	\$ -	\$ 1,236,737	\$ 15,298,096

See accompanying notes to basic financial statements.

Bristol Bay Borough, Alaska

**Reconciliation of the Changes in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended June 30, 2018**

Net change in fund balances - total governmental funds	\$ 257,989
The change in net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlay of \$5,916,797 exceeded depreciation of \$2,368,093.	3,548,704
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 decrease in deferred taxes and land sales receivables.	(74,690)
Governmental funds report long-term debt principal payments as expenditures. However, on the government-wide statements, they are a reduction of long-term liabilities, and therefore are not reported as expenses. This is the amount of principal payments on long-term debt.	93,695
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	
Increase in landfill closure liability	(37,333)
Decrease in accrued leave	9,204
Decrease in accrued interest	930
Decrease in net pension liability and related accounts	301,743
Decrease in net other postemployment benefits liability and related deferred outflows and inflows of resources	71,646
Change in Net Position of Governmental Activities	\$ 4,171,888

See accompanying notes to basic financial statements.

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Bristol Bay Borough, Alaska
Port of Bristol Bay Enterprise Fund
Statement of Net Position

June 30, 2018

Assets and Deferred Outflows of Resources

Current Assets

Cash and investments	\$ 4,201,739
Receivables:	
Accounts	1,496,667
Allowance for doubtful accounts	(56,134)

Total Current Assets 5,642,272

Property, Plant and Equipment

Land	751,100
Buildings	237,591
Improvements other than buildings	27,724,161
Machinery and equipment	7,681,724
Construction in progress	838,020

Total property, plant and equipment 37,232,596

Accumulated depreciation (9,330,824)

Net Property, Plant and Equipment 27,901,772

Total Assets 33,544,044

Deferred Outflows of Resources

Related to pensions	47,157
Related to other postemployment benefits	10,394

Total Deferred Outflows of Resources 57,551

Total Assets and Deferred Outflows of Resources \$ 33,601,595

Bristol Bay Borough, Alaska
Port of Bristol Bay Enterprise Fund
Statement of Net Position, continued

June 30, 2018

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities

Current Liabilities

Accounts payable	\$	95,844
Accrued payroll and benefits		42,753
Current portion of capital lease		127,837

Total Current Liabilities 266,434

Noncurrent Liabilities - due in more than one year

Accrued leave	15,519
Capital lease	270,431
Net pension liability	391,654
Net other postemployment benefits liability	60,685

Total Liabilities 1,004,723

Deferred Inflows of Resources

Related to pensions	61,256
Related to other postemployment benefits	37,448

Total Deferred Inflows of Resources 98,704

Net Position

Net investment in capital assets	27,503,504
Unrestricted	4,994,664

Total Net Position 32,498,168

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 33,601,595

See accompanying notes to basic financial statements.

Bristol Bay Borough, Alaska
Port of Bristol Bay Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018

Operating Revenues	
Charges for services	\$ 2,680,481
Operating Expenses	
Personnel services	1,161,361
Materials and supplies	112,918
Dock repairs and maintenance	41,243
Other repairs and maintenance	184,779
Utilities	53,844
Freight	11,248
Contractual services	12,549
Training and travel	4,352
Lease	72,386
Insurance	37,576
Depreciation	951,888
Other	6,666
Total Operating Expenses	2,650,810
Income from operations	29,671
Nonoperating Revenues (Expenses)	
State PERS relief	11,157
Interest expense	(19,815)
Net Nonoperating Revenues (Expenses)	(8,658)
Change in net position	21,013
Net Position, beginning as restated (Note 11)	32,477,155
Net Position, ending	\$ 32,498,168

See accompanying notes to basic financial statements.

Bristol Bay Borough, Alaska
Port of Bristol Bay Enterprise Fund
Statement of Cash Flows

Year Ended June 30, 2018

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 2,634,661
Payments to suppliers	(557,841)
Payments to employees	(1,185,646)
Net cash flows from operating activities	891,174
Cash Flows for Capital and Related Financing Activities	
Acquisition of property, plant and equipment	(177,823)
Principal payments on capital lease	(123,157)
Interest payments on capital lease	(19,815)
Net cash flows for capital and related financing activities	(320,795)
Net increase in cash and investments	570,379
Cash and Investments, beginning	3,631,360
Cash and Investments, ending	\$ 4,201,739
Reconciliation of Income from Operations to Net Cash Flows from Operating Activities	
Income from operations	\$ 29,671
Adjustments to reconcile income from operations to net cash flows from operating activities:	
Depreciation	951,888
Noncash expense - PERS relief	11,157
(Increase) decrease in assets and deferred outflows of resources:	
Receivables	(45,820)
Deferred outflows related to pensions	73,363
Deferred outflows related to other postemployment benefits	4,355
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	(20,280)
Accrued payroll and benefits	5,191
Accrued leave	(3,411)
Net pension liability	(268,196)
Net other postemployment benefits liability	60,685
Deferred inflows related to pensions	55,123
Deferred inflows related to other postemployment benefits	37,448
Net Cash Flows from Operating Activities	\$ 891,174

See accompanying notes to basic financial statements.

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements
Year Ended June 30, 2018

1. Summary of Significant Accounting Policies

Reporting Entity

The Bristol Bay Borough was incorporated on October 2, 1962. The Borough operates under an Assembly-Manager form of government and provides a full range of services including public safety, streets, sanitation, sewer, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present Bristol Bay Borough (the primary government) and its component unit, Bristol Bay Borough School District. Bristol Bay Borough School District is included in the Borough's reporting entity because of the significance of its operational or financial relationship with the Borough.

The component unit column in the basic financial statements includes the financial data of the School District. It is discretely presented in a separate column to emphasize that it is legally separate from the Borough.

Bristol Bay Borough School District is responsible for elementary and secondary education within the Borough. The members of the School Board are elected by the voters; however, the School District is fiscally dependent upon the Borough because the Borough Assembly approves the total annual budget of the School District, levies the necessary taxes, and provides significant operating subsidies to the School District.

Complete financial statements of the individual component unit can be obtained from its administrative offices at: Bristol Bay Borough School District, P.O. Box 169, Naknek, Alaska, 99633.

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

Government-Wide and Fund Financial Statements

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

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

Bristol Bay Borough, Alaska

Notes to Basic Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers all revenues except grant reimbursements to be available if they are collected within 60 days after year-end. Grant reimbursements are considered available if they are collected within one year after year-end. 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, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the government.

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

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 *Sewer Special Revenue Fund* accounts for the activities related to the Borough's sewer utility.

The *Land Sales Special Revenue Fund* accounts for the activities related to the Borough's land sales.

The *Homeland Security Special Revenue Fund* accounts for the activities related to the Borough's security and emergency management.

The *Wastewater Upgrades and Relocation Capital Project Fund* accounts for the activities related to the Borough's relocation and upgrades to its sewer utility.

Major proprietary fund:

The *Port of Bristol Bay Enterprise Fund* accounts for activities related to the dock facilities.

Bristol Bay Borough, Alaska

Notes to Basic Financial Statements

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 fund 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 of the Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund 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 most of the Borough's cash and investments to maximize interest income. Any investment earnings are retained in the General Fund where not prohibited by law. The School District maintains separate cash accounts.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the enterprise fund considers all equity in central treasury 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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both government-wide and fund financial statements.

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."

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

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 OPEB related transactions.

Capital Assets

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

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:

Buildings	25 - 30 years
Improvements other than buildings	15 - 30 years
Machinery and equipment	3 - 15 years
Infrastructure	50 years
Software	15 years

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.

Compensated Absences

The Borough allows employees to accumulate earned but unused leave benefits. All leave 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).

Long-term Liabilities

In the government-wide and the proprietary fund financial statements, long-term debt and other long-

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position.

Deferred Inflows of Resources

A deferred inflow of resources is an item that will result in a future increase or acquisition of net position. 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 OPEB related transactions. Those items deferred under modified accrual in the governmental funds as “unavailable” are reversed to revenue at the full-accrual level.

Budgetary Accounting

An operating budget is adopted each fiscal year for the General Fund and some Special Revenue Funds 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 departmental 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 amendments made during the year. A budget was not adopted for the Land Sales and Homeland Security Special Revenue Funds therefore, the required budgetary schedules have been omitted.

Fund Balances

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

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

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

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the Borough Assembly—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Borough 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

Bristol Bay Borough, Alaska

Notes to Basic Financial Statements

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 may 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 (deficits) 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 the expenditure of monies 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.

Grants and Intergovernmental Revenues

In applying the measurable and available concept 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 and personal property on January 1 of each year. Mill rates are established annually by Borough resolution. Taxes are levied on May 31 of each year and are due in one installment on August 31. Property taxes are recorded as revenue as of July 1. Borough statutes call for annual foreclosures on property for delinquent taxes.

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.

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

Comparative Data

Comparative data for the prior year has been presented in some of the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data has not been presented in all statements since its inclusion would make the statements unduly complex and difficult to understand.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Public Employees' Retirement System (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.

2. Cash and Investments

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

Reconciliation of Deposit and Investment Balances

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

Bank deposits carrying value	\$ 9,389,697
Money market	196,299
Investments	9,354,836
Total Cash and Investments	\$ 18,940,832

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of bank failure, the Borough's deposits may not be returned to it. The Borough does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$165,040 was uninsured or uncollateralized.

Investments

Investment Policy

The Borough may invest available operating and reserve funds in the following instruments:

- a. Obligations of the U.S. government, its agencies and instrumentalities with remaining maturities of five years or less.
- b. Insured or collateralized certificates of deposit.

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

- c. Commercial paper rated A-1 or P-1 by a national rating service, provided that no more than three percent of the total portfolio is invested in any one issuer's obligations.
- d. Bankers acceptances of the 20 largest banks in the U.S., provided that no more than five percent of the total portfolio is invested in a single bank's acceptances.
- e. Repurchase agreements that comply with statutory requirements, are documented by a written agreement, and are fully collateralized by delivery to an independent third-party custodian.
- f. Money market mutual funds, tax-exempt bond mutual funds, and U.S. government bond mutual funds whose average maturities are less than four years. No sales or load charges may be deducted from the price of a mutual fund at the time of purchase or redemption.
- g. The State investment pool.
- h. Obligations of State or municipal governments or their public agencies, which are rated in the three highest rating categories by a national rating service.
- i. Other prudent investment instruments approved prior to purchase by two-thirds majority of the governing body of the Bristol Bay Borough.

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.

Investment maturities at June 30, 2018 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	5 - 10
U.S. government agencies	\$ 1,340,498	\$ 493,430	\$ 847,068	\$ -
Certificates of deposit	8,014,338	1,966,148	6,048,190	-
Total Investments	\$ 9,354,836	\$ 2,459,578	\$ 6,895,258	\$ -

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2018, the Borough's U.S. government agencies were rated as follows:

	Moody's	S&P
\$ 493,430	not rated	not rated
847,068	AAA	AA+
\$ 1,340,498		

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

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.

The Borough has the following recurring fair value measurements as of June 30, 2018:

- U.S. government agency securities of \$1,340,498 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs).

The Borough has investments in money market funds and certificates of deposits totaling \$8,210,637 that are not held at fair value, but instead are recorded at amortized cost as of June 30, 2018. Management believes that these values approximate fair value.

3. Accounts Receivable and Valuation Allowance

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:

	General	Sewer Special Revenue	Land Sales Special Revenue	Home- land Security Special Revenue	Waste- water Upgrades and Reloca- tion Capital Project	Non- major Govern- mental Funds	Port of Bristol Bay Enterprise	Totals
Grants and shared revenues	\$ 415,613	\$ -	\$ -	\$ 157,076	\$ 398,541	\$ 13,030	\$ -	\$ 984,260
Accounts	-	213,635	103,142	-	-	53,678	1,496,667	1,867,122
Property taxes	54,780	-	-	-	-	-	-	54,780
Sales and transient taxes	58,383	-	-	-	-	-	-	58,383
Total receivables	528,776	213,635	103,142	157,076	398,541	66,708	1,496,667	2,964,545
Less allowance for doubtful accounts	-	(27,456)	(74,690)	-	-	(21,108)	(56,134)	(179,388)
Net Receivables	\$ 528,776	\$ 186,179	\$ 28,452	\$ 157,076	\$ 398,541	\$ 45,600	\$ 1,440,533	\$ 2,785,157

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

4. Capital Assets

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

<i>Governmental Activities</i>	Balance July 1, 2017	Additions and Reclassifications	Deletions and Reclassifications	Balance June 30, 2018
Capital assets not being depreciated:				
Construction in progress	\$ 697,989	\$ 5,639,634	\$ (6,337,623)	\$ -
Land	47,733	-	-	47,733
Total assets not being depreciated	745,722	5,639,634	(6,337,623)	47,733
Capital assets being depreciated:				
Buildings	31,913,532	253,263	-	32,166,795
Improvements other than buildings	38,296,387	6,084,360	-	44,380,747
Machinery and equipment	7,609,318	277,163	-	7,886,481
Infrastructure	6,954,540	-	-	6,954,540
Software	106,045	-	-	106,045
Total assets being depreciated	84,879,822	6,614,786	-	91,494,608
Less accumulated depreciation for:				
Buildings	21,428,867	773,065	-	22,201,932
Improvements other than buildings	16,433,715	1,036,464	-	17,470,179
Infrastructure	5,282,812	410,070	-	5,692,882
Machinery and equipment	1,533,001	139,091	-	1,672,092
Software	28,750	9,403	-	38,153
Total accumulated depreciation	44,707,145	2,368,093	-	47,075,238
Total capital assets being depreciated, net	40,172,677	4,246,693	-	44,419,370
Governmental Activities Capital Assets, net	\$ 40,918,399	\$ 9,886,327	\$ (6,337,623)	\$ 44,467,103

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

<i>Business-type Activities</i>	Balance July 1, 2017	Additions and Reclassifications	Deletions and Reclassifications	Balance June 30, 2018
Capital assets not being depreciated:				
Land and land improvements	\$ 751,100	\$ -	\$ -	\$ 751,100
Construction in progress	694,485	143,535	-	838,020
Total assets not being depreciated	1,445,585	143,535	-	1,589,120
Capital assets being depreciated:				
Buildings	237,591	-	-	237,591
Improvements other than buildings	27,724,161	-	-	27,724,161
Machinery and equipment	7,647,436	34,288	-	7,681,724
Total assets being depreciated	35,609,188	34,288	-	35,643,476
Less accumulated depreciation for:				
Buildings	201,129	3,039	-	204,168
Improvements other than buildings	4,434,739	527,008	-	4,961,747
Machinery and equipment	3,743,068	421,841	-	4,164,909
Total accumulated depreciation	8,378,936	951,888	-	9,330,824
Total capital assets being depreciated, net	27,230,252	(917,600)	-	26,312,652
Business-type Activities Capital Assets, net	\$ 28,675,837	\$ (774,065)	\$ -	\$ 27,901,772

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Bristol Bay Borough, 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	\$	58,788
Public safety		219,139
Public service		8,082
Public works		386,267
Education		891,704
Parks and recreation		81,435
Solid waste		46,279
Sewer		676,399
Total Depreciation Expense - Governmental Activities		\$ 2,368,093

Business-type Activities

Port of Bristol Bay	\$	951,888
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5. Interfund Receivables, Payables and Transfers

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

Due From Other Funds

Due to the General Fund from:		
Sewer Special Revenue Fund for operating costs	\$	150,158
Wastewater Upgrades and Relocation Capital Project Fund for capital costs		398,541
Homeland Security Special Revenue Fund for operating costs		144,503
Nonmajor funds for operating advances		5,777
Due to Nonmajor funds from the Homeland Security Special		
Revenue Fund for operating advances		12,573
Total Due From Other Funds		\$ 711,552

Transfers To Other Funds

From General Fund to:		
Sewer Special Revenue Fund for operating subsidy	\$	364,945
Wastewater Upgrades and Relocation Capital Project Fund for capital costs		21,469
Nonmajor funds for operating and capital costs		970,724
Total Transfers To Other Funds		\$ 1,357,138

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

6. Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2018 follows:

<i>Governmental Activities</i>	Balance July 1, 2017	Additions	Retired	Balance June 30, 2018	Due Within One Year
Loans payable:					
Alaska Department of Environmental Conservation Loan #183021, due in annual payments of \$48,896 including interest at 1.5% through 2020.	\$ 142,396	\$ -	\$ (46,760)	\$ 95,636	\$ 47,461
Alaska Department of Environmental Conservation Loan #183031, due in annual principal payments of \$46,935 plus interest at 1.5% through 2023.	281,610	-	(46,935)	234,675	46,935
Landfill closure liability	138,044	37,333	-	175,377	-
Accrued leave	172,102	249,106	(258,310)	162,898	-
Total Governmental Activities	\$ 734,152	\$ 286,439	\$ (352,005)	\$ 668,586	\$ 94,396

The long-term liabilities of the governmental activities are generally liquidated by the General Fund.

<i>Business-type Activities</i>	Balance July 1, 2017	Additions	Retired	Balance June 30, 2018	Due Within One Year
Capital lease for equipment, due in annual payments of \$142,971 including interest at 3.73% through 2021	\$ 521,425	\$ -	\$ (123,157)	\$ 398,268	\$ 127,837
Accrued leave	18,930	20,985	(24,396)	15,519	-
Total Business-type Activities	\$ 540,355	\$ 20,985	\$ (167,553)	\$ 413,787	\$ 127,837

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Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

Annual debt service requirements to maturity for the loans payable, follow:

<i>Governmental Activities</i> Year Ending June 30,	Loans Payable		
	Principal	Interest	Total
2019	\$ 94,396	\$ 4,955	\$ 99,351
2020	95,108	3,539	98,648
2021	46,935	2,112	49,047
2022	46,935	1,408	48,343
2023	46,935	704	47,639
	\$ 330,311	\$ 12,718	\$ 343,029

Annual debt service requirements to maturity for the capital lease, follow:

<i>Business Type Activities</i> Year Ending June 30,	Capital Lease		
	Principal	Interest	Total
2019	\$ 127,837	\$ 15,134	\$ 142,971
2020	132,694	10,277	142,971
2021	137,737	5,234	142,971
	\$ 398,628	\$ 30,645	\$ 429,913

7. Landfill Closure and Postclosure Liability

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. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, accounting principles generally accepted in the United States of America require that the Borough report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The Borough estimates that total future closure and postclosure costs will be \$482,141. The \$175,377 reported as landfill closure costs payable at June 30, 2018 represents the cumulative amount reported to date based on estimated usage of the landfill. The Borough will recognize the remaining \$306,764 as the landfill is used. These amounts are based on what it would cost to close the landfill in 2018. Actual amounts could be higher due to inflation, changes in technology or changes in regulations. The landfill has an expected remaining life of approximately 64 years.

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Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

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

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

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

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.

Bristol Bay Borough, Alaska

Notes to Basic Financial Statements

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

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

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

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

Bristol Bay Borough, Alaska

Notes to Basic Financial Statements

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01 %	29.07%
Other postemployment benefits	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)	\$ 308,544	\$ 342,910
Nonemployer contributions (on-behalf)	118,821	85,670
Total Contributions	\$ 427,365	\$ 428,580

In addition, employee contributions to the Plan totaled \$79,429 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	\$ 4,162,340
State's proportionate share of NPL associated with the Borough	1,550,600
Total Net Pension Liability	\$ 5,712,940

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 0.08052 percent, which was a decrease of 0.02524 from its proportion measured as of June 30, 2016.

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

For the year ended June 30, 2018, the Borough recognized pension expense of \$11,086 and on-behalf revenue of \$123,074 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	\$ -	\$ (74,835)
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	111,649	-
Changes in proportion and differences between Borough contributions and proportionate share of contributions	31,004	(599,139)
Borough contributions subsequent to the measurement date	342,910	-
Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions	\$ 485,563	\$ (673,974)

The \$342,910 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		\$ (635,181)
2020		116,260
2021		52,191
2022		(64,591)

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.

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Bristol Bay Borough, Alaska

Notes to Basic Financial Statements

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.

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%

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

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	0.08052%	\$ 5,467,618	\$ 4,162,340	\$ 3,060,084

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.

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

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 \$72,404 and \$115,847, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

As part of its participation in the PERS DB Plan (Tiers I, II, III), which is a cost-sharing multiple employer plan, the Borough 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.

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	\$ 162,695	\$ 114,652
Nonemployer contributions (on-behalf)	-	-
Total Contributions	\$ 162,695	\$ 114,652

Bristol Bay Borough, Alaska

Notes to Basic Financial Statements

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	\$ 680,795
Borough's proportionate share of NOL - RMP	6,606
Borough's proportionate share of NOL - ODD	(17,974)
State's proportionate share of the NOL associated with the Borough	253,447
Total Net OPEB Liabilities	\$ 922,874

The total OPEB liabilities for the June 30, 2017 measurement date were 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	June 30, 2017 Measurement Date	
	Employer Proportion	Employer Proportion	Change
Borough's proportionate share of the net OPEB liabilities:			
ARHCT	0.10586%	0.08059%	(0.02527%)
RMP	0.11943%	0.12668%	0.00725%
ODD	0.11943%	0.12668%	0.00725%

As a result of its requirement to contribute to the Plan, the Borough recognized OPEB expense of \$36,138 and on-behalf revenue of \$39,823 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	\$ -	\$ (37,295)
Changes in assumptions	-	-
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(217,530)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	595	(158,282)
Borough contributions subsequent to the measurement date	114,652	-
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	\$ 115,247	\$ (413,107)

Bristol Bay Borough, Alaska

Notes to Basic Financial Statements

The \$114,652 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	\$ (162,360)
2020	(140,785)
2021	(54,482)
2022	(54,482)
2023	(99)
Thereafter	(304)

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.

Bristol Bay Borough, Alaska

Notes to Basic Financial Statements

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):

<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	0.08059%	\$ 1,456,973	\$ 680,795	\$ 27,923
RMP	0.12668%	\$ 30,949	\$ 6,606	\$ (12,402)
ODD	0.12668%	\$ (16,226)	\$ (17,974)	\$ (19,403)

Bristol Bay Borough, 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	0.08059%	\$ (75,519)	\$ 680,795	\$ 1,590,066
RMP	0.12668%	\$ (16,353)	\$ 6,606	\$ 37,367
ODD	0.12668%	\$ -	\$ (17,974)	\$ -

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 healthcare 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.

Bristol Bay Borough, Alaska
Notes to Basic Financial Statements

Annual Postemployment Healthcare Cost

In 2018, the Borough contributed \$42,248 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

9. Deferred Compensation Plan

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

10. 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.

The Borough participates in the Alaska Municipal League Joint Insurance Association (AML/JIA) which provides insurance coverage for property and contents damage, torts, general and automobile liability, and workers' compensation. The AML/JIA 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 Borough made no supplemental assessments during the year ended June 30, 2018. The Borough has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the policies have stayed relatively constant for the past few years.

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Bristol Bay Borough, Alaska

Notes to Basic Financial Statements

11. Change in Accounting Principle

As discussed in Note 8 to the financial statements, the Borough participates in the Alaska Public Employee 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 inflow/outflow accounts), 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 OPEB 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
Government Activities	\$ 51,077,390	\$ (951,194)	\$ 50,126,196
Business-type Activities			
Port of Bristol Bay Enterprise			
Fund	32,572,036	(94,881)	32,477,155
Component unit (School District)	(1,037,385)	(306,531)	(1,343,916)

12. Contingencies

Grants

Amounts received or receivable from granting agencies are subject to further audit and adjustment by the granting agency. Any disallowed grant expenditures, including amounts already collected would become a liability of the Borough.

Other

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

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Bristol Bay Borough, Alaska

Notes to Basic Financial Statements

13. New Accounting Pronouncements

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

GASB 83 - Certain Asset Retirement Obligations - Effective for year-end June 30, 2019, with earlier application encouraged - This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

GASB 84 - *Fiduciary Activities* - Effective for year-end 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 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - Effective for year-end June 30, 2019, with earlier application encouraged - This statement addresses note disclosures related to debt, clarifies which liabilities to include when disclosing information related to debt, and defines debt for the purpose of disclosure. It requires additional essential information related to debt be disclosed in the notes, as well as information for direct borrowings and direct placements.

GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period* - Effective for 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.

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Required Supplementary Information

Bristol Bay Borough, 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	\$ 6,915,000	\$ 7,363,000	\$ 6,711,933	\$ (651,067)
State of Alaska	2,495,539	3,701,144	5,967,063	2,265,919
Federal government	70,000	70,000	163,710	93,710
Investment income	50,000	50,000	5,890	(44,110)
Charges for services	96,677	96,677	102,383	5,706
Other revenues	29,500	29,500	11,313	(18,187)
Total Revenues	9,656,716	11,310,321	12,962,292	1,651,971
Expenditures				
General government	1,789,414	1,967,010	1,607,581	359,429
Public safety	1,828,778	1,829,993	1,697,279	132,714
Public service	941,161	946,161	900,936	45,225
Public works	1,549,514	1,755,014	1,473,094	281,920
Education	1,562,500	1,562,500	5,285,401	(3,722,901)
Parks and recreation	507,242	507,242	436,537	70,705
Debt service:				
ADEC loan principal	191,653	191,653	93,695	97,958
ADEC loan interest	15,516	15,516	6,360	9,156
Total Expenditures	8,385,778	8,775,089	11,500,883	(2,725,794)
Excess of revenues over expenditures	1,270,938	2,535,232	1,461,409	(1,073,823)
Other Financing Uses				
Transfers out	(550,000)	(515,516)	(1,357,138)	(841,622)
Net change in fund balance	<u>\$ 720,938</u>	<u>\$ 2,019,716</u>	104,271	<u>\$ (1,915,445)</u>
Fund Balance, beginning			<u>11,437,759</u>	
Fund Balance, ending			<u>\$ 11,542,030</u>	

See accompanying notes to Required Supplementary Information.

Bristol Bay Borough, Alaska
Sewer 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
Revenues			
Charges for services	\$ 377,055	\$ 396,083	\$ 19,028
State of Alaska - PERS relief	29,000	7,328	(21,672)
Total Revenues	406,055	403,411	(2,644)
Expenditures			
Personnel services	394,905	409,235	(14,330)
Materials and supplies	37,000	31,106	5,894
Repairs and maintenance	55,000	53,606	1,394
Utilities	154,680	187,909	(33,229)
Training and travel	10,000	6,132	3,868
Contractual services	48,000	73,858	(25,858)
Other	9,500	6,510	2,990
Total Expenditures	709,085	768,356	(59,271)
Excess of revenues over (under) expenditures	(303,030)	(364,945)	(61,915)
Other Financing Sources			
Transfers in	250,000	364,945	114,945
Net change in fund balance	<u>\$ (53,030)</u>	-	<u>\$ 53,030</u>
Fund Balance, beginning		<u>-</u>	
Fund Balance, ending		<u>\$ -</u>	

See accompanying notes to Required Supplementary Information.

Bristol Bay Borough, Alaska
Public Employees' Retirement System Pension Plan
Schedule of the Borough's Information on the Net Pension Liability

<i>Years 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
2018	0.08052%	\$ 4,162,340	\$ 1,550,600	\$ 5,712,940	\$ 2,622,968	158.69%	63.37%
2017	0.10576%	\$ 5,911,537	\$ 743,687	\$ 6,655,224	\$ 2,616,682	225.92%	59.55%
2016	0.09033%	\$ 4,380,856	\$ 1,175,078	\$ 5,555,934	\$ 2,652,057	165.19%	63.96%
2015	0.05946%	\$ 2,773,389	\$ 2,457,953	\$ 5,231,342	\$ 2,478,411	111.90%	62.37%
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Bristol Bay Borough, Alaska

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

<i>Years 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
2018	\$ 342,910	\$ 342,910	\$ -	\$ 2,605,738	13.16%
2017	\$ 308,544	\$ 308,544	\$ -	\$ 2,622,968	11.76%
2016	\$ 276,569	\$ 276,569	\$ -	\$ 2,616,682	10.57%
2015	\$ 265,777	\$ 265,777	\$ -	\$ 2,652,057	10.02%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Bristol Bay Borough, Alaska
Public Employees' Retirement System OPEB Plan
Schedule of the Borough's Information on the Net OPEB Liability

<i>Years 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
2018	0.08059%	\$ 669,427	\$ 253,447	\$ 922,874	\$ 2,622,968	35.18%	89.68%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Bristol Bay Borough, Alaska
Public Employees' Retirement System OPEB Plan
Schedule of the Borough's Contributions

<i>Years 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
2018	\$ 114,652	\$ 114,652	\$ -	\$ 2,605,738	4.40%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Bristol Bay Borough, Alaska

Notes to Required Supplementary Information Year ended June 30, 2018

1. Budgetary Comparison Schedules

The budgetary comparison 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 the allocation methodology.

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

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

4. Public Employees' Retirement System OPEB Plan - 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.

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

Supplementary Information

Bristol Bay Borough, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

<i>Year Ended June 30, 2018</i>	Special Revenue Funds	Capital Project Funds	Totals
Assets			
Cash and investments	\$ 1,542	\$ 1,237,342	\$ 1,238,884
Receivables, net of allowance for doubtful accounts	32,570	-	32,570
Grants receivable	13,030	-	13,030
Due from other funds	12,573	-	12,573
Total Assets	\$ 59,715	\$ 1,237,342	\$ 1,297,057
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 48,613	\$ -	\$ 48,613
Accrued payroll and benefits	5,930	-	5,930
Due to other funds	3,630	2,147	5,777
Total Liabilities	58,173	2,147	60,320
Fund Balances			
Assigned:			
Library	1,542	-	1,542
Capital projects	-	1,237,342	1,237,342
Unassigned (deficit)		(2,147)	(2,147)
Total Fund Balances	1,542	1,235,195	1,236,737
Total Liabilities and Fund Balances	\$ 59,715	\$ 1,237,342	\$ 1,297,057

Bristol Bay Borough, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances

<i>Year Ended June 30, 2018</i>	Special Revenue Funds	Capital Project Funds	Totals
Revenues			
Charges for services	\$ 247,155	\$ -	\$ 247,155
Federal government	1,335,874	-	1,335,874
State of Alaska	31,451	-	31,451
Donations	41	-	41
Total Revenues	1,614,521	-	1,614,521
Expenditures			
Current:			
Solid waste	752,434	-	752,434
Public service	1,335,874	-	1,335,874
Education	16,559	-	16,559
Public safety	9,968	-	9,968
Capital outlay	-	59,561	59,561
Total Expenditures	2,114,835	59,561	2,174,396
Excess of revenues over (under) expenditures	(500,314)	(59,561)	(559,875)
Other Financing Sources			
Transfers in	500,355	470,369	970,724
Net change in fund balances	41	410,808	410,849
Fund Balances, beginning	1,501	824,387	825,888
Fund Balances, ending	\$ 1,542	\$ 1,235,195	\$ 1,236,737

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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, library, community development, administrative services, etc. Appropriations are made from the General Fund annually.

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

Bristol Bay Borough, Alaska

General Fund
Balance Sheet

<i>June 30,</i>	2018	2017
Assets		
Cash and investments	\$ 10,980,880	\$ 11,389,340
Receivables, net of allowance for doubtful accounts:		
Delinquent property taxes, penalties and interest	54,780	1,336
Sales tax on raw fish	41,332	37,278
Transient tax	17,051	14,160
Grants	369,026	-
Other	46,587	52,324
Total receivables	528,776	105,098
Due from other funds	698,979	240,883
Total Assets	\$ 12,208,635	\$ 11,735,321
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 213,232	\$ 112,908
Accrued payroll and benefits	25,924	20,518
Total Liabilities	239,156	133,426
Deferred Inflows of Resources		
Property taxes received in advance	426,113	162,800
Delinquent property taxes	1,336	1,336
Total Deferred Inflows of Resources	427,449	164,136
Total Liabilities and Deferred Inflows of Resources	666,605	297,562
Fund Balance		
Unassigned	11,542,030	11,437,759
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 12,208,635	\$ 11,735,321

Bristol Bay Borough, Alaska

General Fund

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

Years Ended June 30,	2018			2017
	Budget	Actual	Variance	Actual
Revenues				
Taxes:				
Property taxes, penalties and interest	\$ 5,358,000	\$ 4,683,768	\$ (674,232)	\$ 4,745,734
Local sales tax on raw fish	1,800,000	1,799,474	(526)	2,155,136
Transient taxes	110,000	128,922	18,922	117,052
Aircraft tax	10,000	18,120	8,120	11,800
Motor vehicle taxes	85,000	81,649	(3,351)	89,824
Total taxes	7,363,000	6,711,933	(651,067)	7,119,546
State of Alaska:				
Fisheries business taxes	2,715,605	2,714,321	(1,284)	1,021,001
School renovation	-	2,513,331	2,513,331	-
Community assistance	300,000	369,020	69,020	310,330
Liquor licenses	3,000	-	(3,000)	625
Jail contract	285,739	285,739	-	285,739
Public library grants	13,800	14,000	200	13,800
State PERS relief	308,000	65,652	(242,348)	92,241
Electric and telephone cooperative tax	70,000	-	(70,000)	55,815
Special services contract	5,000	5,000	-	5,000
Total State of Alaska	3,701,144	5,967,063	2,265,919	1,784,551
Federal government:				
Payments in lieu of taxes	70,000	163,710	93,710	159,345
Investment income	50,000	5,890	(44,110)	18,846

Bristol Bay Borough, 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	Actual
Revenues, continued				
Charges for services:				
Rental income	\$ 32,077	\$ 31,913	\$ (164)	\$ 32,013
Ambulance fees	25,000	14,586	(10,414)	(34,726)
Pool fees	4,000	7,632	3,632	6,951
Building permits	600	1,580	980	1,055
DMV service fees	35,000	46,672	11,672	38,591
Total charges for services	96,677	102,383	5,706	43,884
Other revenues - miscellaneous	29,500	11,313	(18,187)	7,820
Total Revenues	11,310,321	12,962,292	1,651,971	9,133,992
Expenditures				
General government:				
Finance:				
Personnel services	590,893	432,818	158,075	528,774
Materials and supplies	105,860	87,494	18,366	32,216
Repairs and maintenance	9,315	3,344	5,971	2,887
Utilities	39,056	36,918	2,138	34,674
Contractual services	102,793	149,672	(46,879)	111,079
Training and travel	20,410	11,726	8,684	21,813
Insurance	247,200	238,253	8,947	203,356
Other	15,570	51,073	(35,503)	8,864
Total finance	1,131,097	1,011,298	119,799	943,663
Management:				
Personnel services	440,238	346,083	94,155	326,802
Materials and supplies	16,290	9,873	6,417	7,886
Repairs and maintenance	6,200	5,955	245	4,548
Utilities	1,620	1,205	415	1,671
Contractual services	162,000	152,711	9,289	55,607
Training and travel	18,210	18,547	(337)	11,638
Other	7,645	(35,775)	43,420	46,354
Total management	652,203	498,599	153,604	454,506

Bristol Bay Borough, 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	Actual
Expenditures, continued				
General government, continued:				
Legislative:				
Personnel services	\$ 5,760	\$ 3,720	\$ 2,040	\$ 3,160
Materials and supplies	200	-	200	-
Contractual services	128,750	57,823	70,927	57,811
Training and travel	40,400	29,805	10,595	26,670
Elections	2,000	1,148	852	1,591
Other	6,600	5,188	1,412	2,083
Total legislative	183,710	97,684	86,026	91,315
Total general government	1,967,010	1,607,581	359,429	1,489,484
Public safety:				
Police:				
Personnel services	1,123,975	1,030,076	93,899	978,434
Materials and supplies	115,155	98,597	16,558	33,978
Repairs and maintenance	3,600	3,600	-	3,781
Utilities	18,980	16,672	2,308	15,038
Contractual services	11,500	10,042	1,458	6,278
Training and travel	12,550	10,768	1,782	17,239
Insurance	7,215	7,212	3	5,174
Detention	24,000	21,846	2,154	6,776
Other	6,945	6,962	(17)	3,845
Total police	1,323,920	1,205,775	118,145	1,070,543
Fire/EMS rescue squad:				
Personnel services	246,563	248,113	(1,550)	173,284
Materials and supplies	62,150	45,813	16,337	38,839
Repairs and maintenance	5,000	8,335	(3,335)	6,807
Utilities	23,060	21,228	1,832	16,218

Bristol Bay Borough, 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	Actual
Expenditures, continued				
Public safety, continued:				
Fire/EMS rescue squad, continued:				
Lease	\$ 2,200	\$ 1,441	\$ 759	\$ 1,939
Contractual services	15,000	10,413	4,587	2,976
Training and travel	39,500	39,428	72	24,000
Medical equipment and supplies	46,500	50,936	(4,436)	65,080
Capital outlay	55,600	55,565	35	-
Other	10,500	10,232	268	6,127
Total fire/EMS rescue squad	506,073	491,504	14,569	335,270
Total public safety	1,829,993	1,697,279	132,714	1,405,813
Public service:				
Library:				
Personnel services	239,679	226,980	12,699	222,847
Materials and supplies	18,125	12,110	6,015	15,346
Repairs and maintenance	6,400	637	5,763	4,213
Utilities	6,384	9,276	(2,892)	7,515
Contractual services	2,750	1,769	981	420
Training and travel	4,865	-	4,865	2,136
Other	1,250	1,166	84	322
Total library	279,453	251,938	27,515	252,799
Community development:				
Personnel services	165,130	181,510	(16,380)	149,733
Materials and supplies	6,200	3,410	2,790	2,263
Advertising	1,000	-	1,000	-
Contractual services	48,000	48,320	(320)	57,359
Training and travel	9,800	8,279	1,521	3,787
Other	-	195	(195)	5,174
Total community development	230,130	241,714	(11,584)	218,316

Bristol Bay Borough, 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	Actual
Expenditures, continued				
Public service, continued:				
Community support:				
Personnel services	\$ 29,281	\$ 26,796	\$ 2,485	\$ 26,486
Materials and supplies	7,000	6,654	346	5,920
Local donations	145,000	145,000	-	120,000
Training and travel	4,800	2,600	2,200	880
Other	128,000	122,588	5,412	181,056
Total community support	314,081	303,638	10,443	334,342
South Naknek library:				
Personnel services	41,246	33,670	7,576	34,814
Materials and supplies	12,925	10,176	2,749	8,607
Repairs and maintenance	2,500	-	2,500	-
Contractual services	2,000	1,992	8	1,992
Utilities	3,880	4,074	(194)	3,273
Training and travel	4,185	160	4,025	-
Insurance	55,011	53,126	1,885	49,376
Other	750	448	302	562
Total South Naknek library	122,497	103,646	18,851	98,624
Total public service	946,161	900,936	45,225	904,081
Public works:				
Administration and maintenance:				
Personnel services	1,061,436	925,046	136,390	949,399
Materials and supplies	95,700	55,872	39,828	73,202
Repairs and maintenance	206,500	212,347	(5,847)	180,195
Utilities	32,340	34,579	(2,239)	33,735
Contractual services	-	-	-	5,250
Training and travel	19,900	4,104	15,796	280
Other	6,000	1,440	4,560	2,218
Total administration and maintenance	1,421,876	1,233,388	188,488	1,244,279

Bristol Bay Borough, 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	Actual
Expenditures, continued				
Public works, continued:				
South Naknek:				
Personnel services	\$ 188,488	\$ 152,399	\$ 36,089	\$ 179,383
Materials and supplies	16,850	7,667	9,183	8,033
Repairs and maintenance	47,000	14,956	32,044	9,750
Utilities	76,100	64,288	11,812	55,651
Training and travel	4,000	-	4,000	160
Other	700	396	304	624
Total South Naknek	333,138	239,706	93,432	253,601
Total public works	1,755,014	1,473,094	281,920	1,497,880
Education:				
Energy efficiency design study	-	3,722,901	(3,722,901)	150,793
Contribution to School District	1,562,500	1,562,500	-	1,401,911
Total education	1,562,500	5,285,401	(3,722,901)	1,552,704
Parks and recreation:				
Pool:				
Personnel services	296,792	295,087	1,705	261,857
Materials and supplies	33,500	22,832	10,668	40,713
Repairs and maintenance	10,500	13,163	(2,663)	6,942
Utilities	64,700	63,044	1,656	55,089
Contractual services	16,500	12,870	3,630	11,500
Training and travel	10,900	15,197	(4,297)	9,037
Capital outlay	50,000	-	50,000	-
Other	4,000	1,948	2,052	2,796
Total pool	486,892	424,141	62,751	387,934
Gym:				
Materials and supplies	16,000	8,246	7,754	2,352
Utilities	2,500	1,022	1,478	1,642
Lease	1,850	3,128	(1,278)	1,841
Total gym	20,350	12,396	7,954	5,835
Total parks and recreation	507,242	436,537	70,705	393,769

Bristol Bay Borough, 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	Actual
Expenditures, continued				
Debt service:				
ADEC loan principal	\$ 191,653	\$ 93,695	\$ 97,958	\$ 194,996
ADEC loan interest	15,516	6,360	9,156	10,111
Total debt service	207,169	100,055	107,114	205,107
Total Expenditures	8,775,089	11,500,883	(2,725,794)	7,448,838
Excess of revenues over expenditures	2,535,232	1,461,409	(1,073,823)	1,685,154
Other Financing Sources (Uses)				
Transfers to other funds:				
Special Revenue Funds:				
Landfill	(250,000)	(500,355)	(250,355)	(251,569)
Sewer	(250,000)	(364,945)	(114,945)	(421,759)
Capital Project Funds:				
GIS & 911 Improvements	-	-	-	(45,000)
ADEC Loan	(15,516)	(30,369)	(14,853)	(116,711)
Wastewater Upgrades and Relocation	-	(21,469)	(21,469)	(664,772)
SCADA Improvements	-	(40,000)	(40,000)	-
Sewer Lagoon	-	(400,000)	(400,000)	-
Transfers from other funds - Sewer	-	-	-	55,221
Net Other Financing Sources (Uses)	(515,516)	(1,357,138)	(841,622)	(1,444,590)
Net change in fund balance	<u>\$ 2,019,716</u>	104,271	<u>\$ (1,915,445)</u>	240,564
Fund Balance, beginning		<u>11,437,759</u>		<u>11,197,195</u>
Fund Balance, ending		<u>\$ 11,542,030</u>		<u>\$ 11,437,759</u>

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Special Revenue Funds

Special Revenue Funds are used to account for revenues that are restricted to finance particular functions and activities.

Bristol Bay Borough, Alaska
Nonmajor Special Revenue Funds
Combining Balance Sheet

<i>June 30, 2018</i>	LEPC	Library Donations	Landfill	Totals
Assets				
Cash and investments	\$ -	\$ 1,542	\$ -	\$ 1,542
Receivables, net of allowance for doubtful accounts	-	-	32,570	32,570
Grants receivable	13,030	-	-	13,030
Due from other funds	-	-	12,573	12,573
Total Assets	\$ 13,030	\$ 1,542	\$ 45,143	\$ 59,715
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 9,400	\$ -	\$ 39,213	\$ 48,613
Accrued payroll and benefits	-	-	5,930	5,930
Due to other funds	3,630	-	-	3,630
Total Liabilities	13,030	-	45,143	58,173
Fund Balances				
Land sales	-	-	-	-
Assigned - Library	-	1,542	-	1,542
Total Liabilities and Fund Balances	\$ 13,030	\$ 1,542	\$ 45,143	\$ 59,715

Bristol Bay Borough, Alaska
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances

<i>Year Ended June 30, 2018</i>	HRSA Grant	CTE Dorm	LEPC	Library Donations	Landfill	Totals
Revenues						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 247,155	\$ 247,155
Federal government	1,335,874	-	-	-	-	1,335,874
State of Alaska	-	16,559	9,968	-	4,924	31,451
Donations	-	-	-	41	-	41
Total Revenues	1,335,874	16,559	9,968	41	252,079	1,614,521
Expenditures						
Solid waste	-	-	-	-	752,434	752,434
Public service	1,335,874	-	-	-	-	1,335,874
Education	-	16,559	-	-	-	16,559
Public safety	-	-	9,968	-	-	9,968
Total Expenditures	1,335,874	16,559	9,968	-	752,434	2,114,835
Excess of revenues over (under) expenditures	-	-	-	41	(500,355)	(500,314)
Other Financing Sources						
Transfers in	-	-	-	-	500,355	500,355
Net change in fund balances	-	-	-	41	-	41
Fund Balances, beginning	-	-	-	1,501	-	1,501
Fund Balances, ending	\$ -	\$ -	\$ -	\$ 1,542	\$ -	\$ 1,542

Bristol Bay Borough, Alaska
Landfill Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2018</i>	Budget	Actual	Variance
Revenues			
Charges for services	\$ 170,113	\$ 247,155	\$ 77,042
State of Alaska - PERS relief	21,000	4,924	(16,076)
Total Revenues	191,113	252,079	60,966
Expenditures			
Personnel services	302,295	320,601	(18,306)
Materials and supplies	204,300	222,907	(18,607)
Repairs and maintenance	17,000	53,157	(36,157)
Utilities	33,320	38,553	(5,233)
Training and travel	8,000	213	7,787
Contractual services	70,000	112,810	(42,810)
Other	4,500	4,193	307
Total Expenditures	639,415	752,434	(113,019)
Excess of revenues over (under) expenditures	(448,302)	(500,355)	(52,053)
Other Financing Sources			
Transfers in	250,000	500,355	250,355
Net change in fund balance	<u>\$ (198,302)</u>	-	<u>\$ 198,302</u>
Fund Balance, beginning		<u>-</u>	
Fund Balance, ending		<u>\$ -</u>	

Capital Project Funds

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by enterprise funds. These funds evolved from the need for special accounting for bond proceeds, grants and transfers from other funds for the acquisition of capital assets.

Bristol Bay Borough, Alaska
Nonmajor Capital Project Funds
Combining Balance Sheet

<i>June 30, 2018</i>	Sewer	Wastewater Improvements	South Naknek Cemetery	GIS & 911 Data	Borough Road Improvements	SCADA Improvements	Sewer Lagoon	Totals
Assets								
Cash and Investments	\$ -	\$ 644,234	\$ 75,000	\$ 27,500	\$ 79,842	\$ 27,861	\$ 382,905	\$ 1,237,342
Liabilities								
Due to other funds	\$ 2,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,147
Fund Balances								
Assigned - capital projects	-	644,234	75,000	27,500	79,842	27,861	382,905	1,237,342
Unassigned (deficit)	(2,147)	-	-	-	-	-	-	(2,147)
Total Fund Balances (Deficit)	(2,147)	644,234	75,000	27,500	79,842	27,861	382,905	1,235,195
Total Liabilities and Fund Balances	\$ -	\$ 644,234	\$ 75,000	\$ 27,500	\$ 79,842	\$ 27,861	\$ 382,905	\$ 1,237,342

Bristol Bay Borough, Alaska
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances (Deficit)

<i>Year Ended June 30, 2018</i>	Sewer	Wastewater Improvements	South Naknek Cemetery	GIS & 911 Data	ADEC Loan	Borough Road Improvements	SCADA Improvements	Sewer Lagoon	Totals
Expenditures									
Capital outlay	\$ (42)	\$ -	\$ -	\$ -	\$ 30,369	\$ -	\$ 12,139	\$ 17,095	\$ 59,561
Excess of revenues over (under) expenditures	42	-	-	-	(30,369)	-	(12,139)	(17,095)	(59,561)
Other Financing Sources									
Transfers in	-	-	-	-	30,369	-	40,000	400,000	470,369
Net change in fund balances	42	-	-	-	-	-	27,861	382,905	410,808
Fund Balances (Deficit), beginning	(2,189)	644,234	75,000	27,500	-	79,842	-	-	824,387
Fund Balances (Deficit), ending	\$ (2,147)	\$ 644,234	\$ 75,000	\$ 27,500	\$ -	\$ 79,842	\$ 27,861	\$ 382,905	\$ 1,235,195

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Enterprise Fund

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government has decided that periodic determination of net income is appropriate for accountability purposes.

Port of Bristol Bay - To account for the activities associated with operating the dock facilities.

Bristol Bay Borough, Alaska
Port of Bristol Bay Enterprise Fund
Statement of Net Position

<i>June 30,</i>	2018	2017
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 4,201,739	\$ 3,631,360
Receivables:		
Accounts	1,496,667	1,450,847
Allowance for doubtful accounts	(56,134)	(56,134)
Total Current Assets	5,642,272	5,026,073
Property, Plant and Equipment		
Land	751,100	751,100
Buildings	237,591	237,591
Improvements other than buildings	27,724,161	27,724,161
Machinery and equipment	7,681,724	7,647,436
Construction in progress	838,020	694,485
Total property, plant and equipment	37,232,596	37,054,773
Accumulated depreciation	(9,330,824)	(8,378,936)
Net Property, Plant and Equipment	27,901,772	28,675,837
Total Assets	33,544,044	33,701,910
Deferred Outflows of Resources		
Related to pensions	47,157	120,520
Related to other postemployment benefits	10,394	-
Total Deferred Outflows of Resources	57,551	120,520
Total Assets and Deferred Outflows of Resources	\$ 33,601,595	\$ 33,822,430

Bristol Bay Borough, Alaska
Port of Bristol Bay 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	\$ 95,844	\$ 116,124
Accrued payroll and benefits	42,753	37,562
Current portion of capital lease	127,837	123,157
Total Current Liabilities	266,434	276,843
Noncurrent Liabilities - due in more than one year		
Accrued leave	15,519	18,930
Capital lease	270,431	398,268
Net pension liability	391,654	550,220
Net other postemployment benefits liability	60,685	-
Total Liabilities	1,004,723	1,244,261
Deferred Inflows of Resources		
Related to pensions	61,256	6,133
Related to other postemployment benefits	37,448	-
Total Deferred Inflows of Resources	98,704	6,133
Net Position		
Net investment in capital assets	27,503,504	28,154,412
Unrestricted	4,994,664	4,417,624
Total Net Position	32,498,168	32,572,036
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 33,601,595	\$ 33,822,430

Bristol Bay Borough, Alaska

Port of Bristol Bay Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2018	2017
Operating Revenues		
Charges for services	\$ 2,680,481	\$ 2,853,711
Operating Expenses		
Personnel services	1,161,361	1,155,551
Materials and supplies	112,918	117,185
Dock repairs and maintenance	41,243	46,899
Other repairs and maintenance	184,779	220,131
Utilities	53,844	58,155
Freight	11,248	10,987
Contractual services	12,549	42,848
Training and travel	4,352	20,648
Lease	72,386	77,629
Insurance	37,576	24,188
Depreciation	951,888	900,357
Other	6,666	7,169
Total Operating Expenses	2,650,810	2,681,747
Income from operations	29,671	171,964
Nonoperating Revenues (Expenses)		
State PERS relief	11,157	9,330
Interest expense	(19,815)	-
Net Nonoperating Revenues (Expenses)	(8,658)	9,330
Income before capital contributions and transfers	21,013	181,294
Capital contributions	-	87,095
Transfers in	-	500,000
Change in net position	21,013	768,389
Net Position, beginning, as restated	32,477,155	31,803,647
Net Position, ending	\$ 32,498,168	\$ 32,572,036

Bristol Bay Borough, Alaska
Port of Bristol Bay Enterprise Fund
Statement of Cash Flows

<i>Years Ended June 30,</i>	2018	2017
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 2,634,661	\$ 2,307,906
Payments to suppliers	(557,841)	(529,330)
Payments to employees	(1,185,646)	(1,029,424)
Net cash flows from operating activities	891,174	749,152
Cash Flows from (for) Capital and Related Financing Activities		
Acquisition of property, plant and equipment	(177,823)	(691,602)
Principal payments on capital lease	(123,157)	-
Interest payments on capital lease	(19,815)	-
Capital contributions received	-	210,732
Transfers in	-	500,000
Net cash flows from (for) capital and related financing activities	(320,795)	19,130
Net increase in cash and investments	570,379	768,282
Cash and Investments, beginning	3,631,360	2,863,078
Cash and Investments, ending	\$ 4,201,739	\$ 3,631,360
Reconciliation of Income from Operations to Net Cash Flows from Operating Activities		
Income from operations	\$ 29,671	\$ 171,964
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation	951,888	900,357
Increase in allowance for doubtful accounts	-	17,659
Noncash revenue - PERS relief	11,157	9,330
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	(45,820)	(563,464)
Deferred outflows related to pensions	73,363	(27,329)
Deferred outflows related to other postemployment benefits	4,355	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(20,280)	96,509
Accrued payroll and benefits	5,191	(7,649)
Accrued leave	(3,411)	9,875
Net pension liability	(268,196)	141,236
Net other postemployment benefits liability	60,685	-
Deferred inflows related to pensions	55,123	664
Deferred inflows related to other postemployment benefits	37,448	-
Net Cash Flows from Operating Activities	\$ 891,174	\$ 749,152
Noncash Capital and Related Financing Activities		
Purchase of equipment with a capital lease	\$ -	\$ 521,425

Bristol Bay Borough, Alaska

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Award Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Department of Health and Human Services					
Health Center Program Cluster:					
Grants for New and Expanded Services Under the Health Center Program	93.527	H80CS01134-16	-	\$ 1,032,822	\$ 1,032,822
Health Center Program	93.224	H80CS01134-16	-	253,752	253,752
Total Health Center Program Cluster				<u>1,286,574</u>	<u>1,286,574</u>
Department of Homeland Security					
Passed through the State of Alaska, Department of Military and Veterans' Affairs					
2017 State Homeland Security Program	97.067	EMW-2017-SS-00048-S01	20SHSP-GY17	-	157,076
Department of the Interior					
Payment in Lieu of Taxes	15.226		-	-	163,710
Total Expenditures of Federal Awards				<u>\$ 1,286,574</u>	<u>\$ 1,607,360</u>

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

Bristol Bay Borough, Alaska
Schedule of State Financial Assistance
Year Ended June 30, 2018

Grantor/Name of Award	Grant Number	Total Grant Award	State Expenditures
Department of Commerce, Community and Economic Development			
Shared Fisheries Business Tax	FY18	\$ 8,715	\$ 8,715
CTE Program Facility Renovation Project	15-DC-039	186,606	16,559
*Community Assistance	FY18	369,020	<u>369,020</u>
Total Department of Commerce, Community and Economic Development			<u>394,294</u>
Department of Education & Early Development			
*Bristol Bay School Renovation, Phase 1	GR-18-007	2,523,300	2,246,399
Martin Monson Regional Library	GRT PLA180001227	14,000	<u>14,000</u>
Total Department of Education & Early Development			<u>2,260,399</u>
Department of Environmental Conservation			
*Naknek Sewer Relocation & System Upgrade	MMG No. 18313	2,768,833	<u>1,589,334</u>
Department of Military and Veterans Affairs			
Local Emergency Planning Committee	20LEPC-GY18	10,000	<u>9,968</u>
Alaska Energy Authority			
*VEEP - Bristol Bay Borough School District	7520010	300,000	<u>266,932</u>
Department of Revenue			
*Fisheries Business Tax	FY18	2,705,606	<u>2,705,606</u>
Department of Administration			
PERS on Behalf	FY18	85,670	<u>85,670</u>
Total State Financial Assistance			<u>\$ 7,312,203</u>

*Major Program

The accompanying notes are an integral part of this schedule.

Bristol Bay Borough, Alaska

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

1. Basis of Presentation

The accompanying schedules of state financial assistance and expenditures of federal awards (the "Schedules") include the state and federal grant activity of Bristol Bay Borough, Alaska under programs of the State of Alaska and federal government for the year ended June 30, 2018. The information in the Schedules is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and 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 Schedules present only a selected portion of the operations of Bristol Bay Borough, Alaska, they are not intended to and do not present the financial position, changes in net position or cash flows of Bristol Bay Borough, Alaska.

2. Summary of Significant Accounting Principles

Expenditures presented on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Subrecipients

Of the federal expenditures presented in the Schedule, Bristol Bay Borough provided federal awards to subrecipients as follows:

<i>CFDA</i>	Program Name	Amount
93.527	Grants for New and Expanded Services Under the Health Center Program	\$ 253,752
93.224	Health Center Program	1,032,822
Total Provided to Camai Community Health Center		\$ 1,286,574

4. Indirect Cost Rate

The Borough has elected not to use the 10-percent de minimus cost rate allowed under the Uniform Guidance.

5. PERS On-Behalf

The Borough has recorded \$85,670 in PERS On-Behalf payments on the Schedule of State Financial Assistance. This represents the PERS relief payment appropriated and transferred into the plan during FY2018.

Bristol Bay Borough, Alaska

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance, continued

In the governmental fund financial statements, on-behalf revenue and expenditures have been recognized in the year appropriated and transferred to the plan. However, in the full accrual financial statements, GASB 68 provisions prescribe that on-behalf pension contributions in a special funding situation may only be recognized during the measurement period in which the plan recognizes the contributions, effectively creating a one-year timing difference between the cash contribution and revenue and expense recognition by the Borough. As a result of these perspective and timing differences, amounts reported in the financial statements do not agree to the amounts reported on the Schedule of State Financial Assistance.

6. ADEC Loan

The Borough has received an award through the Alaska Department of Environmental Conservation Clean Water Revolving Loan Program for the purpose of relocating critical sewer lines. At June 30, 2018, the Borough had expended \$30,369 in costs associated with the project. Due to ongoing discussion with ADEC related to anticipated changes in the scope of work, no drawdowns have been requested. Costs associated with this project will be reported against the loan and properly allocated between federal and state funding only after the drawdowns have been submitted and paid, allowing for accurate reporting of the federal share. Any such costs will be evaluated for major program determination testing in the year the request is submitted.

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Single Audit Section



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

Honorable Mayor and Borough Assembly
Bristol Bay Borough
Naknek, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Bristol Bay Borough as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Bristol Bay Borough's basic financial statements, and have issued our report thereon dated March 29, 2019. Our report includes a reference to other auditors who audited the financial statements of Bristol Bay Borough School District, as described in our report on Bristol Bay Borough's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bristol Bay Borough'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*.

Bristol Bay Borough's Response to Findings

Bristol Bay Borough's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Bristol Bay Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska
March 29, 2019



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

Honorable Mayor and Borough Assembly
Bristol Bay Borough
Naknek, Alaska

Report on Compliance for Each Major Federal Program

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

Bristol Bay Borough's basic financial statements include the operations of the Bristol Bay Borough School District, which received \$535,111 in federal awards which is not included in Bristol Bay Borough's schedule of expenditures of federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of Bristol Bay Borough School District because other auditors were engaged to perform the audit of the School District; however, they did not meet the threshold for an audit in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 Bristol Bay Borough's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the 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 Bristol Bay Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Bristol Bay Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bristol Bay Borough's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Bristol Bay Borough's internal control over compliance.

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

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

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

BDO USA, LLP

Anchorage, Alaska
March 29, 2019



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

Honorable Mayor and Borough Assembly
Bristol Bay Borough
Naknek, Alaska

Report on Compliance for Each Major State Program

We have audited Bristol Bay Borough's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of Bristol Bay Borough's major state programs for the year ended June 30, 2018. Bristol Bay Borough's major state programs are identified in the accompanying schedule of state financial assistance.

Bristol Bay Borough's basic financial statements include the operations of the Bristol Bay Borough School District, which received \$1,805,010 in state awards which is not included in Bristol Bay Borough's schedule of State Financial Assistance during the year ended June 30, 2018. Our audit, described below, did not include the operations of Bristol Bay Borough School District because other auditors were engaged to perform an audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

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

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

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

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

BDO USA, LLP

Anchorage, Alaska
March 29, 2019

Bristol Bay Borough, Alaska

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report 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? X yes (none reported)

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
93.224	Health Center Program Cluster: Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	Department of Health and Human Services
93.527	Grants for New and Expanded Services under the Health Center Program	Department of Health and Human Services

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

Auditee qualified as low-risk auditee? yes X no

State Financial Assistance

Internal control over major state programs:

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

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

Dollar threshold used to distinguish a state major program: \$ 150,000

Bristol Bay Borough, 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 Government Auditing Standards

Finding 2018-001 **Account Reconciliations - Material Weakness in Internal Control Over Financial Reporting**

Criteria: Government Auditing Standards states that 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 management and 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: Reconciliations were not performed, or were missing transactions, for grants receivable, accounts receivable, notes receivable, capital assets, unearned revenue, capital lease payable, property tax revenue, and grant revenue. During our test work over the related accounts, we noted that the balance sheet accounts were not reconciled to the actual amounts.

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

Effect or potential effect: Adjustments were made to various balance sheet accounts and the related revenue or expenditure/expense accounts to correct these balances at year-end. When the reconciliations were completed, related adjustments had a material effect on the financial statements.

Recommendation: Management should ensure reconciliations are performed accurately and reviewed in a timely manner. All balance sheet accounts should be reconciled, and necessary adjusting entries recorded, at least quarterly. Management should consider obtaining additional training and/or consider bringing in an outside consultant to assist with year-end reconciliation and close out.

*Views of Responsible
Officials and Planned*

Corrective Actions: Management concurs with the finding. See corrective action plan.

Bristol Bay Borough, Alaska

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

Finding 2018-002 **Cash Disbursements - Significant Deficiency in Internal Control Over Financial Reporting**

Criteria Government Auditing Standards states that 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 management and 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: Cash disbursement controls were not consistently followed throughout the year. Purchases and payroll require approval prior to payment and recorded costs require documentation. During entity-wide cash disbursement testing, auditor noted missing approval and missing supporting documentation for transactions. Out of 60 payroll and 60 non-payroll transactions tested, 1 non-payroll and 2 payroll transaction did not have authorized approval or proper supporting documentation.

Cause: Internal controls were not followed to ensure that all cash disbursements were approved by authorized personnel.

Effect or potential effect: Lack of documentation that disbursements were approved and properly recorded in the general ledger.

Recommendation: We recommend the Borough follow its disbursement policies and maintain documentation in the disbursement files.

Views of Responsible Officials and Planned

Corrective Actions: Management concurs with the finding. See corrective action plan.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - State Award Findings and Questioned Costs

There were no findings and questioned costs for State financial assistance (as defined in the State of Alaska Audit Guide and Compliance Supplement for State Single Audits) that are required to be reported.



Bristol Bay Borough

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

Finding 2017-001 Account Reconciliations - Material Weakness in Internal Control Over Financial Reporting

Condition: Reconciliations were not performed, or were missing transactions, for cash, grants receivable, doubtful accounts, capital assets, unearned revenue, accrued payroll and benefits, accounts payable, capital lease payable, property tax revenue, grant revenue, and expenditures.

Status: This finding has been repeated as item 2018-001

Finding 2017-002 Segregation of Duties - Internal Control over Financial Reporting - Significant Deficiency

Condition: A lack of segregation of duties in the financial reporting process exists as a result of the Finance Director having many key roles in the financial reporting process.

Status: This finding has been resolved.

Finding 2017-003 Grant Reporting - Significant Deficiency in Internal Control over Compliance

Condition: Controls should be in place to ensure reports are reviewed for completeness and accuracy before being submitted to granting agencies.

Status: This finding has been resolved.



Bristol Bay Borough

Corrective Action Plan Year Ended June 30, 2018

Finding 2018-001 **Account Reconciliations - Material Weakness in Internal Control Over Financial Reporting**

Condition: Reconciliations were not performed or were missing transactions. Person responsible for the corrective action: Gregg Brelsford, Borough Manager.

Planned Corrective Actions: In recognition of the lack of available staff throughout the year, the Borough hired on a contract accountant to assist with timely reconciliation and review. This assistance was not secured until January 2018, thus the fiscal year was well under way and the finding could not be avoided.

Anticipated completion date: September 30, 2019

Finding 2018-002 **Cash Disbursements - Significant Deficiency in Internal Control Over Financial Reporting**

Condition: Cash disbursement controls were not consistently followed throughout the year. Person responsible for the corrective action: Gregg Brelsford, Borough Manager.

Planned Corrective Actions: The Borough will review its existing internal control policies and procedures and implement any changes necessary to ensure that proper controls are being adhered to.

Anticipated completion date: September 30, 2019