



City and Borough of Sitka, Alaska

Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

Prepared by Finance Department
Jay Sweeney, Finance Director
Mike Middleton, Deputy Finance Director

City and Borough of Sitka, Alaska

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City and Borough of Sitka

100 Lincoln Street Sitka, Alaska 99835

Coast Guard City, USA

March 21, 2016

To the Honorable Mayor,
Assembly Members and
Citizens of the City and Borough of Sitka, Alaska:

The Assembly of the City and Borough of Sitka has elected to issue each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that request, we hereby issue the comprehensive annual financial report of the City and Borough of Sitka, Alaska for the fiscal year ended June 30, 2015.

This report consists of management's representations concerning the financial position and performance of the City and Borough of Sitka. Consequently, management assumes full responsibility for the completeness and reliability of all of the information present in this report. To provide a reasonable basis for making these representations, management of the City and Borough of Sitka has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City and Borough of Sitka's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City and Borough of Sitka's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City and Borough of Sitka's financial statements have been audited by BDO USA, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City and Borough of Sitka for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that they will render an unqualified opinion on the City and Borough of Sitka's financial statements for the fiscal year ended June 30, 2015. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City and Borough of Sitka was part of a broader, state and federally mandated “Single Audit” designed to meet the special needs of state and federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and legal requirements involving the administration of state and federal awards. These Single Audit Reports are included at the end of this Comprehensive Annual Financial Report (CAFR).

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City and Borough of Sitka’s MD&A can be found immediately following the report of the independent auditors.

Profile of Government

The City and Borough of Sitka, incorporated in 1971, is located on Baranof and Chicagof Islands which are located along the Inside Passage in Southeast Alaska. Sitka is situated on the west coast of Baranof Island, contained within the largest temperate rain forest in the world. Most of this rain forest is part of the Tongass National Forest. The City and Borough of Sitka currently occupies a land area of 2,894 square miles, a water area of 1,816 square miles and serves a population of 9,084. The City and Borough of Sitka is empowered to levy a property tax on both real and personal properties located within its boundaries. The City and Borough of Sitka also levies a sales tax on sales within the City and Borough.

The City and Borough of Sitka has operated under the Assembly-Administrator form of government since 1971. Policy-making and legislative authority are vested in a governing assembly consisting of the Mayor and six other members. The Assembly is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government’s Administrator and Attorney. The administrator is responsible for carrying out the policies and ordinances of the Assembly, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Assembly is elected on a non-partisan basis. Assembly members serve three-year staggered terms, with two Assembly members elected each year. The Mayor is elected to serve a two-year term. The Mayor and Assembly members are elected at large.

The City and Borough of Sitka provides a full range of services, including police and fire protection; ambulance service; the construction and maintenance of streets and other infrastructure; recreational facilities and cultural events. Other services include electricity, water, waste water treatment, solid waste disposal and recycling, moorage within the harbor system, cold storage facility, and leases within the industrial park. These services represent different departments in the City and Borough of Sitka and therefore have been included as an integral part of the City and Borough of Sitka’s financial statements. The City and Borough of Sitka also is financially accountable for a legally separate school district, hospital, and convention and visitors bureau, all of which are reported separately within the City and Borough of Sitka’s financial statements. Additional information on all four of these legally separate entities can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City and Borough of Sitka's financial planning and control. All departments of the City and Borough of Sitka are required to submit requests for appropriation to the Budget Officer on or before the 15th of January each year. The Budget Officer compiles and presents the draft budget to the Administrator on or before the 15th of March. The Administrator then presents this proposed budget to the Assembly for review on or before the 15th of April. As set forth in the Home Rule Charter of the City and Borough of Sitka for budget performance, the following dates outline the Charter's requirements: (1) not later than 60 days before the end of the current fiscal year, the Administrator shall submit to the Assembly a budget for the following fiscal year, a capital improvements program and an accompanying explanatory message of both; (2) not later than 15 days before the end of the current fiscal year, a public hearing shall be held on the budget and capital improvements program; (3) the Assembly by ordinance shall adopt a budget (for the next fiscal year) not later than 10 days before the end of the current fiscal year. The appropriated budget is prepared by fund and department (e.g., police). The Administrator may make transfers of appropriations within a department, with the exception of line items for salary and benefits, travel and training, and capital assets. Assembly approval is needed for the above three line items within each department's budget. Transfers of appropriations between departments and/or funds, however, require the approval of the Assembly. Budget-to-actual comparisons are provided in this report for the General Fund for which an appropriated annual budget has been adopted. The General Fund's comparison is presented starting on page F-2 as part of the required supplementary information to the basic financial statements.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City and Borough of Sitka operates.

Local economy. The City and Borough of Sitka's principal economic base is fishing, fish processing, government, tourism, and related businesses.

Population estimates for the Municipality have essentially remained flat. Sales tax collections have remained flat over last fiscal year while Bed tax increased 8.3%.

Cash management policies and practices. The City and Borough of Sitka utilizes a central treasury to aggregate cash from all funds except the component units listed herein, for cash management and investment purposes. Interest income on investments is allocated monthly to participating funds based on their average equity balance.

The City and Borough of Sitka's investment policy authorizes investment in obligations of the United States government, its agencies and instrumentalities, bankers' acceptances, mutual funds, commercial paper and the Alaska Municipal League investment pool. The investment policy also places limitations on maturity of investments. In addition, investment guidelines are contained in an Investment Policy passed, approved and adopted by the City and Borough of Sitka's Assembly.

Risk management. During FY2015, the Municipality continued a limited risk management program for workers' compensation. Various controls techniques, including employee accident

prevention training, have been implemented during the year to minimize accident-related losses. Third-party coverage is currently maintained for individual workers' compensation claims and other potential losses.

Pension and other postemployment benefits. The City and Borough of Sitka and the Sitka Community Hospital provide pension benefits for all eligible employees through the State of Alaska Public Employees Retirement System (PERS). The Municipality and Hospital has no obligations in connection with the employee benefits offered through this plan beyond its annual required payment to the pension plan.

The Sitka School District provides pension benefits for all eligible employees through PERS and Teachers Retirement System (TRS). The School District has no obligations in connection with employee benefits offered through this plan beyond its annual required payments to the pension plans.

Additional information on pension arrangements and postemployment benefits can be found starting on E-26 in the notes to the financial statements.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the staff of the Finance Department, especially Mike Middleton, Larry Fitzsimmons, Janet Schwartz, Sally Kimmel, Brenda Calkins and Joey Patel. My appreciation is extended to all members of the Finance Department who assisted and contributed to the preparation of this report. We also want to thank you, the members of the City and Borough of Sitka's Assembly, for your interest and support in conducting the financial operations of the City and Borough of Sitka in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John P. Sweeney III". The signature is written in a cursive style with a large initial "J" and "S".

John P "Jay" Sweeney III
Finance Director

City and Borough of Sitka, Alaska

Elected Officials

June 30, 2015

Name	Position
Mim McConnell	Mayor
Matthew Hunter	Deputy Mayor
Benjamin Miyasato	Vice-Deputy Mayor
Steven Eisenbeisz	Assembly Member
Tristan Guevin	Assembly Member
Aaron Hunter	Assembly Member
Bob Potrzuski	Assembly Member
Mark Gorman	Municipal Administrator

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and Borough of Sitka, Alaska, as of and for the year ended June 30, 2015, 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 Sitka Community Hospital, which represent 72 percent, and 46 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. 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 Sitka Community Hospital, 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.

Opinions

In our opinion, based on our audit and the report of the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and Borough of Sitka, Alaska, as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, in 2015 the Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for 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 Management's Discussion and Analysis on pages C-1 through C-10, the budgetary comparison information on pages F-2 through F-6, and the Schedules of Net Pension Liability and Pension Contributions on pages F-7 and F-8 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City and Borough of Sitka's basic financial statements. The accompanying combining fund financial statements, introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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.

The accompanying introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016 on our consideration of City and Borough of Sitka's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City and Borough of Sitka's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
March 21, 2016

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Management Discussion and Analysis

City and Borough of Sitka, Alaska

Management Discussion and Analysis

June 30, 2015

As management of the City and Borough of Sitka (Municipality), we offer the readers of the Municipality's financial statements this overview and analysis of the Municipality's financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages A-3 through A-6 of this report.

Financial Highlights

- The assets of the Municipality exceeded its liabilities at the close of the most recent year by \$358.0 million. Of this amount, \$55.8 million (unrestricted net position) is legally unreserved and may therefore be used to meet the Municipality's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4.9 million. Committed funds of \$8.3 million, are also available to meet expenses for the next fiscal year with varying levels of restrictions. The unassigned fund balance for the General Fund represented 19% of General Fund expenditures. This increases to 58% when restricted and committed funds are included.

Overview of the Financial Statements

The management discussion and analysis serves as an introduction to the Municipality's basic financial statements, which are the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements report information about the overall finances of the Municipality similar to a business enterprise. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The Statement of Net Position presents information on all of the Municipality's assets and deferred outflows less liabilities and deferred inflows, which results in net position. The statement is designed to display the financial position of the Municipality. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of the Municipality is improving or deteriorating.

The Statement of Activities provides information which shows how the Municipality's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid.

The Statement of Net Position and the Statement of Activities distinguish functions of the Municipality that are financed primarily by taxes, intergovernmental revenues, and charges for services (governmental activities) from functions where user fees and charges to customers help to cover all or most of the cost of services (business-type activities). The Municipality's governmental activities include administration, public safety, public works, public services and support. The business-type activities of the Municipality include the eight enterprise funds: Electric, water, waste water treatment, solid waste disposal, harbor, airport terminal building, Marine Service Center, and Sawmill Cove Industrial Park.

City and Borough of Sitka, Alaska

Management Discussion and Analysis

The government-wide financial statements present not only the Municipality itself, which is the primary government, but also its component units: Sitka School District, Sitka Community Hospital and Sitka Convention and Visitors Bureau for which the Municipality is financially accountable. Financial information for the Sitka School District, Sitka Community Hospital and Sitka Convention and Visitors Bureau is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages D-1 and D-2 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Municipality, like other state and local governments, uses fund accounting to ensure and demonstrate fiscal accountability. All of the funds of the Municipality can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on the short-term view of the Municipality's operations. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Municipality maintains 16 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Permanent Fund, Capital Projects Fund and Debt Service Fund. The other 12 governmental funds are combined and shown as Other Governmental Funds on the Governmental Fund Balance Sheet and Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances. Individual fund information for the 12 nonmajor funds is presented in the Combining Balance Sheet Nonmajor Governmental Funds and Combining statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Funds.

Proprietary funds

The Municipality maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Municipality uses enterprise funds to account for the electric, water, waste water treatment, and solid waste disposal utility services provided to the local citizens. The Municipality also uses enterprise funds for the harbors, airport terminal building, Marine Service Center (for cold storage), and the Sawmill Cove Industrial Park. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Municipality's various functions. The Municipality uses internal service funds to account for its management information systems (MIS), central garage, and building maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

City and Borough of Sitka, Alaska

Management Discussion and Analysis

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the Electric, Water, Waste Water Treatment Plant, Solid Waste Disposal, and Harbor Funds, which are considered to be major funds of the Municipality. The remaining three enterprise funds are combined and shown as Nonmajor Enterprise Funds on the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows for Proprietary Funds. The basic proprietary fund financial statements can be found on pages D-12 - D-14 of this report.

Fiduciary funds

Fiduciary funds are used to account for assets held by the Municipality in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the Municipality cannot use these assets for its operations. The accounting for fiduciary funds is much like that used in proprietary funds. The basic fiduciary aggregated fund financial statements can be found on page D-15 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages E-1 - E-27 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information to provide information on the Municipalities Nonmajor funds. Supplementary information can be found following the Notes to Financial Statements beginning on page F-1.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Municipality, assets exceeded liabilities by \$358.0 million at June 30, 2015 compared to \$340.5 million at June 30, 2014. By far the largest portion of the Municipality's net position (713) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, etc.) less any related debt used to acquire those assets that is still outstanding. The Municipality uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Municipality's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

City and Borough of Sitka, Alaska

Management Discussion and Analysis

Net Position						
June 30, 2015 and 2014						
(in millions)						
	Governmental		Business-type		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 68.2	\$ 65.9	\$ 52.8	\$ 59.8	\$ 121.0	\$ 125.7
Capital Assets	121.9	115.9	320.8	280.8	442.7	396.7
Total assets	190.1	181.8	373.6	340.6	563.7	522.4
Deferred outflows	1.9	0.2	3.0	2.7	4.9	2.9
Total assets and deferred outflows	\$ 192.0	\$ 182.0	\$ 376.6	\$ 343.3	\$ 568.6	\$ 525.3
Long-term debt outstanding	\$ 36.8	\$ 30.6	\$ 163.6	\$ 137.3	\$ 200.4	\$ 167.9
Other liabilities	4.6	2.1	4.1	14.8	8.7	16.9
Total liabilities	41.4	32.7	167.7	152.1	209.1	184.8
Deferred inflows	1.0	-	0.5	-	1.5	-
Total liabilities and deferred inflows	\$ 42.4	\$ 32.7	\$ 168.2	\$ 152.1	\$ 210.6	\$ 184.8
Net position:						
Net investment in capital assets	\$ 94.8	\$ 86.1	\$ 164.8	\$ 156.2	\$ 259.6	\$ 242.3
Restricted	32.1	25.9	10.5	9.0	42.6	34.9
Unrestricted	22.7	37.4	33.1	25.9	55.8	63.3
Total net position	\$ 149.6	\$ 149.4	\$ 208.4	\$ 191.1	\$ 358.0	\$ 340.5

Governmental Activities

Governmental activities increased the Municipality's net position by \$9.6 million. Key elements of are listed below:

- Revenue exceeded expense for the Permanent Fund by \$2.6 million
- General Fund revenues exceeded the budget by \$1.8 million
 - The biggest gains were in:
 - State Jail Contract - \$276 thousand, Investment income - \$210 thousand and sales tax \$349 thousand.

The net position for the Municipality's governmental activities are \$149.4 million, an increase of \$10.3 million. A substantial portion (58%) of the net position is invested in capital assets - an increase of \$5.0 million from the prior fiscal year. The Municipality uses these assets to provide services to the citizens. The unrestricted net position of the governmental activities are \$37.4 million as of June 30, 2014. The largest portion of the restricted net position is for the Permanent Fund (\$22.8 million).

Business-type activities

Business-type activities increased the Municipality's net position by \$29.5 million. This compares to an increase of \$19.8 million for the year ended June 30, 2013. Key elements are listed below:

- Capital grants and contributions increased \$6.4 million

The net position for the Municipality's business-type activities are \$191.2 million, an increase of \$29.5 million. As with government-wide activities, a substantial portion (82%) of the net position is invested in capital assets. The Municipality uses these assets to provide services to the citizens. The unrestricted net position of the business-type activities are \$26.2 million as of June 30, 2014.

City and Borough of Sitka, Alaska

Management Discussion and Analysis

Changes in Net Position For Fiscal Years Ending June 30, 2015 and 2014

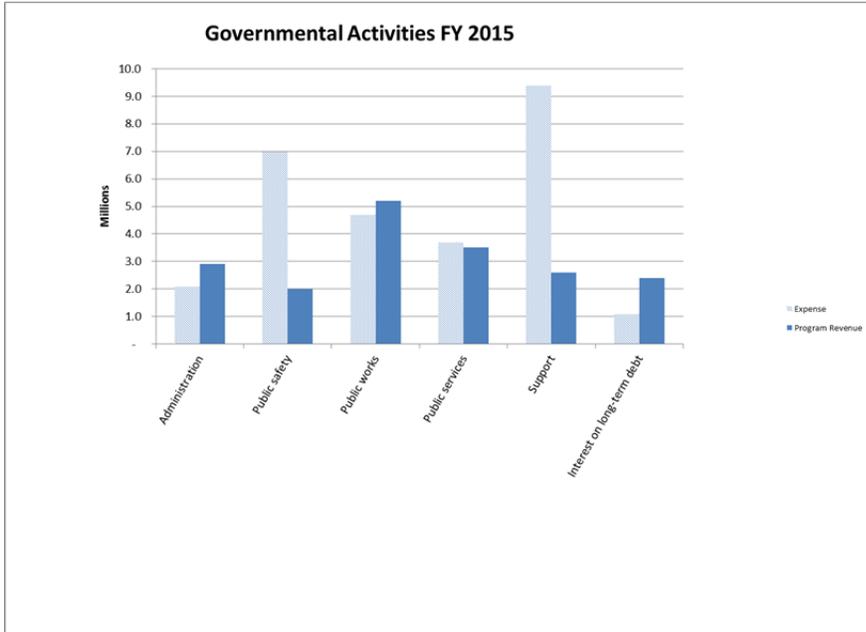
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues						
Charges for services	3.1	2.7	25.9	26.3	29.0	29.0
Operating grants and contributions	5.7	6.9	0.9	1.2	6.6	8.1
Capital grants and contributions	9.8	5.1	15.3	24.3	25.1	29.4
General revenues:						
Property tax	6.2	6.2	-	-	6.2	6.2
Sales and other taxes	11.0	10.9	-	-	11.0	10.9
Grants and contributions not restricted to specific programs	-	-	1.0	1.2	1.0	1.2
Unrestricted investment earnings	1.4	4.7	0.5	0.6	1.9	5.3
Other	1.6	-	-	-	1.6	-
Total revenues	38.8	36.5	43.6	53.6	82.4	90.1
Expenses:						
Administration	2.1	2.3	-	-	2.1	2.3
Public safety	7.0	7.0	-	-	7.0	7.0
Public works	4.7	4.1	-	-	4.7	4.1
Public services	3.7	2.4	-	-	3.7	2.4
Support	9.4	9.1	-	-	9.4	9.1
Interest on long-term debt	1.1	1.3	-	-	1.1	1.3
Electric	-	-	11.1	10.1	11.1	10.1
Water	-	-	2.4	2.2	2.4	2.2
Wastewater treatment	-	-	3.6	3.8	3.6	3.8
Solid waste disposal	-	-	3.3	3.5	3.3	3.5
Harbor	-	-	2.7	3.1	2.7	3.1
Nonmajor business-type	-	-	1.7	1.4	1.7	1.4
Total expenses	28.0	26.2	24.8	24.1	52.8	50.3
Increase in net position before transfers	10.8	10.3	18.8	29.5	29.6	39.8
Transfers in (out)	(2.7)	-	2.7	-	-	-
Increase in net position	8.1	10.3	21.5	29.5	29.6	39.8
Net position, beginning of year	149.4	139.1	191.2	161.7	340.6	300.8
Restatement - GASB 68	(7.9)	-	(4.3)	-	(12.2)	-
Net position, beginning as restated	141.5	139.1	186.9	161.7	328.4	300.8
Net position, end of year	149.6	149.4	208.4	191.2	358.0	340.6

City and Borough of Sitka, Alaska

Management Discussion and Analysis

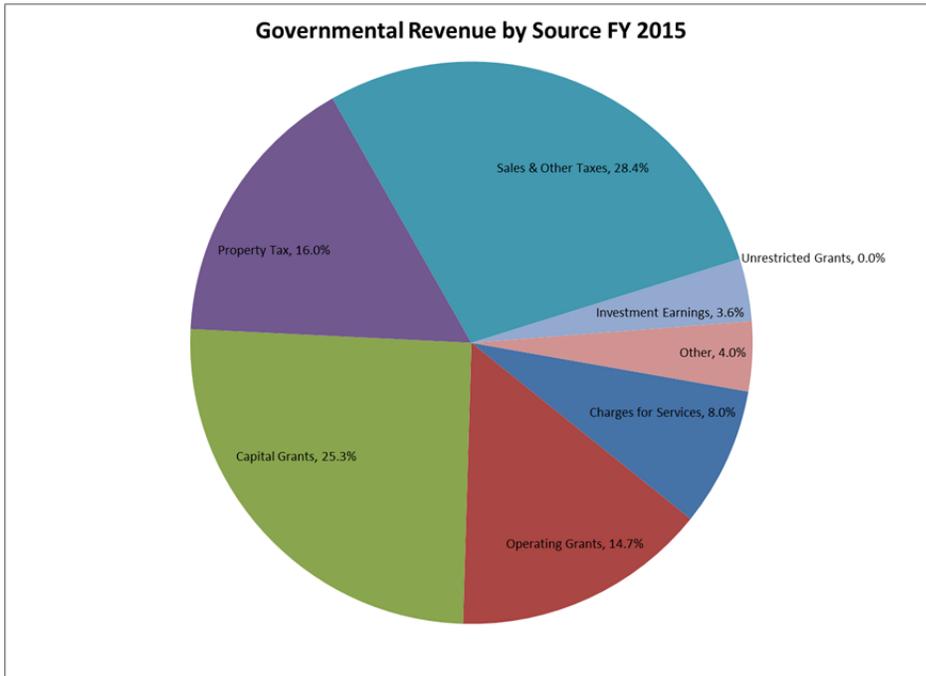
Expenses and Program Revenues - Governmental Activities

The graph shown below compares program expenses with associated revenues. It should be noted that revenue generated through sales, bed, and property taxes are considered general revenues and are therefore not included on this graph.



Revenues by Source - Governmental Activities

The graph shown below depicts all sources of revenues, both program and general.



City and Borough of Sitka, Alaska

Management Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the Municipality uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds

The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Municipality's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Did the Municipality generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

At the end of the current fiscal year, the Municipality's governmental funds reported combined ending fund balances of \$58.8 million, a decrease of \$0.4 million compared to the prior year. A portion of this amount is reserved to indicate it is not available to new spending because it is nonspendable, or has been restricted, committed or assigned (\$1.9, \$26.2, \$23.4, and \$2.4 million respectively). The remainder of fund balance is unassigned (\$4.9 million) and is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Municipality. At the end of the current fiscal year, total fund balance was \$15.0 million and unassigned fund balance was \$4.9 million. Total fund balance decreased by \$1.4 million from the prior year. Key factors include:

- Revenues exceeded expenditures by \$2.3 million in the General Fund before considering transfers, however, total transfers to other funds exceeded the excess revenues.

Proprietary funds

The Municipality's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the seven enterprise funds at the end of the year were \$33.5 million. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the Municipality's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor and can be briefly summarized as follows:

- The Municipality did not budget for PERS relief in 2015. Actual PERS relief recorded was \$3.1 million. Otherwise, there were only nominal increases to the general fund budget.

Capital Assets and Debt Administration

Capital assets

The Municipality's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$396.7 million (net of accumulated depreciation), an increase of \$88.2 million from the prior year. This investment in capital assets includes land, buildings, machinery and equipment, roads, and infrastructure.

City and Borough of Sitka, Alaska

Management Discussion and Analysis

Capital Assets For Fiscal Years Ending June 30, 2015 and 2014 (in millions, net of depreciation)

	Governmental		Business-type		Total	
	2015	2014	2015	2014	2015	2014
Land and improvements	\$ 22.2	\$ 16.9	\$ 16.0	\$ 16.3	\$ 38.2	\$ 33.2
Buildings	68.0	53.2	7.0	7.6	75.0	60.8
Equipment	5.1	5.1	1.9	2.1	7.0	7.2
Infrastructure	18.1	18.2	-	-	18.1	18.2
Electric plant	-	-	53.8	55.4	53.8	55.4
Water plant	-	-	17.8	18.6	17.8	18.6
Wastewater treatment plant	-	-	9.7	10.8	9.7	10.8
Harbors	-	-	12.4	13.1	12.4	13.1
Master plan and licenses	-	-	1.5	1.5	1.5	1.5
Construction in process	8.5	22.5	200.7	155.3	209.2	177.8
Total capital assets	\$ 121.9	\$ 115.9	\$ 320.8	\$ 280.7	\$ 442.7	\$ 396.6

Major additions to capital assets during the current fiscal year included the following (in millions):

- Construction in process for enterprise funds increased by \$45.3 million due to the ongoing construction on the Blue Lake Dam project.

Additional information on the Municipality's capital assets can be found in Note 5 beginning on page E-13 of this report.

Long-term debt

At the end of the current fiscal year, the Municipality had total debt outstanding of \$168.2 million. Of this amount \$29.4 million was bonded and backed by the full faith and credit of the Municipality. The remaining debt consists of debt secured by equipment, revenue bonds and notes, compensated absences, net pension obligation, and landfill closure costs.

Outstanding Debt For Fiscal Years Ending June 30, 2015 and 2014 (in millions)

	Governmental		Business-type		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 27.8	\$ 29.7	\$ -	\$ -	\$ 27.8	\$ 29.7
Revenue bonds	-	-	132.5	116.3	132.5	116.3
Revenue notes	-	-	7.7	7.9	7.7	7.9
Net pension liability	8.2	-	4.4	-	12.6	-
Other debt	0.8	0.8	19.0	13.5	19.8	14.3
Total outstanding debt	\$ 36.8	\$ 30.5	\$ 163.6	\$ 137.7	\$ 200.4	\$ 168.2

City and Borough of Sitka, Alaska

Management Discussion and Analysis

Additional information on the Municipality's long-term debt can be found in Note 8 beginning on page E-17 of this report.

Economic Factors and the Next Year's Budget and Rates

In setting the budgets for FY2016, the Municipality considered a number of issues with Municipality wide impact, among them:

- A sufficient level of funding necessary to meet the needs of Municipality residents, visitors and communities.
- A continued reduction in the historical variance between budget and actual revenues and expenditures.
- Maintenance of the Municipality's financial condition.
- The highest level of local educational funding Municipality residents can reasonably afford and sustain.
- A high quality capital and operational maintenance program that ensures the continued use and economic value of Municipality assets.

All of these factors were considered in preparing the Municipality's budget for FY2016.

Request for information

This financial report is designed to provide a general overview of the Municipality's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835.

Basic Financial Statements

City and Borough of Sitka, Alaska

Statement of Net Position

June 30, 2015

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Sitka School District	Convention and Visitors Bureau	Sitka Community Hospital
Assets and Deferred Outflows of Resources						
Assets						
Equity in central treasury	\$ 23,561,482	\$ 31,692,533	\$ 55,254,015	\$ -	\$ -	\$ -
Cash and investments	-	-	-	2,543,291	122,617	1,471,397
Receivables (net of allowance)	7,711,381	9,995,942	17,707,323	1,521,617	-	5,604,634
Internal balances	1,786,026	(1,786,026)	-	-	-	-
Inventories	-	1,614,397	1,614,397	-	-	321,213
Prepaid items	26,979	10,216	37,195	5,696	800	157,962
Notes receivable	1,858,220	164,019	2,022,239	-	-	-
Notes receivable - component unit	1,500,000	-	1,500,000	-	-	-
Special assessments receivable	37,520	92,570	130,090	-	-	-
Water rights	-	46,966	46,966	-	-	-
Restricted assets						
Equity in central treasury	9,089,100	551,873	9,640,973	-	-	-
Bond covenant accounts	-	10,445,096	10,445,096	-	-	-
Cash and investments	22,530,305	-	22,530,305	-	-	129,790
Interest receivable	89,449	-	89,449	-	-	-
Capital assets not being depreciated	19,713,710	205,969,759	225,683,469	-	-	-
Other capital assets, net of depreciation	102,157,869	114,848,611	217,006,480	271,704	8,771	5,323,265
Total Assets	190,062,041	373,645,956	563,707,997	4,342,308	132,188	13,008,261
Deferred Outflows of Resources						
Deferred charge on refunding	842,742	2,378,806	3,221,548	-	-	-
Deferred outflows related to pensions	1,070,350	576,343	1,646,693	873,106	-	1,063,576
Total Deferred Outflows of Resources	1,913,092	2,955,149	4,868,241	873,106	-	1,063,576
Total Assets and Deferred Outflows of Resources	\$ 191,975,133	\$ 376,601,105	\$ 568,576,238	\$ 5,215,414	\$ 132,188	\$ 14,071,837
Liabilities, Deferred Inflows of Resources and Net Position						
Liabilities						
Accounts payable and accrued liabilities	\$ 3,292,089	\$ 1,488,129	\$ 4,780,218	\$ 998,078	\$ 14,085	\$ 2,187,081
Unearned revenue	1,081,315	33,968	1,115,283	33,019	-	-
Accrued interest payable	245,456	2,494,211	2,739,667	-	-	-
Liabilities payable from restricted assets	-	113,156	113,156	-	-	-
Noncurrent liabilities:						
Due within one year:						
Note payable to Primary Government	-	-	-	-	-	1,500,000
Bonds and notes	2,568,231	3,089,367	5,657,598	-	8,541	1,769,395
Compensated absences	675,536	372,424	1,047,960	7,000	10,254	799,797
Due in more than one year:						
Bonds and notes	23,611,179	145,937,716	169,548,895	-	-	429,310
Unamortized bond premium	1,769,432	9,333,645	11,103,077	-	-	-
Compensated absences	-	-	-	134,369	-	-
Net pension liability	8,172,219	4,400,428	12,572,647	8,997,623	-	9,504,067
Landfill post-closure liability	-	438,717	438,717	-	-	-
Total Liabilities	41,415,457	167,701,761	209,117,218	10,170,089	32,880	16,189,650
Deferred Inflows of Resources						
Property taxes paid in advance	30,995	-	30,995	-	-	-
Deferred inflows related to pensions	944,169	508,400	1,452,569	984,485	-	1,098,043
Total Deferred Inflows of Resources	975,164	508,400	1,483,564	984,485	-	1,098,043
Net Position						
Net investment in capital assets	94,765,479	164,836,448	259,601,927	271,704	8,771	4,820,225
Restricted for:						
Permanent Fund	22,567,513	-	22,567,513	-	-	-
Capital projects	9,582,226	-	9,582,226	-	-	-
Debt service	-	10,445,096	10,445,096	-	-	-
Sitka School District	-	-	-	30,325	-	-
Medical services	-	-	-	-	-	74,855
Unrestricted (deficit)	22,669,294	33,109,400	55,778,694	(6,241,189)	90,537	(8,110,936)
Total Net Position (Deficit)	149,584,512	208,390,944	357,975,456	(5,939,160)	99,308	(3,215,856)
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	\$ 191,975,133	\$ 376,601,105	\$ 568,576,238	\$ 5,215,414	\$ 132,188	\$ 14,071,837

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska
Statement of Activities

Year Ended June 30, 2015	Net Revenue (Expense) and Changes in Net Position									
	Program Revenues				Primary Government			Component Units		
	Expenses	Fees, Fines, & Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Sitka School District	Convention and Visitors Bureau	Sitka Community Hospital
Primary Government										
Governmental Activities										
Administration	\$ 2,078,240	\$ 377,681	\$ 2,511,936	\$ -	\$ 811,377	\$ -	\$ 811,377			
Public safety	6,958,306	1,409,655	576,166	-	(4,972,485)	-	(4,972,485)			
Public works	4,661,945	1,052,273	112,329	4,039,079	541,736	-	541,736			
Public services	3,727,612	252,980	55,631	3,173,273	(245,728)	-	(245,728)			
Support	9,384,188	-	-	2,595,441	(6,788,747)	-	(6,788,747)			
Interest on long-term debt	1,082,227	-	2,417,908	-	1,335,681	-	1,335,681			
Total Governmental Activities	27,892,518	3,092,589	5,673,970	9,807,793	(9,318,166)	-	(9,318,166)			
Business-type Activities										
Electric	11,144,214	14,623,321	768,792	9,968,828	-	14,216,727	14,216,727			
Water	2,370,055	2,093,200	17,689	4,515,224	-	4,256,058	4,256,058			
Wastewater treatment	3,629,915	2,906,839	53,953	321,306	-	(347,817)	(347,817)			
Solid waste disposal	3,344,737	3,067,855	3,538	-	-	(273,344)	(273,344)			
Harbor	2,682,945	2,256,944	37,148	124,467	-	(264,386)	(264,386)			
Airport	594,985	371,720	-	-	-	(223,265)	(223,265)			
Marine	401,381	219,128	-	-	-	(182,253)	(182,253)			
Sawmill Cove	697,538	383,042	-	320,620	-	6,124	6,124			
Total Business-type Activities	24,865,770	25,922,049	881,120	15,250,445	-	17,187,844	17,187,844			
Total Primary Government	\$ 52,758,288	\$ 29,014,638	\$ 6,555,090	\$ 25,058,238	\$ (9,318,166)	\$ 17,187,844	\$ 7,869,678			
Component Units										
Sitka School District	\$ 33,544,648	\$ 1,222,087	\$ 10,202,300	\$ 2,650,560				\$ (19,469,701)	\$ -	\$ -
Convention and Visitors Bureau	433,277	74,608	-	-				-	(358,669)	-
Sitka Community Hospital	29,980,917	21,986,874	6,702,663	-				-	-	(1,291,380)
Total Component Units	\$ 63,958,842	\$ 23,283,569	\$ 16,904,963	\$ 2,650,560				\$ (19,469,701)	\$ (358,669)	\$ (1,291,380)
General revenues										
Taxes:										
Property					\$ 6,245,146	\$ -	\$ 6,245,146	\$ -	\$ -	\$ -
Sales					10,090,643	-	10,090,643	-	-	-
Commercial passenger excise tax					157,340	-	157,340	-	-	-
Tobacco tax					735,594	-	735,594	-	-	-
Contributions from primary government					-	-	-	5,283,762	317,845	882,221
Grants and entitlements not restricted to specific purpose					-	1,009,033	1,009,033	14,825,229	-	163,826
Investment income					1,368,824	559,400	1,928,224	-	-	-
Other					1,557,740	43,664	1,601,404	30,414	-	-
Transfers					(2,727,192)	2,727,192	-	-	-	-
Total General Revenues and Transfers					17,428,095	4,339,289	21,767,384	20,139,405	317,845	1,046,047
Change in net position					8,109,929	21,527,133	29,637,062	669,704	(40,824)	(245,333)
Net Position (deficit), beginning, restated (Note 17)					141,474,583	186,863,811	328,338,394	(6,608,864)	140,132	(2,970,523)
Net Position (deficit), end					\$149,584,512	\$208,390,944	\$357,975,456	\$ (5,939,160)	\$ 99,308	\$ (3,215,856)

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Governmental Funds

Balance Sheet

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Permanent Fund	Capital Projects Fund		
<i>June 30, 2015</i>					
Assets					
Equity in central treasury	\$ 10,115,110	\$ -	\$ -	\$ 8,219,385	\$ 18,334,495
Receivables:					
Accounts	803,275	-	-	-	803,275
Taxes	2,392,032	-	-	289,815	2,681,847
Allowance for uncollectables	(521,335)	-	-	-	(521,335)
Interest	418,254	-	-	-	418,254
Special assessments	-	-	-	37,520	37,520
Federal and State of Alaska	254,954	-	3,973,283	101,103	4,329,340
Due from other funds	1,183,590	-	-	365,307	1,548,897
Advances to other funds	300,000	-	-	728,414	1,028,414
Prepaid items	25,359	-	-	-	25,359
Notes receivable	1,500,000	56,681	-	1,801,539	3,358,220
Restricted assets:					
Equity in central treasury	-	1,440,418	7,648,682	-	9,089,100
Cash and investments	-	22,478,126	52,179	-	22,530,305
Interest receivable	-	89,449	-	-	89,449
Total Assets	\$ 16,471,239	\$ 24,064,674	\$ 11,674,144	\$ 11,543,083	\$ 63,753,140
Liabilities, Deferred Inflows of Resources and Fund Balance					
Liabilities					
Accounts payable	\$ 237,352	\$ -	\$ 2,041,918	\$ 304,055	\$ 2,583,325
Accrued payroll	487,919	-	-	-	487,919
Deposits payable	42,823	-	-	-	42,823
Due to other funds	365,307	-	-	74,394	439,701
Advances from other funds	280,795	-	-	-	280,795
Unearned revenue	16,315	-	50,000	1,015,000	1,081,315
Total Liabilities	1,430,511	-	2,091,918	1,393,449	4,915,878
Deferred Inflows of Resources					
Deferred assessments	-	-	-	37,520	37,520
Property taxes paid in advance	30,995	-	-	-	30,995
Total Deferred Inflows of Resources	30,995	-	-	37,520	68,515
Fund Balances					
Nonspendable	1,825,359	56,681	-	-	1,882,040
Restricted	-	22,567,513	-	3,640,341	26,207,854
Committed	8,295,203	1,440,480	9,582,226	4,088,829	23,406,738
Assigned	-	-	-	2,387,729	2,387,729
Unassigned (deficit)	4,889,171	-	-	(4,785)	4,884,386
Total Fund Balances	15,009,733	24,064,674	9,582,226	10,112,114	58,768,747
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 16,471,239	\$ 24,064,674	\$ 11,674,144	\$ 11,543,083	\$ 63,753,140

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position Year Ended June 30, 2015

Total fund balances for governmental funds \$ 58,768,747

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

	Governmental Funds	Internal Service Funds	
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	\$ 11,230,912	\$ -	
Construction in progress	8,482,798	-	
Total capital assets not being depreciated	19,713,710	-	
Buildings	115,126,680	1,396,652	
Land improvements	12,032,532	24,275	
Infrastructure	33,891,372	-	
Equipment	5,803,831	8,555,934	
Accumulated depreciation	<u>(68,394,631)</u>	<u>(6,278,776)</u>	
Total depreciable capital assets, net of depreciation	98,459,784	3,698,085	121,871,579
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of special assessments receivable.	37,520	-	37,520
Bond refundings may result in deferred charges. These items are expensed in the funds but deferred on the statement of net position and amortized in the Statement of Activities.			842,742
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:			
Bonds and State of Alaska note	\$ (26,179,410)	\$ -	
Unamortized bond premium	(1,769,432)	-	
Net pension liability	(7,606,450)	(565,769)	
Accrued interest payable	(245,456)	-	
Compensated absences	<u>(631,825)</u>	<u>(43,711)</u>	
Total long term liabilities	(36,432,573)	(609,480)	(37,042,053)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.			
Deferred inflows related to pensions	\$ (878,804)	\$ (65,365)	
Deferred outflows related to pensions	996,248	74,102	
Total deferred pension items	<u>117,444</u>	<u>8,737</u>	126,181
An internal service fund is used by the Borough to charge the cost of certain activities, such as insurance, to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. This is the residual equity not reported above.			<u>4,979,796</u>
Total Net Position of Governmental Activities			<u>\$ 149,584,512</u>

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2015	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Permanent Fund	Capital Projects Fund		
Revenues					
Taxes:					
Real and personal property	\$ 6,245,146	\$ -	\$ -	\$ -	\$ 6,245,146
Sales and bed	10,090,643	-	-	-	10,090,643
Tobacco	-	-	-	735,594	735,594
State sources	4,068,688	-	8,437,359	2,582,588	15,088,635
Federal sources	1,498,163	-	1,352,227	207,344	3,057,734
Charges for services	2,150,737	-	-	202	2,150,939
Interfund services	2,807,749	-	-	-	2,807,749
Fines, forfeitures and penalties	118,679	-	-	-	118,679
Investment income	326,702	786,065	7,068	171,694	1,291,529
Uses of property	329,537	-	-	-	329,537
Licenses and permits	195,119	-	-	705	195,824
Other	236,670	-	482,599	107,793	827,062
Total Revenues	28,067,833	786,065	10,279,253	3,805,920	42,939,071
Expenditures:					
Current:					
Administration	5,439,736	-	-	-	5,439,736
Public safety	7,546,734	-	-	226,969	7,773,703
Public works	4,186,782	-	-	72,795	4,259,577
Public services	1,570,070	-	-	821,653	2,391,723
Support	6,896,830	-	-	-	6,896,830
Debt service:					
Principal	13,231	-	-	2,470,000	2,483,231
Interest	35,022	-	-	1,156,404	1,191,426
Debt issuance costs	-	-	-	18,020	18,020
Capital outlay	31,533	-	11,137,003	-	11,168,536
Total Expenditures	25,719,938	-	11,137,003	4,765,841	41,622,782
Excess of Revenues Over (Under) Expenditures	2,347,895	786,065	(857,750)	(959,921)	1,316,289
Other Financing Sources (Uses)					
Proceeds from sales of assets	-	1,052,256	-	-	1,052,256
Refunding bonds issued - principal	-	-	-	6,095,000	6,095,000
Refunding bonds issued - premium	-	-	-	836,234	836,234
Payment to refunded bond escrow agent	-	-	-	(6,876,762)	(6,876,762)
Transfers in	1,182,368	600,000	4,961,134	1,765,697	8,509,199
Transfers out	(4,911,339)	(1,153,742)	(935,045)	(4,336,373)	(11,336,499)
Net Other Financing Sources (Uses)	(3,728,971)	498,514	4,026,089	(2,516,204)	(1,720,572)
Net Change in Fund Balances	(1,381,076)	1,284,579	3,168,339	(3,476,125)	(404,283)
Fund Balances, beginning	16,390,809	22,780,095	6,413,887	13,588,239	59,173,030
Fund Balances, ending	\$ 15,009,733	\$ 24,064,674	\$ 9,582,226	\$ 10,112,114	\$ 58,768,747

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities Year Ended June 30, 2015

Net change in fund balances - total governmental funds		\$ (404,283)
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.		
Capital outlays	\$ 10,436,137	
Depreciation	<u>(4,614,291)</u>	5,821,846
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Decrease in deferred special assessments receivable		(10,054)
Debt refundings are reported in revenue and expenditures at the time of the transaction in the fund financial statements. Economic gains or losses are deferred and amortized on the Statement of Net Postion and the Statement of Activities. This is the increase in deferred charge on bonds.		
		583,164
The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Repayment of principal	\$ 2,483,231	
Issuance of refunding bonds	(6,095,000)	
Payment to bond escrow for refunding	6,270,000	
Increase in unamortized bond premium	<u>(742,914)</u>	1,915,317
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest payable	\$ 39,477	
Decrease in accrued leave	29,951	
Increase in net pension liability and related accounts	<u>(109,969)</u>	(40,541)
Internal service funds are used by management to charge the costs of health insurance to individual funds. A portion of the net income of these activities is reported with governmental activities.		
		<u>244,480</u>
Change in Net Position of Governmental Activities		<u>\$ 8,109,929</u>

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Proprietary Funds
Statement of Net Position

June 30, 2015	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Solid Waste Disposal	Harbor			
Assets and Deferred Outflows of Resources								
Current Assets								
Equity in central treasury	\$ 15,948,527	\$ -	\$ 4,611,008	\$ 350,598	\$ 7,595,507	\$ 3,186,893	\$ 31,692,533	\$ 5,226,987
Receivables:								
Accounts	1,080,524	173,881	226,851	223,149	182,149	37,708	1,924,262	-
Allowance for uncollectables	(227,114)	(40,144)	(54,824)	(59,823)	(155,426)	-	(537,331)	-
Federal and State of Alaska	4,298,917	2,635,242	664,467	-	1,009,638	747	8,609,011	-
Current portion of notes receivable	-	2,154	7,696	-	-	7,521	17,371	-
Inventories	1,384,759	229,638	-	-	-	-	1,614,397	-
Prepaid expenses	2,166	-	-	-	-	8,050	10,216	1,620
Total Current Assets	22,487,779	3,000,771	5,455,198	513,924	8,631,868	3,240,919	43,330,459	5,228,607
Noncurrent Assets								
Restricted Assets:								
Equity in central treasury:								
Landfill postclosure	-	-	-	438,717	-	-	438,717	-
Deposits	104,845	900	-	7,411	-	-	113,156	-
Bond covenant accounts	10,127,530	-	-	-	317,566	-	10,445,096	-
Notes receivable	-	10,347	74,795	-	-	61,506	146,648	-
Special assessments receivable	-	-	92,570	-	-	-	92,570	-
Water rights	23,483	23,483	-	-	-	-	46,966	-
Capital assets:								
Property, plant and equipment	117,074,269	31,660,052	46,930,747	7,607,286	24,113,892	23,537,551	250,923,797	9,976,861
Construction in progress	173,720,866	9,651,938	7,429,534	138,191	9,016,110	791,209	200,747,848	-
Less accumulated depreciation	(59,304,801)	(13,263,409)	(36,346,084)	(2,135,393)	(11,557,918)	(8,245,670)	(130,853,275)	(6,278,776)
Total Capital Assets, Net of Accumulated Depreciation	231,490,334	28,048,581	18,014,197	5,610,084	21,572,084	16,083,090	320,818,370	3,698,085
Total Noncurrent Assets	241,746,192	28,083,311	18,181,562	6,056,212	21,889,650	16,144,596	332,101,523	3,698,085
Total Assets	264,233,971	31,084,082	23,636,760	6,570,136	30,521,518	19,385,515	375,431,982	8,926,692
Deferred Outflows of Resources								
Deferred charge on refunding	2,378,806	-	-	-	-	-	2,378,806	-
Deferred outflows related to pension	367,213	32,934	100,449	6,586	69,161	-	576,343	74,102
Total Deferred Outflows of Resources	2,746,019	32,934	100,449	6,586	69,161	-	2,955,149	74,102
Total Assets and Deferred Outflows of Resources	\$ 266,979,990	\$ 31,117,016	\$ 23,737,209	\$ 6,576,722	\$ 30,590,679	\$ 19,385,515	\$ 378,387,131	\$ 9,000,794

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska
Proprietary Funds
Statement of Net Position, continued

June 30, 2015	Major Enterprise Funds					Harbor	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Solid Waste Disposal					
Liabilities, Deferred Inflows of Resources and Net Position									
Current Liabilities									
Accounts payable and accrued liabilities	\$ 643,760	\$ 225,717	\$ 248,182	\$ 186,958	\$ 159,148	\$ 24,364	\$ 1,488,129	\$ 178,022	
Interest payable	2,362,880	18,648	38,575	-	74,108	-	2,494,211	-	
Unearned revenue	200	100	-	-	-	33,668	33,968	-	
Due to other funds	-	1,009,196	-	-	100,000	-	1,109,196	-	
Current portion:									
Revenue bonds	1,955,000	-	-	-	140,000	-	2,095,000	-	
Notes payable	310,125	297,588	225,508	115,798	45,348	-	994,367	-	
Compensated absences	243,640	21,627	66,953	-	40,204	-	372,424	-	
Payable from restricted assets - deposits	104,845	900	-	7,411	-	-	113,156	-	
Total Current Liabilities	5,620,450	1,573,776	579,218	310,167	558,808	58,032	8,700,451	178,022	
Noncurrent Liabilities									
Compensated absences	-	-	-	-	-	-	-	43,711	
Advances from other funds	-	-	-	-	-	298,693	298,693	448,926	
Revenue bonds	117,555,000	-	-	-	3,565,000	-	121,120,000	-	
Premium on bonds	8,780,609	-	-	-	553,036	-	9,333,645	-	
Notes payable	9,740,619	7,035,913	5,946,290	1,505,368	589,526	-	24,817,716	-	
Net pension liability	2,803,700	251,455	766,933	50,290	528,050	-	4,400,428	565,769	
Landfill post-closure liability	-	-	-	438,717	-	-	438,717	-	
Total Noncurrent Liabilities	138,879,928	7,287,368	6,713,223	1,994,375	5,235,612	298,693	160,409,199	1,058,406	
Total Liabilities	144,500,378	8,861,144	7,292,441	2,304,542	5,794,420	356,725	169,109,650	1,236,428	
Deferred Inflows of Resources - related to pensions	323,923	29,052	88,607	5,810	61,008	-	508,400	65,365	
Net Position									
Net investment in capital assets	95,527,787	20,715,080	11,842,399	3,988,918	16,679,174	16,083,090	164,836,448	3,698,085	
Restricted for debt service	10,127,530	-	-	-	317,566	-	10,445,096	-	
Unrestricted	16,500,372	1,511,740	4,513,762	277,452	7,738,511	2,945,700	33,487,537	4,000,916	
Total Net Position	122,155,689	22,226,820	16,356,161	4,266,370	24,735,251	19,028,790	208,769,081	7,699,001	
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 266,979,990	\$ 31,117,016	\$ 23,737,209	\$ 6,576,722	\$ 30,590,679	\$ 19,385,515	\$ 208,390,944	\$ 9,000,794	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							(378,137)		
Net Position of Business-Type Activities							\$ 208,390,944		

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Solid Waste Disposal	Harbor			
Operating Revenues								
Charges for service	\$ 13,585,429	\$ 1,967,551	\$ 2,667,091	\$ 3,064,756	\$ 2,140,986	\$ 947,259	\$ 24,373,072	\$ 2,830,726
Other operating revenues	1,037,892	125,649	239,748	3,099	115,958	26,631	1,548,977	2,599
Total Operating Revenues	14,623,321	2,093,200	2,906,839	3,067,855	2,256,944	973,890	25,922,049	2,833,325
Operating Expenses								
Wages and benefits	4,262,025	394,998	1,125,042	24,016	894,500	64,237	6,764,818	834,602
Travel and training	47,013	3,495	12,059	350	2,903	-	65,820	17,530
Utilities	131,937	108,557	207,410	26,331	142,273	167,955	784,463	24,464
Repair and maintenance	283,070	41,649	76,676	4,143	110,459	140,136	656,133	257,110
Contracted/purchased services	2,185,677	384,726	389,367	2,568,417	356,727	346,772	6,231,686	813,108
Interdepartmental services	1,800,842	483,598	430,490	447,257	439,863	210,801	3,812,851	338,165
Other	260,261	45,461	66,059	55,992	80,642	42,830	551,245	7,091
Depreciation and amortization	1,817,628	846,874	1,288,600	217,548	687,501	614,283	5,472,434	487,725
Total Operating Expenses	10,788,453	2,309,358	3,595,703	3,344,054	2,714,868	1,587,014	24,339,450	2,779,795
Income (Loss) from Operations	3,834,868	(216,158)	(688,864)	(276,199)	(457,924)	(613,124)	1,582,599	53,530
Nonoperating Revenues (Expenses)								
Investment income (loss)	313,069	(25,678)	52,874	7,573	174,653	36,909	559,400	77,295
Interest expense	(426,702)	(67,423)	(48,249)	(26,069)	17,372	(11,325)	(562,396)	(24,334)
Raw fish tax	-	-	-	-	1,009,033	-	1,009,033	-
State PERS relief	197,239	17,689	53,953	3,538	37,148	-	309,567	39,802
Other federal sources	571,553	-	-	-	-	-	571,553	-
Other	(47,665)	18,402	18,920	(1,424)	-	55,431	43,664	34,155
Net Nonoperating Revenues (Expenses)	607,494	(57,010)	77,498	(16,382)	1,238,206	81,015	1,930,821	126,918
Income (Loss) before Contributions and Transfers	4,442,362	(273,168)	(611,366)	(292,581)	780,282	(532,109)	3,513,420	180,448

City and Borough of Sitka, Alaska

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position, continued

Year Ended June 30, 2015	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Solid Waste Disposal	Harbor			
Capital contributions	\$ 9,968,828	\$ 4,515,224	\$ 321,306	\$ -	\$ 124,467	\$ 320,620	\$ 15,250,445	\$ -
Transfers in	2,500,000	102,000	-	-	72,940	52,252	2,727,192	130,108
Transfers out	-	-	-	-	-	-	-	(30,000)
Change in Net Position	16,911,190	4,344,056	(290,060)	(292,581)	977,689	(159,237)	21,491,057	280,556
Net Position, beginning, as restated (Note 17)	105,244,499	17,882,764	16,646,221	4,558,951	23,757,562	19,188,027		7,418,445
Net Position, ending	\$ 122,155,689	\$ 22,226,820	\$ 16,356,161	\$ 4,266,370	\$ 24,735,251	\$ 19,028,790		\$ 7,699,001
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							36,076	
Change in Net Position of Business-Type Activities							\$ 21,527,133	

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

**Proprietary Funds
Statement of Cash Flows**

<i>Year Ended June 30, 2015</i>	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Solid Waste Disposal	Harbor			
Cash Flows from (for) Operating Activities								
Receipts from customers and users	\$ 14,311,200	\$ 1,853,599	\$ 2,933,522	\$ 3,094,367	\$ 2,357,821	\$ 817,550	\$ 25,368,059	\$ 2,867,480
Payments to suppliers	(12,026,522)	(666,953)	(593,635)	(2,779,727)	(754,351)	(764,508)	(17,585,696)	(1,007,740)
Payments for interfund services used	(1,800,842)	(483,598)	(430,490)	(447,257)	(439,863)	(210,801)	(3,812,851)	(338,165)
Payments to employees	(4,048,997)	(373,108)	(1,051,181)	(20,335)	(840,861)	(64,237)	(6,398,719)	(799,707)
Net cash flows from (for) operating activities	(3,565,161)	329,940	858,216	(152,952)	322,746	(221,996)	(2,429,207)	721,868
Cash Flows from Noncapital Financing Activities								
Other federal sources	571,553	-	-	-	-	-	571,553	-
State revenue sharing	-	-	-	-	1,009,033	-	1,009,033	-
Receipts (repayment) of interfund payables	-	-	-	-	-	(49,782)	(49,782)	(96,327)
Due to other funds	-	1,009,196	-	-	-	-	1,009,196	-
Transfers to other funds	-	-	-	-	-	-	-	(30,000)
Transfers from other funds	2,500,000	-	-	-	72,940	52,252	2,625,192	130,108
Notes receivable payments	-	2,049	11,926	-	-	7,262	21,237	-
Net cash flows from noncapital financing activities	3,071,553	1,011,245	11,926	-	1,081,973	9,732	5,186,429	3,781
Cash Flows from (for) Capital and Related Financing Activities								
Capital expenditures	(35,914,644)	(6,273,776)	(1,789,448)	(67,218)	(1,191,745)	(256,954)	(45,493,785)	(547,888)
Interest paid	(510,469)	(67,423)	(48,249)	(26,069)	18,272	(11,325)	(645,263)	(24,334)
Payments on bonds and notes payable	(2,213,083)	14,541	138,231	(115,797)	(211,073)	-	(2,387,181)	-
Government grants and loans for construction	12,336,127	2,473,234	(97,484)	-	512,127	462,427	15,686,431	-
Issuance of long-term debt	21,035,886	2,219,161	898,771	-	-	-	24,153,818	-
Special assessments received	-	-	7,908	-	-	-	7,908	-
Transfers from other funds	-	102,000	-	-	-	-	102,000	-
Increase in bond covenant accounts	(1,447,175)	-	-	-	(5,393)	-	(1,452,568)	-
Net cash flows from (for) capital and related financing activities	(6,713,358)	(1,532,263)	(890,271)	(209,084)	(877,812)	194,148	(10,028,640)	(572,222)
Cash Flows From Investing Activities								
Interest received (loss)	313,069	(25,678)	52,874	7,573	174,653	36,909	559,400	77,295
Net Increase (Decrease) in Cash and Cash Equivalents	(6,893,897)	(216,756)	32,745	(354,463)	701,560	18,793	(6,712,018)	230,722
Cash and Cash Equivalents, beginning	22,947,269	217,656	4,578,263	1,151,189	6,893,947	3,168,100	38,956,424	4,996,265
Cash and Cash Equivalents, ending	\$ 16,053,372	\$ 900	\$ 4,611,008	\$ 796,726	\$ 7,595,507	\$ 3,186,893	\$ 32,244,406	\$ 5,226,987

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Proprietary Funds

Statement of Cash Flows, continued

<i>Year Ended June 30, 2015</i>	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Solid Waste Disposal	Harbor			
Reconciliation of Operating Income (Loss) to Net Cash Flows from (for) Operating Activities								
Income (loss) from operations	\$ 3,834,868	\$ (216,158)	\$ (688,864)	\$ (276,199)	\$ (457,924)	\$ (613,124)	\$ 1,582,599	\$ 53,530
Adjustments to reconcile operating income (loss) from operations to net cash flows from (for) operating activities:								
Depreciation and amortization	1,817,628	846,874	1,288,600	217,548	687,501	614,283	5,472,434	487,725
State PERS relief	197,239	17,689	53,953	3,538	37,148	-	309,567	39,802
Other	(47,665)	18,402	18,920	(1,424)	-	55,431	43,664	34,155
(Increase) decrease in assets and deferred outflows:								
Accounts receivable (net)	(10,706)	(4,253)	7,763	27,936	100,877	31,174	152,791	-
Inventory	182,834	1,866	-	-	-	-	184,700	-
Prepaid expenses	(1,166)	-	-	-	-	-	(1,166)	39
Deferred outflows related to pensions	(136,607)	(12,252)	(37,368)	(2,450)	(25,729)	-	(214,406)	(27,567)
Increase (decrease) in liabilities and deferred inflows:								
Accounts payable and accrued liabilities	538,619	(85,481)	157,936	(112,626)	(60,304)	(66,815)	371,329	111,524
Compensated absences	(24,744)	565	8,820	(584)	8,857	-	(7,086)	(13,085)
Net pension liability	(146,783)	(13,164)	(40,151)	(2,633)	(27,645)	-	(230,376)	(29,620)
Deferred inflows related to pensions	323,923	29,052	88,607	5,810	61,008	-	508,400	65,365
Unearned revenue	(253,750)	(253,750)	-	-	-	(242,945)	(750,445)	-
Deposits	2,263	550	-	(348)	(1,043)	-	1,422	-
Landfill post-closure liability	-	-	-	(11,520)	-	-	(11,520)	-
Net Cash Flows from (for) Operating Activities	\$ 6,275,953	\$ 329,940	\$ 858,216	\$ (152,952)	\$ 322,746	\$ (221,996)	\$ 7,411,907	\$ 721,868
Cash on Statement of Net Position								
Equity in central treasury	\$ 15,948,527	\$ -	\$ 4,611,008	\$ 350,598	\$ 7,595,507	\$ 3,186,893	\$ 31,692,533	\$ 5,226,987
Landfill post closure	-	-	-	438,717	-	-	438,717	-
Deposits	104,845	900	-	7,411	-	-	113,156	-
Cash and Cash Equivalents, ending	\$ 16,053,372	\$ 900	\$ 4,611,008	\$ 796,726	\$ 7,595,507	\$ 3,186,893	\$ 32,244,406	\$ 5,226,987
Capitalized interest	\$ 5,731,625	\$ -	\$ -	\$ -	\$ 173,450	\$ -	\$ 5,905,075	\$ -
Capital expenditures included in accounts payable	\$ 534,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 534,413	\$ -

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Fiduciary Funds

Statement of Fiduciary Net Position

<i>June 30, 2015</i>	Rowe Trust Fund	Sitka Cemetery Agency Fund	Totals
Assets			
Restricted equity in central treasury	\$ 203,209	\$ 104,621	\$ 307,830
Liabilities and Net Position			
Liabilities			
Due to Sitka Cemetery Association	\$ -	\$ 104,621	\$ 104,621
Net Position - held in trust for library acquisitions	203,209	-	203,209
Total Liabilities and Net Position	\$ 203,209	\$ 104,621	\$ 307,830

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska
Fiduciary Funds
Statement of Changes in Fiduciary Net Position

<i>Year Ended June 30, 2015</i>	Rowe Trust Fund
Additions - investment income	\$ 2,994
Net Position, beginning	200,215
Net Position, ending	\$ 203,209

See accompanying notes to the basic financial statements.

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City and Borough of Sitka, Alaska

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

Reporting Entity

The City and Borough of Sitka, Alaska (City and Borough) is governed by an elected assembly under a home rule charter. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The City and Borough has no blended component units.

Discretely presented component units. The Sitka School District (District) is responsible for elementary and secondary education within the government's jurisdiction. The members of the District's governing board are elected by the voters. However, the District is fiscally dependent upon the City and Borough because the City and Borough's Assembly approves the District's budget. The City and Borough provides operating support from real and personal property tax assessments and other sources. The funds are used for the operation of the school system. The City and Borough is also responsible for repayment of all bonds, the proceeds of which were used for school construction.

Sitka Community Hospital (Hospital) is responsible for hospital services within the City and Borough. Its governing board is appointed by the Assembly of the City and Borough. The Assembly approves the Hospital's budget. The City and Borough provides operating and capital support to the Hospital.

Sitka Convention and Visitors Bureau (Visitors Bureau) is responsible for promoting tourism and attracting conventions to the City and Borough. This component unit's governing board is appointed by the Assembly of the City and Borough. Transfers from the City and Borough provided most of the Visitors Bureau's operating revenue.

Complete financial statements of each of the individual component units may be obtained at the entity's administrative offices.

Sitka School District	Sitka Community Hospital	Sitka Convention and Visitors Bureau
P.O. Box 179	209 Moller Drive	P.O. Box 1226
Sitka, Alaska 99835	Sitka, Alaska 99835	Sitka, Alaska 99835

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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

City and Borough of Sitka, Alaska

Notes to Financial Statements

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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 and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, charges for services, interest and grant revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City and Borough reports the following major governmental funds:

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

The *Permanent Fund* was established by a vote of the people of Sitka. The principal of the fund cannot be used other than by the consent of the voters. The purpose of the fund is to provide operating income to the General Fund through the transfer of investment earnings.

The *Capital Projects Fund* is used to account for all governmental construction projects except those financed by proprietary and internal service funds.

The City and Borough reports the following major proprietary funds:

The *Electric Utility Enterprise Fund* records the activities of the City and Borough's electric generation and distribution activities.

The *Water Utility Enterprise Fund* records the activities of the City and Borough's water distribution activities.

The *Wastewater Treatment Enterprise Fund* provides sewer service for the City and Borough.

The *Solid Waste Disposal Enterprise Fund* was established to manage solid waste. Revenues include billings for garbage disposal, billings for the use of the landfill and sale of scrap material.

The *Harbor Enterprise Fund* provides rental space for commercial and recreational boats within the five harbors that are located within the City and Borough. Note the Harbor fund did not meet the quantitative test for major fund presentation in 2015; however, management has elected to continue reporting this fund as major for consistency and due to public interest.

Additionally, the government reports the following fund types:

Internal service funds account for management information systems, central garage and building maintenance services provided to other departments of the government on a cost reimbursement basis.

The *Rowe Trust Fund* is used to account for resources legally held in trust for use by the Library Board to purchase children's books and computer equipment to increase children's enjoyment of reading.

The *Sitka Cemetery Agency Fund* is used to account for resources held for the Sitka Cemetery Association.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the various proprietary funds and the General Fund for administrative services. 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 for goods and services provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes and investment income.

City and Borough of Sitka, Alaska

Notes to Financial Statements

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City and Borough's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost 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.

Assets, Liabilities and Net Position or Equity

Deposits and Investments

Equity in central treasury represents a fund's equity in cash and investments of the central treasury of the City and Borough. For funds with a negative equity in central treasury, the amount is shown as an interfund payable to the General Fund. Interest income on investments is allocated monthly to participating funds based on their average monthly balance.

For purposes of the statement of cash flows for the proprietary funds, the City and Borough has defined cash and cash equivalents as the equity maintained in the central treasury since the various funds use the central treasury essentially as a demand deposit account.

Sitka General Code 4.28.060 authorizes the City and Borough to invest in the following securities:

1. United States government obligations, United States government agency obligations, and United States government instrumentality obligations, which have a liquid market with a readily determinable market value;
2. Certificates of deposit and other evidences of deposits at financial institutions, bankers' acceptances, and commercial paper, rated in the highest tier by a nationally recognized rating agency;
3. Investment-grade obligations of state and local governments and public authorities;
4. Repurchase agreements whose underlying purchased securities consist of United States Treasury securities;
5. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities;
6. Local government investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation.

In addition, Sitka General Code 4.28.110 allows the Permanent Fund to invest in mutual funds which are invested in corporate equity securities.

Investments are stated at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All of the City and Borough's investments have established market values. As a result, fair value and market value are the same.

City and Borough of Sitka, Alaska

Notes to Financial Statements

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal 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 non-current 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.

All trade and property tax receivables, including those for the Hospital, are shown net of an allowance for uncollectible accounts in the government-wide statement of net position. Trade accounts receivable of the primary government in excess of 120 days comprise the trade accounts receivable allowance for uncollectible accounts.

Property tax is considered an enforceable lien at the January 1 assessment date. Mill levies are set prior to June 30 to finance the period July 1 through June 30 of the following year. Receivables are recognized and revenues are recorded when taxpayer liability is calculated and billed on July 1. Property tax bills are due 60 days after billing date, which normally makes them due August 30. A limit on property tax of six tenths of one percent (.006) of the assessed valuation of property is currently in effect. Levying of property tax in excess of the limit is allowed only if ratified by a majority of the voters.

Inventory and Prepaid Items

Inventories are valued at cost using the average cost method. Enterprise Fund inventories consist of items used in maintaining and upgrading the electric and water systems. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets

Certain resources set aside for the repayment of the Electric and Harbor Funds revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additionally, unspent bond proceeds are restricted based on the purpose of the bonds.

Certain resources are set aside to cover the postclosure landfill costs in the Solid Waste Fund for the eventual closure and monitoring of the landfill.

Deposits are taken in the Electric, Water, Solid Waste and Harbor Funds. The amount is a deposit against an open account.

Permanent Fund assets are classified as restricted due to the statutory limitations placed on the fund by the Sitka General Code.

Capital Project Fund assets are classified as restricted because their use is limited by bond covenant or grant agreement to the construction of capital assets.

City and Borough of Sitka, Alaska

Notes to Financial Statements

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, 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 government as assets with an initial, individual cost of more than \$5,000 or in the case of infrastructure, \$10,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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 City and Borough capitalized interest in the amounts of \$5,731,625 in the Electric Fund and \$173,450 in the Harbor Fund during 2015.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Utility plant in service	30-65
Buildings	20-40
Equipment	3-10
Land improvements	50
Infrastructure	5-40
Harbor	7-40

Compensated Absences

It is the City and Borough's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. It is the government's policy to pay any amounts for unused sick leave when employees separate from service with the City and Borough at \$1 per hour of unused sick leave. All vacation pay and sick leave is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows

A deferred outflow represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. A deferred inflow represents an acquisition of net position of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. Deferred outflows consist of deferred charges on debt refunding as well as certain pension related accounts. Deferred inflows consist of property taxes received in advance and long-term payments due (assessments) as well as certain pension related accounts.

Pensions

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

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balance based on constraints imposed on the use of these resources.

Nonspendable fund balance includes amounts that cannot be spent due to either being (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

Restricted fund balance includes resources with constraints imposed by 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 amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the Assembly on or before the end of the fiscal year. Assembly action taken after the end of the fiscal year results in an assigned (see below) amount. Those committed resources cannot be used for any other purpose unless the Assembly removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

City and Borough of Sitka, Alaska

Notes to Financial Statements

Assigned fund balance reflects the resources constrained by an “intent” to be used for specific purposes, but are neither restricted nor committed. The Assembly or Finance Director has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts - except negative balances - reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted or committed. The General Fund assigned resources are constrained by either an Assembly resolution or ordinance adopted after the fiscal year end or by the Finance Director.

Unassigned fund balance resources are the residual classification for resources not classified as nonspendable, restricted, committed or assigned in the General Fund. It is also used to report a negative balance in other governmental funds when the totals of nonspendable, restricted, committed and assigned are greater than the fund balance of the governmental fund.

When both constrained and unconstrained resources are available for use, it is the City’s policy to use funds from the strongest constraint first with the least constrained funds used last. The order of priority in the use of assets is nonspendable, restricted, committed, assigned and then unassigned.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The annual budget is adopted on the modified accrual basis plus encumbrances and capital additions for all funds except the debt service and capital project funds. The Capital Projects Fund adopts individual project-length budgets and most special revenue funds are controlled by grant agreements which may include more than one fiscal year. Appropriations lapse at year-end to the extent they have not been expended or encumbered except for capital items and the Capital Project Funds, which lapse at project completion or when the capital item is acquired. Most special revenue fund appropriations lapse when the terms of the grant have been met and all authorized expenditures have been made. There are four special revenue funds that adopt annual budgets.

No later than sixty days before the end of the current fiscal year, the City and Borough Administrator presents to the City and Borough Assembly a proposed operating budget for the next fiscal year. The operating budget includes proposed expenditures and the means to finance them. Public hearings are conducted not less than one week before the final adoption of the budget to obtain taxpayer comments. No later than June 20th of the current fiscal year, the budget is legally adopted by ordinance of the City and Borough Assembly.

Annual budgeted expenditures are adopted at the department level within the General Fund and at the fund level for Enterprise and Internal Service Funds. The level at which expenditures cannot legally exceed appropriations is the department level for the General Fund, the fund level for the Enterprise and Internal Service Funds, and the project level in Capital Projects Fund. The only exception to this rule is amounts appropriated for salaries and benefits, travel and the acquisition of capital assets by a fund. The City and Borough Assembly must approve increases and decreases to these budget line items even if the legal level of budget authority is the fund or department level.

City and Borough of Sitka, Alaska

Notes to Financial Statements

The City and Borough Administrator is authorized to transfer budgeted amounts within a department or fund depending on the legal level of control. The City and Borough Assembly is authorized to transfer unencumbered balances between departments and between funds. The annual budget is amended quarterly based upon a review by the City and Borough Assembly.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as constraints of fund balance only to the extent they meet the criteria as outlined above.

The operating budgets for the District, Hospital and Visitors Bureau are approved by their respective boards. The budgets are then submitted to the Assembly for approval and to determine the amount of funding to be made available from local sources for school, hospital and visitor promotion purposes.

3. Deposits and investments

As of June 30, 2015, the City and Borough had the following investments:

<i>Investment Type</i>	S&P Rating	Fair Value	Weighted Average Maturity (Years)
Investments subject to custodial credit risk:			
Corporate notes and bonds	A1 to AAA	\$ 6,649,698	7.04
Municipal notes and bonds	AA2 to AAA	1,164,495	10.43
External investment pool	unrated	2,618,575	N/A
Mutual funds	unrated	13,573,459	N/A
U.S. government sponsored:			
Agency notes & bonds	AAA	50,162,507	4.05
Certificates of deposit	unrated	3,752,247	2.98
Money markets	unrated	15,840,306	N/A
Total Fair Value of Investments Subject to Custodial Credit Risk		\$ 93,761,287	
Portfolio Weighted Average Maturity			4.43

Interest Rate Risk

The City and Borough does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The pooled investments cannot have a weighted average maturity in excess of five (5) years, while the bonds in the Permanent Fund cannot have a weighted average maturity in excess of ten (10) years. The City and Borough's investment policy mandates that the investment portfolio be structured to minimize the need to sell securities prior to maturity and that operating funds be invested primarily in shorter-term securities, money market mutual funds and similar investment pools.

City and Borough of Sitka, Alaska

Notes to Financial Statements

Credit Risk

The City and Borough's investment policy limits investment in corporate debt securities to those rated AA or better by a nationally recognized statistical rating organization. Debt securities of state and local governmental entities must have a similar rating. Short term commercial promissory notes must have a rating of A1/P1 or better. The long-term credit rating of the issuing organization must be A- or better. Real Estate Mortgage Investment Conduit securities are limited to the Federal National Mortgage Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Association. The investment policy does not require these securities to have any minimum rating. The City and Borough's investments complied with its policy at June 30, 2015.

Concentration of Credit Risk

The City and Borough's investment policy states that one of the general objectives of investing will be to diversify the portfolio so that potential losses on individual securities will be minimized. The policy does not limit the investment in any one security to a percentage of the total portfolio.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City and Borough's deposits may not be returned to it. It is the City and Borough's policy to mitigate this risk by requiring that all demand deposits be fully collateralized by securities held in the City and Borough's name by an agent of the financial institution holding the demand deposits. Of the bank balance at June 30, 2015, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$4,067,347 was subject to a collateral agreement.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of outside parties. All of the City and Borough's investments subject to custodial credit risk are held by the City and Borough's agent in its name.

The City and Borough's investment policy allows the Permanent Fund to invest in mutual funds which are invested in corporate equity securities in addition to all of the investments described above. The investment policy requires that the equity securities within the mutual funds be broadly diversified across all sectors. The investment mix within the Permanent Fund's portfolio has a target of 5% cash equivalents, 35% fixed income securities and 60% mutual fund equities. At June 30, 2015, the Permanent Fund's portfolio contained 57% mutual fund equities, 40% fixed income securities and 3% cash equivalents.

The City and Borough participates in two external investment pools. One pool is registered with the Securities and Exchange Commission, the other is not. All of the participants of the unregistered pool are municipalities within the State of Alaska. The funds in that pool are managed by the trust department of a large bank. A share price of \$1 is maintained for both pools, giving the City and Borough one share for every dollar invested in the pools. As a result, the fair value of the pools is the same as the value of the pool shares.

City and Borough of Sitka, Alaska

Notes to Financial Statements

A reconciliation of cash and investments as shown in the basic financial statements for the primary government follows:

Cash on hand	\$	2,100
Carrying amount of deposits		4,414,832
Carrying amount of investments		93,761,287
Total Cash and Investments		\$ 98,178,219
Reported in the Statement of Net Position:		
Equity in central treasury	\$	55,254,015
Equity in central treasury - restricted		9,640,973
Cash and investments - restricted		32,975,401
Reported in the Fiduciary Funds		307,830
Total Cash and Investments		\$ 98,178,219

At June 30, 2015, the Sitka School District's cash and investments included operating bank accounts and sweep accounts. The carrying amount of deposits was \$2,543,291. Amounts are insured at each financial institution by the Federal Deposit Insurance Corporation up to legal maximum. District policy requires any amount in excess of the U.S. Federal Deposit Insurance Corporation (FDIC) limit be collateralized.

At June 30, 2015, Sitka Community Hospital's cash and cash equivalents include deposits in checking and savings accounts. The Hospital has concentrated its credit risk for cash by maintaining deposits in two financial institutions, which may at times exceed amounts covered by insurance provided by the FDIC. At June 30, 2015, the Hospital has bank deposits of \$1,358,466 in excess of FDIC insurance.

At June 30, 2015, Sitka Convention and Visitors Bureau's cash and investments consist of an operating bank account and certificates of deposit. The carrying amount of the deposits was \$122,617. The bank balance was covered by the Federal Deposit Insurance Corporation.

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City and Borough of Sitka, Alaska

Notes to Financial Statements

4. Receivables

Receivables as of year-end for the City and Borough's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Permanent	Capital Projects	Nonmajor Governmental
Taxes	\$ 2,392,032	\$ -	\$ -	\$ 289,815
Special assessments	-	-	-	37,520
Federal & State	254,954	-	3,973,283	101,103
Accounts	803,275	-	-	-
Interest	418,254	-	-	-
Notes	1,500,000	56,681	-	1,801,539
Total receivables	5,368,515	56,681	3,973,283	2,229,977
Less allowance for doubtful accounts	(521,335)	-	-	-
Net Total Receivables	\$ 4,847,180	\$ 56,681	\$ 3,973,283	\$ 2,229,977

	Electric Utility	Water Utility	Waste-water Treatment	Solid Waste Disposal	Harbor	Nonmajor Enterprise	Total
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,681,847
Special assessments	-	-	92,570	-	-	-	130,090
Federal & State	4,298,917	2,635,242	664,467	-	1,009,638	747	12,938,351
Accounts	1,080,524	173,881	226,851	223,149	182,149	37,708	2,727,537
Interest	-	-	-	-	-	-	418,254
Notes	-	12,501	82,491	-	-	69,027	3,522,239
Total receivables	5,379,441	2,821,624	1,066,379	223,149	1,191,787	107,482	22,418,318
Less allowance for doubtful accounts	(227,114)	(40,144)	(54,824)	(59,823)	(155,426)	-	(1,058,666)
Net Total Receivables	\$5,152,327	\$ 2,781,480	\$ 1,011,555	\$ 163,326	\$1,036,361	\$ 107,482	\$21,359,652

City and Borough of Sitka, Alaska

Notes to Financial Statements

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows and unearned revenue reported in the governmental funds were as follows:

<i>Description</i>	Deferred Inflows	Unearned Revenues
Special assessments not yet due	\$ 37,520	\$ -
Grant drawdowns prior to meeting all eligibility requirements	-	1,081,315
Property taxes received in advance	30,995	-
Totals for Governmental Funds	\$ 68,515	\$ 1,081,315

5. Capital Assets

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,230,912	\$ -	\$ -	\$ 11,230,912
Construction in progress	22,437,324	11,126,728	(25,081,254)	8,482,798
Total capital assets not being depreciated	33,668,236	11,126,728	(25,081,254)	19,713,710
<i>Capital assets being depreciated:</i>				
Buildings	98,874,513	17,648,819	-	116,523,332
Land improvements	6,490,068	5,566,739	-	12,056,807
Infrastructure	32,978,198	913,174	-	33,891,372
Equipment	13,549,945	809,820	-	14,359,765
Total capital assets being depreciated	151,892,724	24,938,552	-	176,831,276
<i>Less accumulated depreciation for:</i>				
Buildings	(45,663,829)	(2,887,737)	-	(48,551,566)
Land improvements	(805,113)	(304,785)	-	(1,109,898)
Infrastructure	(14,732,111)	(1,036,986)	-	(15,769,097)
Equipment	(8,370,338)	(872,508)	-	(9,242,846)
Total accumulated depreciation	(69,571,391)	(5,102,016)	-	(74,673,407)
Total capital assets being depreciated, net	82,321,333	19,836,536	-	102,157,869
Governmental Activity Capital Assets, net	\$ 115,989,569	\$ 30,963,264	\$ (25,081,254)	\$ 121,871,579

City and Borough of Sitka, Alaska

Notes to Financial Statements

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,221,911	\$ -	-	\$ 5,221,911
Construction in progress	155,401,773	45,346,075	-	200,747,848
Total capital assets not being depreciated	160,623,684	45,346,075	-	205,969,759
<i>Capital assets being depreciated:</i>				
Buildings	15,993,625	-	-	15,993,625
Land improvements	12,697,575	-	-	12,697,575
Equipment	5,383,077	147,710	-	5,530,787
Harbors	23,349,603	-	-	23,349,603
Electric plant	112,966,986	-	(21,434)	112,945,552
Water plant	30,509,496	-	-	30,509,496
Wastewater treatment plant	44,675,248	-	-	44,675,248
Total capital assets being depreciated	245,575,610	147,710	(21,434)	245,701,886
<i>Less accumulated depreciation for:</i>				
Buildings	(8,345,987)	(635,934)	-	(8,981,921)
Land improvements	(1,648,983)	(225,342)	-	(1,874,325)
Equipment	(3,251,906)	(334,392)	-	(3,586,298)
Harbors	(10,301,401)	(656,763)	-	(10,958,164)
Electric plant	(56,065,531)	(1,675,889)	21,434	(57,719,986)
Water plant	(11,913,661)	(812,810)	-	(12,726,471)
Wastewater treatment plant	(33,874,806)	(1,131,304)	-	(35,006,110)
Total accumulated depreciation	(125,402,275)	(5,472,434)	21,434	(130,853,275)
Total capital assets being depreciated, net	120,173,335	(5,324,724)	-	114,848,611
Business-type Activity Capital Assets, net	\$ 280,797,019	\$40,021,351	\$ -	\$ 320,818,370

City and Borough of Sitka, Alaska

Notes to Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
Administration	\$	78,742
Public safety		251,261
Public works		1,059,982
Public services		736,949
Support		2,487,357
Capital assets held by internal service funds		487,725

Total Depreciation Expense - Governmental Activities	\$	5,102,016
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Business-type activities:		
Electric	\$	1,817,628
Water		846,874
Wastewater treatment		1,288,600
Solid waste disposal		217,548
Harbor		687,501
Airport terminal building		166,954
Marine service center		140,066
Gary Paxton Industrial Park		307,263

Total Depreciation Expense - Business-type Activities	\$	5,472,434
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6. Interfund Receivables, Payables and Transfers

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
Due to/from other funds:		
General Fund	Nonmajor governmental funds	\$ 74,394
General Fund	Harbor Fund	100,000
General Fund	Water Fund	1,009,196
Nonmajor governmental funds	General Fund	365,307
Total Due To/From Other Funds		\$ 1,548,897
Advances from/to other funds:		
General Fund	Internal service fund	\$ 300,000
Nonmajor governmental fund	Internal service fund	148,926
Nonmajor governmental fund	Nonmajor enterprise funds	298,693
Nonmajor governmental fund	General Fund	280,795
Total Advances From/To Other Funds		\$ 1,028,414

City and Borough of Sitka, Alaska

Notes to Financial Statements

Amounts due between the General Fund and nonmajor governmental funds result from negative equity in the central treasury because expenditures are made prior to the receipt of revenue, as in the case of funds that account for the activity of reimbursable grants for both capital and noncapital expenditures. Some grants require cash matches. Transfers are made from the General Fund at the conclusion of the project to meet the match requirements. Until the transfer is made, the fund has a negative equity in the central treasury.

The Southeast Alaska Economic Development Fund, a nonmajor governmental fund, was established with federal monies, to promote economic development. This fund advanced amounts to other funds for expansion projects.

The School Bonds Debt Service Fund, a nonmajor governmental fund, receives a portion of taxes collected specifically for school bond debt service from the General Fund, payable after year-end.

The General Fund receives a portion of Fish Tax receipts from the Harbor Fund for operating activities.

Several years ago the Central Garage Internal Service Fund constructed a public service building. Part of the funding for the project was an advance from the General Fund. The advance is being repaid in \$50,000 annual payments.

Interfund Transfers

Transfers are used to move general and other fund revenues for the purchase and construction of capital assets to the capital projects and internal service funds. In addition, funds are transferred to the General Fund each year from the Permanent Fund for general support.

	General Fund	Permanent Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Total Transfers in
General Fund	\$ -	\$ 1,121,342	\$ -	\$ 31,026	\$ 30,000	\$ 1,182,368
Permanent Fund	600,000	-	-	-	-	600,000
Capital Projects Fund	3,290,134	-	-	1,671,000	-	4,961,134
Nonmajor Governmental Funds	830,652	-	935,045	-	-	1,765,697
Electric Utility Fund	-	-	-	2,500,000	-	2,500,000
Water Utility Fund	102,000	-	-	-	-	102,000
Harbor Fund	40,053	-	-	32,887	-	72,940
Nonmajor Enterprise Funds	-	32,400	-	19,852	-	52,252
Internal Service Funds	48,500	-	-	81,608	-	130,108
Total Transfers Out	\$ 4,911,339	\$ 1,153,742	\$ 935,045	\$ 4,336,373	\$ 30,000	\$11,366,499

7. Capital Leases

The City and Borough has no leases currently outstanding.

City and Borough of Sitka, Alaska

Notes to Financial Statements

8. Long-Term Debt

General Obligation Bonds

The City and Borough issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued only for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City and Borough. All of the bonds outstanding are held by the Alaska Municipal Bond Bank Authority. The State of Alaska agency purchases bonds from municipalities within the State, while simultaneously selling its own bonds to third parties in order to fund the bond purchases.

General obligation bonds currently outstanding are as follows:

<u>Governmental Activities</u>	<u>Interest rates</u>	<u>Outstanding Amount</u>
School renovation and additions:		
\$6,775,000, 2007 Series A bonds refinancing portion of 1999 School serial bonds, final payment due December 1, 2018	4.000% to 5.500%	\$ 3,095,000
\$7,150,000, 2008 Series Two School bonds, final payment due June 1, 2028	4.000% to 6.000%	965,000
\$5,690,000, 2011 Series Two School bonds, final payment due June 1, 2031	2.000% to 4.325%	4,780,000
\$12,755,000 2012 Series Two bonds refinancing portion of 2005 Series B School Bonds and refinancing the balance of 2004 Series A School Bonds final payment due September 1, 2024	4.000% to 5.000%	11,055,000
\$6,095,000 2015 Series One refinancing portion of 2005 Series A and 2008 Series Two School bonds, final payment due October 1, 2027	2.000% to 5.000%	6,095,000
Total General Obligation Bonds		\$ 25,990,000

City and Borough of Sitka, Alaska

Notes to Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

<i>Year Ending June 30.</i>	Principal	Interest
2016	\$ 2,555,000	\$ 1,111,369
2017	2,665,000	997,779
2018	2,785,000	888,129
2019	2,900,000	753,458
2020	2,155,000	641,115
2021-2025	9,305,000	1,867,750
2026-2030	3,230,000	424,169
2031	395,000	17,281
	\$ 25,990,000	\$ 6,701,050

In addition, the governmental activities have two State of Alaska, Department of Environmental Conservation Loans for stormwater improvements outstanding in the amount of \$189,410.

	Interest rates	Outstanding Amount
\$195,000, note payable for stormwater improvements, #783011	1.5%	\$ 126,750
\$69,622, note payable for stormwater improvements, #783401	1.5%	62,660
Total State of Alaska, Department of Environmental Conservation Loans		\$ 189,410

Annual debt service requirements to maturity are as follows:

<i>Year Ending June 30,</i>	Principal	Outstanding Interest
2016	\$ 13,231	\$ 2,841
2017	13,231	2,643
2018	13,231	2,444
2019	13,231	2,246
2020	13,231	2,047
2021-2025	66,155	7,260
2026-2030	46,655	2,445
2031-2033	10,445	313
	\$ 189,410	\$ 22,239

City and Borough of Sitka, Alaska

Notes to Financial Statements

Business-type Activities:

Revenue Bonds

The City and Borough issues bonds where it pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

	Interest rates	Outstanding Amount
\$3,955,000, 2013 Series One Harbor bonds, final payment due February 1, 2033	2.000% to 5.000%	\$ 3,705,000
\$25,880,000, 2010 Series B Four Refunding Electric Serial bonds, final payment due July 1, 2031	2.000% to 5.000%	19,220,000
\$35,530,000, 2013 Series One Electric bonds, final payment due February 1, 2047	3.800% to 5.000%	35,530,000
\$25,615,000, 2013 Series Three Electric bonds, final payment due August 1, 2048	4.500% to 5.000%	25,615,000
\$22,000,000, 2010 Series B Recovery Zone Economic Development Electric Serial bonds, final payment due July 1, 2031	5.200% to 7.000%	22,000,000
\$820,000, 2010 Series B Four Build America Electric Serial bonds, final payment due July 1, 2031	5.200% to 7.000%	820,000
\$16,325,000, 2014 Series Three Electric bonds, final payment due October 1, 2044	5.000%	16,325,000
Total Revenue Bonds		\$ 123,215,000

Annual debt service requirements to maturity for revenue bonds are as follows:

<i>Year Ending June 30,</i>	Principal	Interest
2016	\$ 2,095,000	\$ 6,128,617
2017	2,180,000	6,043,217
2018	2,265,000	5,967,637
2019	2,330,000	5,889,055
2020	2,425,000	5,781,305
2021-2025	13,775,000	27,196,415
2026-2030	16,445,000	23,121,058
2031-2035	18,210,000	18,268,600
2036-2040	21,750,000	13,501,712
2041-2045	27,840,000	7,414,250
2046-2049	13,900,000	1,265,750
	\$ 123,215,000	\$ 120,577,616

City and Borough of Sitka, Alaska

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The provisions of bond ordinances for issues by the Electric and Water Utilities require maintenance of stipulated cash deposits in renewal and replacement, bond redemption and bond refunding accounts. Furthermore, electric and water rates are required to be maintained at a level which will produce a minimum annual unpledged surplus of \$50,000 before depreciation, and operating income before depreciation equal to at least 1.25 times the aggregate amount required each year for revenue bond debt service. All such requirements were met for the year ended June 30, 2015.

Revenue Note

The City and Borough issued a note to the State of Alaska - Alaska Energy Authority where it pledges income derived from the acquired or constructed assets to pay debt service. The revenue note outstanding at year end is as follows:

	Interest rate	Outstanding Amount
\$15,000,000, 1982 Alaska Energy Authority note secured by a second lien on the revenues of the electric and water supply system, final payment due January 1, 2033	4%	\$ 7,675,524

Annual debt service requirements to maturity for the revenue note are as follows:

<i>Year Ending June 30,</i>	Principal	Interest
2016	\$ 310,125	\$ 303,950
2017	322,654	291,421
2018	335,690	278,386
2019	349,252	264,824
2020	363,361	250,714
2021-2025	2,049,231	1,021,149
2026-2030	2,498,000	572,379
2031-2034	1,447,211	87,978
	\$ 7,675,524	\$ 3,070,801

In connection with the borrowing evidenced by the 1982 revenue note payable, the City and Borough has agreed to set electric and water rates at the greater of the requirements pursuant to the 1992 revenue bond covenants or as required to produce a minimum operating income before depreciation equal to at least 1.00 times the aggregate amount required each year for revenue bond debt service plus revenue note principal and interest. The rate requirement has been met for the year ended June 30, 2015.

City and Borough of Sitka, Alaska

Notes to Financial Statements

State of Alaska, Department of Environmental Conservation Loan Program

The City and Borough borrowed funds from the State of Alaska to upgrade water and waste water distribution systems.

	Interest rate	Outstanding Amount
Completed projects:		
\$250,000, note payable for waste water treatment improvements #783041	1.5%	\$ 26,707
\$400,000, note payable for corrosion control of municipal water #783031	1.5%	103,406
\$565,000, note payable for water system upgrades on Sawmill Creek Road #783061	1.5%	336,633
\$1,000,000, note payable for harbor water distribution system upgrades #783071	1.5%	634,875
\$1,310,000, note payable for waste water treatment plant upgrades #783051	1.5%	756,988
\$987,157, note payable for I and I #783011	1.5%	641,652
\$2,400,000, note payable for Kimsham landfill closure #783081	1.5%	1,621,165
\$3,170,000, note payable for Whitcomb Heights Subdivision water tank #783211	1.5%	2,218,808
\$1,000,000, note payable for Japonski Island water distribution main #783151	1.5%	522,837
\$1,400,000, note payable for sewer system upgrades #783101	1.5%	815,083
\$483,000, note payable for SMC Road/HPR Intersection water line replacement #783311	1.5%	265,156
\$308,000, note payable for HPR/SMC Road Intersection Sewer Replacement #783241	1.5%	231,348
\$617,000, note payable for water tank protection, #783341	1.5%	55,530
\$859,103, note payable for Monastery Street Sewer Main replacement, #783401	1.5%	419,337
\$782,000, note payable for Monastery Street Water Main replacement, #783441	1.5%	600,670
\$1,455,081, note payable for SMC Road Sewer Upgrade, Phase III - ARRA Funding #783281	1.5%	145,829
Total notes payable for completed projects		\$ 9,396,024

City and Borough of Sitka, Alaska

Notes to Financial Statements

	Interest rate	Outstanding Amount
Uncompleted projects in draw down phase:		
\$740,000, project for Baranof Street Sewer Replacement - #783091	1.5%	\$ 629,584
\$685,000, project for Baranof Street Water System replacement - #783501	1.5%	399,086
\$184,000, SMC sewer upgrade ACWF #783282	1.5%	34,527
\$1,740,000, project for Japonski Island Sewer Liftstations - #783391	1.5%	1,559,178
\$2,500,000, project for UV Disinfection Facility - #783431	1.5%	2,643,448
\$3,113,000, project for Temporary Filtration at Indian River - #783381	1.5%	2,375,219
\$497,000, project for Monastery and Baranof Streets Water System - #783301	1.5%	20,842
\$812,000, project for Jeff Davis Street Water Main Replacement - #783371	1.5%	8,454
\$250,000, project for Hollywood Way Water Main Replacement - #783521	1.5%	64,776
\$1,379,170, project for Channel, Lake and Monastery Lift Station Upgrades - #783361	1.5%	880,427
\$533,000, project for Monastery and Baranof Sewer System - #783411	1.5%	22,133
\$500,000, project for Hollywood Way and New Archangel Street Sewer - #783511	1.5%	102,861
Total draw on notes yet to be finalized		\$ 8,740,535
Total State Department of Environmental Conservation Loans		\$ 18,136,559

Annual debt service requirements to maturity for notes payable on competed projects are as follows:

<i>Year Ending June 30,</i>	Principal	Interest
2016	\$ 684,242	\$ 140,940
2017	658,492	130,678
2018	659,464	120,800
2019	660,450	110,906
2020	661,452	101,000
2021-2025	3,219,392	358,972
2026-2030	2,469,139	124,670
2031-2034	383,393	9,725
\$ 9,396,024		\$ 1,097,691

City and Borough of Sitka, Alaska

Notes to Financial Statements

Changes in Long-term Liabilities

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Bonds payable:					
General obligation bonds	\$ 28,635,000	\$ 6,095,000	\$ 8,740,000	\$ 25,990,000	\$ 2,555,000
Issuance premiums	1,026,518	836,234	93,320	1,769,432	-
Total bonds payable	29,661,518	6,931,234	8,833,320	27,759,432	2,555,000
State of Alaska notes	202,641	-	13,231	189,410	13,231
Compensated absences (net)	718,572	158,995	202,031	675,536	675,536
Net pension liability	8,600,061	-	427,842	8,172,219	-
Governmental Activity Long-term Liabilities	\$ 39,182,792	\$ 7,090,229	\$ 9,476,424	\$ 36,796,597	\$ 3,243,767
Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Bonds payable:					
Revenue bonds	\$ 108,940,000	\$ 16,325,000	\$ 2,050,000	\$ 123,215,000	\$ 2,095,000
Issuance premiums	7,326,054	2,281,741	274,150	9,333,645	-
Total bonds payable	116,266,054	18,606,741	2,324,150	132,548,645	2,095,000
Revenue notes	7,973,608	-	298,084	7,675,524	310,125
State of Alaska notes	12,651,780	6,168,031	683,252	18,136,559	684,242
Total notes payable	20,625,388	6,168,031	981,336	25,812,083	994,367
Compensated absences (net)	379,510	66,939	74,025	372,424	372,424
Landfill post-closure liability	450,237	-	11,520	438,717	-
Net pension liability	4,630,804	-	230,376	4,400,428	-
Business-type Activity Long-term Liabilities	\$ 142,351,993	\$ 24,841,711	\$ 3,621,407	\$ 163,572,297	\$ 3,461,791
Entity Combined Long-term Liabilities	\$ 181,534,785	\$ 31,931,940	\$ 13,097,831	\$ 200,368,894	\$ 6,705,558

For governmental activities, compensated absences are generally liquidated by the General Fund.

9. Authorized, Unissued Bonds

As of June 30, 2015, the City and Borough had no authorized but unissued bonds.

City and Borough of Sitka, Alaska

Notes to Financial Statements

10. Refunding Bonds and Defeased Debt Outstanding

During 2015, the City and Borough issued two separate general obligation refunding bonds in a total amount of \$6,095,000 to advance refund \$6,270,000 in prior outstanding general obligation bonds of two separate issuances. The proceeds of the new bonds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the old bonds have been removed from the City and Borough's financial statements. This advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$591,283 resulting in an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$450,630. For accounting purposes, the Borough has recognized a deferred charge on refunding associated with these transactions in the amount of \$606,762.

At June 30, 2015, defeased debt outstanding and under payment by the escrow agent is as follows:

<i>Refunding Date</i>	<i>Original Issue</i>	<i>Maturity or Call Date</i>	<i>Outstanding amount</i>
2010 Series 4-A Refunding	1992 Sitka Bonds	7/1/15	\$ 2,900,000
2015 Series 1 Refunding	2005 Series B	6/1/18	4,390,000
Total Defeased Debt Outstanding			\$ 7,290,000

11. Restricted Assets

The balance of the restricted assets accounts in the enterprise funds at June 30, 2015 are as follows:

Landfill post-closure	\$ 438,717
Customer deposits:	
Electric utility	104,845
Water utility	900
Solid waste disposal	7,411
Investment with bond trustee pursuant to revenue bond covenants	10,445,096
Total Restricted Assets	\$ 10,996,969

City and Borough of Sitka, Alaska

Notes to Financial Statements

12. Fund Balances

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

	General Fund	Permanent Fund	Capital Projects Fund	Nonmajor Funds	Totals
Nonspendable:					
Prepaid items	\$ 25,359	\$ -	\$ -	\$ -	\$ 25,359
Long-term notes receivable	1,500,000	56,681	-	-	1,556,681
Advances receivable	300,000	-	-	-	300,000
Total nonspendable	1,825,359	56,681	-	-	1,882,040
Restricted:					
Library building	-	-	-	776,962	776,962
Commercial passenger tax	-	-	-	335,744	335,744
Home rule charter	-	22,567,513	-	-	22,567,513
Debt service	-	-	-	2,527,635	2,527,635
Total restricted	-	22,567,513	-	3,640,341	26,207,854
Committed:					
Working capital reserve	6,295,203	-	-	-	6,295,203
Emergency reserve	2,000,000	-	-	-	2,000,000
Home rule charter SE economic development	-	1,440,480	-	-	1,440,480
Capital projects	-	-	9,582,226	4,088,829	9,582,226
Total committed	8,295,203	1,440,480	9,582,226	4,088,829	23,406,738
Assigned:					
Gary Paxton Park	-	-	-	867,209	867,209
Sitka Tobacco	-	-	-	19,553	19,553
LID revolving	-	-	-	1,128,972	1,128,972
LID guarantee	-	-	-	283,075	283,075
Other small funds	-	-	-	88,920	88,920
Total assigned	-	-	-	2,387,729	2,387,729
Unassigned (deficit)	4,889,171	-	-	(4,785)	4,884,386
Total Fund Balances	\$15,009,733	\$24,064,674	\$ 9,582,226	\$ 10,112,114	\$ 58,768,747

City and Borough of Sitka, Alaska

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13. Risk Management

The City and Borough is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City and Borough carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City and Borough has not accrued a liability for claims and judgments at June 30, 2015 because the amount of potential claims at year end was determined to be immaterial. The City and Borough made no claim payments during fiscal year 2015.

Effective January 1, 1989, the City and Borough was self-insured with respect to unemployment claims made by former employees. The City and Borough of Sitka accounts for claims on a pay-as-you-go basis as it is immaterial.

14. Defined Benefit (DB) Pension Plan

General Information About the Plan

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

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

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

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

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be

City and Borough of Sitka, Alaska

Notes to Financial Statements

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.

Although current statutes call for the State of Alaska to contribute to the Plan, the Alaska Department of Law has determined that the statute does not create a legal obligation to assume the liabilities of the Plan; rather it establishes a contribution mechanism to provide employer relief against the rising contribution rates. This relief payment is subject to funding availability, and therefore not legally mandated. As a result, the State has determined that the Plan is *not* in a special funding situation.

Management of the Borough strongly disagrees with the State's position and believes that AS 39.35.255 constitutes a special funding situation under GASB 68 rules and has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis, pending a final legal determination, as may be required to settle the matter.

The Borough records the on-behalf contributions as revenue and expense/expenditures in the fund financial statements. However, the expenditures are adjusted to deferred outflows in the enterprise funds and government-wide financial statements.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (Police and firefighters are required to contribute 7.5% of their annual covered salary. Non-Teacher School District employees are required to contribute 9.6% 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. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

City and Borough of Sitka, Alaska

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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. However, in 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for 2015 significantly exceeds the statutory amount. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the enterprise fund and government-wide financial statements, the on-behalf amounts are included in revenue, but are recorded as deferred outflows, rather than pension expense.

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 FY15, the rate uses an 8.00% pension discount rate and a 4.90% 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, 2015 were determined in the June 30, 2012 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	12.54%	25.09%	42.41%	33.05%
Postemployment healthcare (see Note 16)	9.46%	18.94%	- %	55.07%
Total Contribution Rates	22.00%	44.03%	42.41%	88.12%

In 2015, the Borough was credited with the following contributions into the pension plan.

	Measurement Period Borough FY14	Borough FY15
Employer contributions (including DBUL)	\$ 1,034,107	\$ 1,123,981
Nonemployer contributions (on-behalf)	884,479	5,051,718
Total Contributions	\$ 1,918,586	\$ 6,175,699

In addition, employee contributions to the plan totaled \$462,275 during the Borough fiscal year.

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

At June 30, 2015, 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:

	2015
Borough proportionate share of NPL	\$ 12,572,647
State's proportionate share of NPL associated with the Borough	10,755,597
Total Net Pension Liability	\$ 23,328,244

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014 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 June 30, 2014, the Borough's proportion was 0.269559910 percent, which was an increase of 0.017610530 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Borough recognized pension expense of \$2,188,528 and on-behalf revenue of \$884,479 for support provided by the State. At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (1,452,569)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	522,712	-
Borough contributions subsequent to the measurement date	1,123,981	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ 1,646,693	\$ (1,452,569)

City and Borough of Sitka, Alaska

Notes to Financial Statements

The \$1,123,981 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2016	\$ 38,943
2017	(242,516)
2018	(363,142)
2019	(363,142)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2014. The actuarial valuation for the year ended June 30, 2014 (latest available) was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Inflation	3.12%
Salary Increases	Graded by service, from 6.36% to 4.12% for Peace Officers/Firefighters. Graded by age and service, from 9.6% to 3.62% for all others.
Investment Return / Discount Rate	8.00% net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and real rate of return over 4.88%.
Mortality	Rates based on the 1994 Group Annuity Mortality Table, sex distinct, 1994 Base year without margin projected to 2013 using Projection Scale AA, 80% of the male table and 60% of the female table for pre-termination mortality for Peace officers/fire fighters. 75% for male and 55% for female for pre-termination for all others; and 100% for males and 1-year set-forward for females for post-termination.

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

<i>Asset Class</i>	Long-Term Expected Real Rate of Return
Domestic equity	6.77%
International equity	7.50%
Private equity	10.86%
Fixed income	2.05%
Real estate	3.63%
Absolute return	4.80%

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 Retirement System's net pension liability and 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	0.269559910%	\$ 16,485,157	\$ 12,572,647	\$ 9,277,952

Pension Plan Fiduciary Net Position

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

15. Defined Contribution (DC) Pension Plan

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

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

Benefit Terms

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

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended June 30, 2015, 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, 2015 were \$220,425 and \$352,675, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

Supplemental Benefit System

Effective January 1, 1983, the City and Borough, as allowed by provisions in State and Federal law, withdrew from the Federal Social Security system and began participating in the Alaska Supplemental Benefits System (ASBS). The ASBS is a defined contribution plan administered by the State of Alaska. Benefits depend solely on amounts contributed to the plan and investment earnings. Annual contributions of the City and Borough equal those of qualified employees and amounts to 6.13% of the employees' wages up to the Social Security wage base. Employees are eligible to participate from the date of employment. Contributions made by the City and Borough and any investment earnings on the account are vested to the employee immediately.

City and Borough of Sitka, Alaska

Notes to Financial Statements

Total contributions to ASBS for the year ended June 30, 2015 were \$1,444,260, based on a payroll of \$11,783,197 for those employees eligible to participate in the Plan. Both the City and Borough and the covered employees made the required 6.13% contribution of \$722,130.

16. Other Post-Employment Benefit (OPEB) Plans

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

Employer Contribution Rate

The Borough is required to contribute 9.46% of covered payroll into the OPEB plan. Employees do not contribute.

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015, there were no on-behalf contributions into the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2014 and 2013 were \$678,777 and \$690,101, respectively.

<i>Year Ended June 30,</i>	Annual OPEB Costs	Borough Contributions	% of Costs Contributed
2015	\$847,935	\$847,935	100 %
2014	\$1,087,226	\$1,087,226	100 %
2013	\$1,109,270	\$1,109,270	100 %

Defined Contribution OPEB

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2015 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.66%	1.66%
Occupational death and disability benefits	0.22%	1.06%
Total Contribution Rates	1.88%	2.72%

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, 2014, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,961 per year for each full-time employee, and \$1.26 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2015, the Borough contributed \$222,645 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

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City and Borough of Sitka, Alaska

Notes to Financial Statements

17. Change in Accounting Principle

As discussed in Note 14 to the financial statements, the Borough participates in the Alaska Public Employees Retirement System (PERS) plan. In 2015, the Borough adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net Pension 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 pension liabilities and related accounts and to decrease opening net position as follows:

	Opening Net Position, as Originally Presented	Change in Accounting Principle Adjustment	Opening Net Position (Deficit), as Restated
Governmental Activities	\$ 149,402,474	\$ (7,927,891)	\$ 141,474,583
Business-type Activities	191,132,681	(4,268,870)	186,863,811
Sitka School District	2,575,982	(9,184,846)	(6,608,864)
Sitka Community Hospital	6,660,780	(9,631,303)	(2,970,523)
Electric Utility Enterprise Fund	107,964,376	(2,719,877)	105,244,499
Water Utility Enterprise Fund	18,126,702	(243,938)	17,882,764
Wastewater Treatment Enterprise Fund	17,390,225	(744,004)	16,646,221
Solid Waste Disposal Enterprise Fund	4,607,738	(48,787)	4,558,951
Harbor Enterprise Fund	24,269,825	(512,263)	23,757,562
Airport Enterprise Fund	3,664,965	-	3,664,965
Marine Service Center Enterprise Fund	2,075,336	-	2,075,336
Gary Paxton Industrial Park Enterprise Fund	13,447,726	-	13,447,726
Management Information Systems			
Internal Service Fund	747,394	(219,542)	527,852
Central Garage Internal Service Fund	5,082,644	(109,770)	4,972,874
Building Maintenance Internal Service Fund	2,137,261	(219,542)	1,917,719

18. Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require the government to place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure.

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the government reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

City and Borough of Sitka, Alaska

Notes to Financial Statements

The City and Borough has recognized a liability for the estimated costs of postclosure care of \$438,717 as of June 30, 2015. The Kimsham landfill was closed during fiscal year 2007 and is now a recreation facility consisting of three ball fields and a soccer/football field. The current postclosure liability as of June 30, 2015 is \$366,663. A new landfill has been permitted by the State of Alaska and is accepting only the sludge from the Wastewater Treatment Plant at this time. The current estimate of closure and postclosure monitoring is \$154,400, with an estimated remaining useful life of 22 years which gives a liability of \$72,053 as of June 30, 2015. Actual postclosure costs may be higher because of inflation, changes in technology, or changes in regulations. Estimates will be revised as necessary to accurately reflect future outlays.

19. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Alaska. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determine at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Municipal Attorney the resolution of these matters will not have an adverse material effect on the financial condition of the government.

The City and Borough's sewage treatment plant provides for primary treatment of waste. The City and Borough was operating under a five year exemption, which expired in August 1994, from Environmental Protection Agency (EPA) regulations requiring secondary treatment for sewage discharged into marine waters. The City and Borough is currently under a temporary EPA permit and anticipates finalizing a permanent five year exemption permit in the near future. The cost of upgrading the plant to secondary treatment at the expiration of the exemption, if necessary, would be approximately \$10 million. The cost of treating storm water is not presently estimable.

Other Federal and State regulations, compliance with which will require significant expenditures by the City and Borough, including the Americans with Disabilities Act, have a cost of compliance that is not currently known.

20. Subsequent Events

The Assembly voted to disband the Sitka Convention and Visitors Bureau, which is a component unit of the City and Borough of Sitka. This will take effect July 1, 2015.

In August 2015, the City and Borough experienced a landslide event which caused destruction of property and three fatalities. The State of Alaska issued a Disaster Declaration up to a limit of \$1 million. Through February 2016, the City and Borough had expended \$558,534 in cleanup efforts with substantial clean up remaining. In addition, the City and Borough has incurred \$41,875 in legal fees related to this event, and \$44,616 in landslide risk assessment and safety efforts. The City and Borough is unable to estimate its total exposure connected with this event; however, they are pursuing an increase in the State Disaster declaration limit. No liabilities have been reflected in the 2015 financial statements connected with this event as it occurred during 2016.

City and Borough of Sitka, Alaska

Notes to Financial Statements

In August 2015, the City and Borough experienced a tank valve failure at the Jarvis Street Power Plant, resulting in a diesel fuel spill estimated at 550 gallons. The fuel leaked into the City and Borough's storm water drain system, which ultimately discharges into Sitka Sound. Municipal and Coast Guard personnel immediately deployed spill response and containment efforts. The City and Borough has incurred \$173,973 in cleanup costs. As of February the cleanup is considered complete. No liability has been recorded in these financial statements associated with this event as it occurred during 2016.

21. New Accounting Pronouncements

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

GASB 72 - Fair Value Measurement and Application - Effective for year-end June 30, 2016 - This statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This statement is expected to primarily affect investment disclosures.

GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - This statement contains certain clarifications and amendments to GASB 67 and 68 as well as establishing requirements for both defined benefit and defined contribution pensions not within the scope of GASB 68. Effective for fiscal year end June 30, 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for year ending June 30, 2017.

GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - Effective for year-end June 30, 2017, with earlier application encouraged - This statement contains reporting financial reporting guidelines for Postemployment Benefit Plans. This is the Plan side requirements applicable to OPEB benefits and generally brings the OPEB reporting rules into alignment with the new GASB 67 Pension rules.

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Effective for year-end June 30, 2018, with earlier application encouraged - This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - Effective for year-end June 30, 2016, with earlier application encouraged - This statement clarifies the hierarchy of generally accepted accounting principles to be used in the preparation of state and local government financial statements. This statement supersedes the previous hierarchy established in GASB 55.

City and Borough of Sitka, Alaska

Notes to Financial Statements

GASB 77 - Tax Abatement Disclosures - Effective for year-end June 30, 2017, with earlier application encouraged - This statement requires local governments to provide financial disclosures relating to tax abatements affecting the government. This includes information about abatement agreements entered into directly by the government, including conditions and criteria under which taxes can be abated, the type and dollar amount of the tax. In addition, the statement requires disclosure of tax abatements issued by other governments that affect the local government's revenue recognition and reporting.

Required Supplementary Information

City and Borough of Sitka, Alaska

General Fund

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

<i>Year Ended June 30, 2015</i>	Original Budget	Final Budget	Actual GAAP Basis	GAAP to Budget Basis Adjustments	Actual Budget Basis	Variance with Final Budget
Revenues						
Taxes:						
Property taxes	\$ 6,360,300	\$ 6,360,300	\$ 6,245,146	\$ -	\$ 6,245,146	\$ (115,154)
Sales taxes	10,108,000	10,108,000	9,678,727	-	9,678,727	(429,273)
Bed taxes	339,000	339,000	411,916	-	411,916	72,916
Total taxes	16,807,300	16,807,300	16,335,789	-	16,335,789	(471,511)
State sources:						
State revenue sharing	900,000	905,100	911,318	-	911,318	6,218
State PERS relief	-	-	3,056,289	(3,056,289)	-	-
State grants	6,700	9,000	19,555	-	19,555	10,555
Other	90,000	91,600	81,526	-	81,526	(10,074)
Total state sources	996,700	1,005,700	4,068,688	(3,056,289)	1,012,399	6,699
Federal sources:						
National Forest receipts	1,000,000	1,000,000	752,083	-	752,083	(247,917)
Payment in lieu of taxes	596,000	596,000	604,742	-	604,742	8,742
Federal grants	51,500	51,500	141,338	-	141,338	89,838
Total federal sources	1,647,500	1,647,500	1,498,163	-	1,498,163	(149,337)
Licenses and permits	177,950	179,950	195,119	-	195,119	15,169
Charges for services:						
State jail contract	694,660	694,660	711,262	-	711,262	16,602
Ambulance fees	272,200	272,200	319,546	-	319,546	47,346
E911 surcharges	201,600	201,600	192,365	-	192,365	(9,235)
Jobbing	728,544	728,544	866,696	-	866,696	138,152
Other	117,110	115,110	60,868	-	60,868	(54,242)
Total charges for services	2,014,114	2,012,114	2,150,737	-	2,150,737	138,623
Property and investments:						
Leases and rent	197,840	197,840	329,537	-	329,537	131,697
Investment income	362,640	362,640	326,702	-	326,702	(35,938)
Other	328,440	328,440	179,823	-	179,823	(148,617)
Total property and investments	888,920	888,920	836,062	-	836,062	(52,858)
Interfund services	2,844,572	2,837,765	2,807,749	-	2,807,749	(30,016)
Fines, forfeitures and penalties	103,320	103,320	118,679	-	118,679	15,359
Other	40,100	40,100	56,847	-	56,847	16,747
Total Revenues	25,520,476	25,522,669	28,067,833	(3,056,289)	25,011,544	(511,125)

City and Borough of Sitka, Alaska

General Fund

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

<i>Year Ended June 30, 2015</i>	Original Budget	Final Budget	Actual GAAP Basis	GAAP to Budget	Actual Budget Basis	Variance with Final Budget
Expenditures						
Administration:						
Administration/Assembly:						
Wages and benefits	\$ 872,121	\$ 729,729	\$ 882,222	\$ (186,914)	\$ 695,308	\$ 34,421
Travel and training	40,255	40,255	55,057	-	55,057	(14,802)
Other	154,418	154,418	169,408	-	169,408	(14,990)
Total administration/assembly	1,066,794	924,402	1,106,687	(186,914)	919,773	4,629
Legal:						
Wages and benefits	265,587	265,662	304,583	(75,775)	228,808	36,854
Travel and training	7,828	7,828	415	-	415	7,413
Other	39,734	41,554	53,647	-	53,647	(12,093)
Total legal	313,149	315,044	358,645	(75,775)	282,870	32,174
Municipal clerk:						
Wages and benefits	251,591	259,165	334,355	(75,775)	258,580	585
Travel and training	8,625	8,625	4,905	-	4,905	3,720
Other	110,654	115,654	106,029	-	106,029	9,625
Total municipal clerk	370,870	383,444	445,289	(75,775)	369,514	13,930
Finance:						
Wages and benefits	1,473,840	1,498,788	1,872,768	(409,189)	1,463,579	35,209
Travel and training	21,200	25,700	23,227	-	23,227	2,473
Other	238,941	254,882	272,152	-	272,152	(17,270)
Total finance	1,733,981	1,779,370	2,168,147	(409,189)	1,758,958	20,412
Assessing:						
Wages and benefits	312,170	320,981	388,793	(85,879)	302,914	18,067
Travel and training	4,400	8,400	8,027	-	8,027	373
Other	30,552	28,552	32,772	-	32,772	(4,220)
Total assessing	347,122	357,933	429,592	(85,879)	343,713	14,220

City and Borough of Sitka, Alaska

General Fund

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

<i>Year Ended June 30, 2015</i>	Original Budget	Final Budget	Actual GAAP Basis	GAAP to Budget Basis Adjustments	Actual Budget Basis	Variance with Final Budget
Planning:						
Wages and benefits	\$ 228,228	\$ 240,474	\$ 296,506	\$ (55,569)	\$ 240,937	\$ (463)
Travel and training	2,000	5,200	6,326	-	6,326	(1,126)
Other	23,762	21,562	24,762	-	24,762	(3,200)
Total planning	253,990	267,236	327,594	(55,569)	272,025	(4,789)
General office - other	866,748	470,379	603,782	-	603,782	133,403
Total administration	4,952,654	4,497,808	5,439,736	(889,101)	4,550,635	213,979
Public safety:						
Police:						
Wages and benefits	3,611,310	3,613,916	4,425,055	(959,827)	3,465,228	148,688
Travel and training	62,000	62,000	63,337	-	63,337	(1,337)
Other	845,776	833,947	847,073	-	847,073	(13,126)
Total police	4,519,086	4,509,863	5,335,465	(959,827)	4,375,638	134,225
Fire:						
Wages and benefits	1,059,384	1,066,085	1,333,471	(287,948)	1,045,523	20,562
Travel and training	32,000	32,274	34,460	-	34,460	(2,186)
Other	522,984	521,254	451,608	-	451,608	69,646
Total fire	1,614,368	1,619,613	1,819,539	(287,948)	1,531,591	88,022
Ambulance:						
Wages and benefits	130,442	130,442	155,199	(30,310)	124,889	5,553
Travel and training	17,500	16,900	13,116	-	13,116	3,784
Other	169,745	170,677	179,216	-	179,216	(8,539)
Total ambulance	317,687	318,019	347,531	(30,310)	317,221	798
Search and rescue:						
Wages and benefits	6,068	6,068	6,056	-	6,056	12
Travel and training	5,000	5,000	4,187	-	4,187	813
Other	38,014	37,338	33,956	-	33,956	3,382
Total search and rescue	49,082	48,406	44,199	-	44,199	4,207
Total public safety	6,500,223	6,495,901	7,546,734	(1,278,085)	6,268,649	227,252

City and Borough of Sitka, Alaska

General Fund

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

<i>Year Ended June 30, 2015</i>	Original Budget	Final Budget	Actual GAAP Basis	GAAP to Budget Basis Adjustments	Actual Budget Basis	Variance with Final Budget
Public works:						
Administration:						
Wages and benefits	\$ 489,794	\$ 489,794	\$ 651,912	\$ (141,448)	\$ 510,464	\$ (20,670)
Travel and training	7,500	7,500	8,100	-	8,100	(600)
Other	44,769	44,769	42,200	-	42,200	2,569
Total administration	542,063	542,063	702,212	(141,448)	560,764	(18,701)
Engineering:						
Wages and benefits	1,188,290	1,212,300	1,159,517	(217,224)	942,293	270,007
Travel and training	6,000	6,000	5,683	-	5,683	317
Other	61,342	64,013	51,601	-	51,601	12,412
Total engineering	1,255,632	1,282,313	1,216,801	(217,224)	999,577	282,736
Streets:						
Wages and benefits	531,744	532,757	589,851	(141,448)	448,403	84,354
Travel and training	3,000	3,000	1,373	-	1,373	1,627
Other	1,078,086	1,098,118	695,903	-	695,903	402,215
Total streets	1,612,830	1,633,875	1,287,127	(141,448)	1,145,679	488,196
Recreation:						
Wages and benefits	427,078	427,474	424,430	(85,879)	338,551	88,923
Travel and training	3,100	3,100	2,808	-	2,808	292
Other	274,557	285,668	259,983	-	259,983	25,685
Total Recreation	704,735	716,242	687,221	(85,879)	601,342	114,900
Building officials:						
Wages and benefits	216,143	216,752	269,833	(55,569)	214,264	2,488
Travel and training	10,000	10,000	9,703	-	9,703	297
Other	25,949	25,949	13,885	-	13,885	12,064
Total building officials	252,092	252,701	293,421	(55,569)	237,852	14,849
Total public works	4,367,352	4,427,194	4,186,782	(641,568)	3,545,214	881,980
Public services:						
Library:						
Wages and benefits	568,519	569,384	688,137	(156,603)	531,534	37,850
Travel and training	4,000	4,000	2,225	-	2,225	1,775
Other	332,749	334,349	273,698	-	273,698	60,651
Total library	905,268	907,733	964,060	(156,603)	807,457	100,276

City and Borough of Sitka, Alaska

General Fund

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

<i>Year Ended June 30, 2015</i>	Original Budget	Final Budget	Actual GAAP Basis	GAAP to Budget Basis Adjustments	Actual Budget Basis	Variance with Final Budget
Harrigan Centennial Hall:						
Wages and benefits	\$ 326,789	\$ 327,453	\$ 404,896	\$ (90,932)	\$ 313,964	\$ 13,489
Other	117,612	122,612	118,254	-	118,254	4,358
Total Harrigan Centennial Hall	444,401	450,065	523,150	(90,932)	432,218	17,847
Senior Citizen Center - other	96,675	91,175	82,860	-	82,860	8,315
Total public services	1,446,344	1,448,973	1,570,070	(247,535)	1,322,535	126,438
Support:						
Municipal grants to local organizations	154,546	375,000	325,988	-	325,988	49,012
Sitka Convention and Visitors Bureau	314,104	314,104	311,880	-	311,880	2,224
Sitka School District	6,367,521	7,522,067	6,258,962	-	6,258,962	1,263,105
Total Support	6,836,171	8,211,171	6,896,830	-	6,896,830	1,314,341
Debt service:						
Principal	59,145	59,145	13,231	-	13,231	45,914
Interest	9,088	9,088	35,022	-	35,022	(25,934)
Total debt service	68,233	68,233	48,253	-	48,253	19,980
Capital outlay	-	31,533	31,533	-	31,533	-
Total Expenditures	24,170,977	25,180,813	25,719,938	(3,056,289)	22,663,649	2,517,164
Excess of revenues over expenditures	1,349,499	341,856	2,347,895	-	2,347,895	(2,006,039)
Other Financing Sources (Uses)						
Transfers in	1,250,342	1,250,342	1,182,368	-	1,182,368	67,974
Transfers out	(2,592,387)	(5,244,269)	(4,911,339)	-	(4,911,339)	(332,930)
Net Other Financing Sources (Uses)	(1,342,045)	(3,993,927)	(3,728,971)	-	(3,728,971)	(264,956)
Net Change in Fund Balance	\$ 7,454	\$ (3,652,071)	(1,381,076)	\$ -	\$ (1,381,076)	\$ (2,270,995)
Fund Balance, beginning			16,390,809			
Fund Balance, ending			<u>\$ 15,009,733</u>			

See accompanying notes to Required Supplementary Information.

City and Borough of Sitka, Alaska
Public Employees Retirement System
Schedule of the Borough's Information on the Net Pension Liability

<i>June 30,</i>	2015
Borough's proportion of the net pension liability	0.26955991%
Borough's proportionate share of the net pension liability	\$ 12,572,647
State of Alaska's proportionate share of the net pension liability	\$ 10,755,597
Total net pension liability	\$ 23,328,244
Borough's covered-employee payroll	\$ 7,361,944
Borough's proportionate share of the net pension liability as a percentage of covered-employee payroll	171%
Plan fiduciary net position as a percentage of the total pension liability	62.37%

See accompanying notes to Required Supplementary Information.

City and Borough of Sitka, Alaska
Public Employees Retirement System
Schedule of Borough Contributions

<i>Year Ended June 30,</i>	2015
Contractually required contribution	\$ 1,123,981
Contributions in relation to the contractually required contribution	<u>\$ 1,123,981</u>
Contribution deficiency (excess)	\$ -
Borough's covered-employee payroll	\$ 6,569,024
Contributions as a percentage of covered-employee payroll	<u>17.110%</u>

See accompanying notes to Required Supplementary Information.

City and Borough of Sitka, Alaska

Notes to Required Supplementary Information June 30, 2015

1. Budgetary Comparison Schedule - General Fund

The budgetary comparison schedule is presented on the modified accrual basis of accounting. Included on the budgetary schedule is a GAAP to Budget Basis adjustment. For 2015, the PERS on-behalf was not included in the budget, however it is required on a GAAP basis.

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, 2015, the Plan measurement date is June 30, 2014. There were no changes in benefit terms from the prior measurement period. There were no changes in assumptions from the prior measurement period.

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

This table is based on the Borough's contributions during fiscal year 2015. These contributions are reported as a deferred outflow on the June 30, 2015 basic financial statements.

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

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Supplementary Information

City and Borough of Sitka, Alaska

Nonmajor Governmental Funds
Combing Balance Sheet

June 30, 2015	Special Revenue Funds														School Bonds Debt Service Fund	Total Nonmajor Governmental Funds		
	Police Dept and Forfeitures	State Homeland Security	Library Building	Library Donation	SE Economic Development	Gary Paxton Contingency	Park Tobacco Tax	Sitka	Commercial Passenger Excise Tax	LID Revolving	LID Guaranty	SEACAD	Raw Water Sales	Fisheries Enhancement				
Assets																		
Equity in central treasury	\$ -	\$ -	\$ 550,899	\$ 226,063	\$ 1,558,876	\$ 867,209	\$ 28,469	\$ 335,744	\$ 1,128,972	\$ 283,075	\$ 86	\$ 1,060,466	\$ 41,379	\$ 2,138,147	\$ 8,219,385			
Receivables:																		
Taxes	-	-	-	-	-	-	289,815	-	-	-	-	-	-	-	289,815			
Special assessments	-	-	-	-	-	-	-	-	37,520	-	-	-	-	-	37,520			
Federal and State of Alaska	57,826	19,096	-	-	-	-	-	-	-	-	-	-	-	24,181	101,103			
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	365,307	365,307			
Advances to other funds	-	-	-	-	728,414	-	-	-	-	-	-	-	-	-	728,414			
Notes receivable	-	-	-	-	1,801,539	-	-	-	-	-	-	-	-	-	1,801,539			
Total Assets	\$ 57,826	\$ 19,096	\$ 550,899	\$ 226,063	\$ 4,088,829	\$ 867,209	\$ 318,284	\$ 335,744	\$ 1,166,492	\$ 283,075	\$ 86	\$ 1,060,466	\$ 41,379	\$ 2,527,635	\$ 11,543,083			
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)																		
Liabilities																		
Accounts payable	\$ 5,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 298,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	304,055			
Due to other funds	50,513	23,881	-	-	-	-	-	-	-	-	-	-	-	-	74,394			
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-	1,015,000	-	-	1,015,000			
Total Liabilities	55,837	23,881	-	-	-	-	298,731	-	-	-	-	1,015,000	-	-	1,393,449			
Deferred Inflows of Resources - deferred assessmer	-	-	-	-	-	-	-	-	37,520	-	-	-	-	-	37,520			
Fund Balances (Deficit)																		
Restricted	-	-	550,899	226,063	-	-	-	335,744	-	-	-	-	-	2,527,635	3,640,341			
Committed	-	-	-	-	4,088,829	-	-	-	-	-	-	-	-	-	4,088,829			
Assigned	1,989	-	-	-	-	867,209	19,553	-	1,128,972	283,075	86	45,466	41,379	-	2,387,729			
Unassigned (deficit)	-	(4,785)	-	-	-	-	-	-	-	-	-	-	-	-	(4,785)			
Total Fund Balances (Deficit)	1,989	(4,785)	550,899	226,063	4,088,829	867,209	19,553	335,744	1,128,972	283,075	86	45,466	41,379	2,527,635	10,112,114			
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)	\$ 57,826	\$ 19,096	\$ 550,899	\$ 226,063	\$ 4,088,829	\$ 867,209	\$ 318,284	\$ 335,744	\$ 1,166,492	\$ 283,075	\$ 86	\$ 1,060,466	\$ 41,379	\$ 2,527,635	\$ 11,543,083			

City and Borough of Sitka, Alaska
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015	Special Revenue Funds														School Bonds Debt Service Fund	Total Nonmajor Governmental Funds	
	Police Dept and Forfeitures	State Homeland Security Grant	Library Building	Library Donation	SE Economic Development	Gary Paxton Park Contingency	Sitka Tobacco Tax	Commercial Passenger Excise Tax	LID Revolving	LID Guaranty	SEACAD	Raw Water Sales	Fisheries Enhancement				
Revenues																	
Tobacco taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 735,594	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 735,594
State sources	7,340	-	-	-	-	-	-	157,340	-	-	-	-	-	-	-	2,417,908	2,582,588
Federal sources	178,052	29,292	-	-	-	-	-	-	-	-	-	-	-	-	-	-	207,344
Charges for services	202	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	202
Investment income (loss)	-	-	9,557	3,376	82,796	12,334	(816)	(28,120)	18,844	4,066	-	45,466	114	24,077	-	171,694	
Licenses and permits	-	-	-	-	-	-	705	-	-	-	-	-	-	-	-	-	705
Other	-	-	66,688	2,675	-	-	-	-	10,532	-	5,012	-	-	-	22,886	107,793	
Total Revenues	185,594	29,292	76,245	6,051	82,796	12,334	735,483	129,220	29,376	4,066	5,012	45,466	114	2,464,871	3,805,920		
Expenditures																	
Public safety	197,578	29,391	-	-	-	-	-	-	-	-	-	-	-	-	-	-	226,969
Public works	-	-	-	-	-	856	-	37,853	186	-	-	-	33,900	-	-	-	72,795
Public services	-	-	-	-	-	-	805,655	-	-	-	15,998	-	-	-	-	-	821,653
Debt service:																	
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,470,000	-	2,470,000
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,156,404	-	1,156,404
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,020	-	18,020
Total Expenditures	197,578	29,391	-	-	-	856	805,655	37,853	186	-	15,998	-	33,900	3,644,424	4,765,841		
Excess of Revenues Over (Under) Expenditures	(11,984)	(99)	76,245	6,051	82,796	11,478	(70,172)	91,367	29,190	4,066	(10,986)	45,466	(33,786)	(1,179,553)	(959,921)		
Other Financing Sources (Uses)																	
Refunding bonds issued - principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,095,000	-	6,095,000
Refunding bonds issued - premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	836,234	-	836,234
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,876,762)	-	(6,876,762)
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	40,053	1,725,644	-	-	1,765,697
Transfers out	-	-	-	-	(2,581,895)	(19,079)	-	(1,673,503)	(24,672)	(6,224)	-	-	-	(31,000)	-	-	(4,336,373)
Net Other Financing Sources (Uses)	-	-	-	-	(2,581,895)	(19,079)	-	(1,673,503)	(24,672)	(6,224)	-	-	40,053	1,749,116	(2,516,204)		
Net Change in Fund Balances	(11,984)	(99)	76,245	6,051	(2,499,099)	(7,601)	(70,172)	(1,582,136)	4,518	(2,158)	(10,986)	45,466	6,267	569,563	(3,476,125)		
Fund Balances (Deficit), beginning	13,973	(4,686)	474,654	220,012	6,587,928	874,810	89,725	1,917,880	1,124,454	285,233	11,072	-	35,112	1,958,072	13,588,239		
Fund Balances (Deficit), ending	\$ 1,989	\$ (4,785)	\$ 550,899	\$ 226,063	\$ 4,088,829	\$ 867,209	\$ 19,553	\$ 335,744	\$ 1,128,972	\$ 283,075	\$ 86	\$ 45,466	\$ 41,379	\$ 2,527,635	\$ 10,112,114		

City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds Combining Statement of Net Position

<i>June 30, 2015</i>	Airport	Marine Service Center	Gary Paxton Industrial Park	Total Nonmajor Enterprise Funds
Assets				
Current Assets				
Equity in central treasury	\$ 816,554	\$ 1,495,843	\$ 874,496	\$ 3,186,893
Receivables:				
Accounts	7,292	-	30,416	37,708
Federal and State of Alaska	-	-	747	747
Current portion of note receivable	-	-	7,521	7,521
Prepaid expenses	8,050	-	-	8,050
Total Current Assets	831,896	1,495,843	913,180	3,240,919
Noncurrent Assets				
Notes receivable	-	-	61,506	61,506
Capital assets:				
Property, plant and equipment	5,194,896	3,506,392	14,836,263	23,537,551
Construction in progress	106,907	-	684,302	791,209
Less accumulated depreciation	(2,535,112)	(3,033,314)	(2,677,244)	(8,245,670)
Total capital assets, net of accumulated depreciation	2,766,691	473,078	12,843,321	16,083,090
Total Noncurrent Assets	2,766,691	473,078	12,904,827	16,144,596
Total Assets	\$ 3,598,587	\$ 1,968,921	\$ 13,818,007	\$ 19,385,515
Liabilities and Net Position				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 23,674	\$ -	\$ 690	\$ 24,364
Unearned revenue	22,567	11,101	-	33,668
Total Current Liabilities	46,241	11,101	690	58,032
Noncurrent Liabilities - advances from other funds	-	-	298,693	298,693
Total Liabilities	46,241	11,101	299,383	356,725
Net Position				
Net investment in capital assets	2,766,691	473,078	12,843,321	16,083,090
Unrestricted	785,655	1,484,742	675,303	2,945,700
Total Net Position	3,552,346	1,957,820	13,518,624	19,028,790
Total Liabilities and Net Position	\$ 3,598,587	\$ 1,968,921	\$ 13,818,007	\$ 19,385,515

City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2015</i>	Airport	Marine Service Center	Gary Paxton Industrial Park	Total Nonmajor Enterprise Funds
Operating Revenues				
Charges for service	\$ 371,720	\$ 219,128	\$ 356,411	\$ 947,259
Other operating revenues	-	-	26,631	26,631
Total Operating Revenues	371,720	219,128	383,042	973,890
Operating Expenses				
Wages and benefits	-	-	64,237	64,237
Utilities	83,222	32,842	51,891	167,955
Repair and maintenance	58,227	60,679	21,230	140,136
Contracted/purchased services	104,931	110,878	130,963	346,772
Interdepartmental services	120,590	15,777	74,434	210,801
Other	21,584	-	21,246	42,830
Depreciation and amortization	166,954	140,066	307,263	614,283
Total Operating Expenses	555,508	360,242	671,264	1,587,014
Loss from Operations	(183,788)	(141,114)	(288,222)	(613,124)
Nonoperating Revenues (Expenses)				
Investment income	13,203	23,706	-	36,909
Interest expense	-	-	(11,325)	(11,325)
Other	57,966	(108)	(2,427)	55,431
Net Nonoperating Revenues (Expenses)	71,169	23,598	(13,752)	81,015
Loss before contributions and transfers	(112,619)	(117,516)	(301,974)	(532,109)
Capital contributions	-	-	320,620	320,620
Transfers in	-	-	52,252	52,252
Change in Net Position	(112,619)	(117,516)	70,898	(159,237)
Net Position, beginning, as restated (Note 17)	3,664,965	2,075,336	13,447,726	19,188,027
Net Position, ending	\$ 3,552,346	\$ 1,957,820	\$ 13,518,624	\$ 19,028,790

City and Borough of Sitka, Alaska

**Nonmajor Enterprise Funds
Combining Statement of Cash Flows**

<i>Year Ended June 30, 2015</i>	Airport	Marine Service Center	Gary Paxton Industrial Park	Total Nonmajor Enterprise Funds
Cash Flows from (for) Operating Activities				
Receipts from customers and users	\$ 441,624	\$ 231,278	\$ 144,648	\$ 817,550
Payments to suppliers	(263,656)	(204,609)	(296,243)	(764,508)
Payments for interfund services used	(120,590)	(15,777)	(74,434)	(210,801)
Payments to employees	-	-	(64,237)	(64,237)
Net cash flows from (for) operating activities	57,378	10,892	(290,266)	(221,996)
Cash Flows from Noncapital Financing Activities				
Receipts (repayment) of advances	-	-	(49,782)	(49,782)
Transfers from other funds	-	-	52,252	52,252
Notes receivable issued	-	-	7,262	7,262
Net cash flows from noncapital financing activities	-	-	9,732	9,732
Cash Flows from (for) Capital and Related Financing Activities				
Capital expenditures	(7,820)	-	(249,134)	(256,954)
Interest paid	-	-	(11,325)	(11,325)
Government grants and loans for construction	-	-	462,427	462,427
Net cash flows from (for) capital and related financing activities	(7,820)	-	201,968	194,148
Cash Flows from Investing Activities				
Interest received	13,203	23,706	-	36,909
Net increase (decrease) in cash and cash equivalents	62,761	34,598	(78,566)	18,793
Cash and Cash Equivalents, beginning	753,793	1,461,245	953,062	3,168,100
Cash and Cash Equivalents, ending	\$ 816,554	\$ 1,495,843	\$ 874,496	\$ 3,186,893
Reconciliation of Operating Loss to Net				
Cash Flows from (for) Operating Activities				
Loss from operations	\$ (183,788)	\$ (141,114)	\$ (288,222)	\$ (613,124)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:				
Depreciation and amortization	166,954	140,066	307,263	614,283
Other income (expense)	57,966	(108)	(2,427)	55,431
Decrease in assets -				
accounts receivable (net)	11,938	1,453	17,783	31,174
Increase (decrease) in liabilities:				
Accounts payable and accrued liabilities	4,308	(210)	(70,913)	(66,815)
Unearned revenue	-	10,805	(253,750)	(242,945)
Net Cash Flows from (for) Operating Activities	\$ 57,378	\$ 10,892	\$ (290,266)	\$ (221,996)

City and Borough of Sitka, Alaska

Internal Service Funds

Combining Statement of Net Position

<i>June 30, 2015</i>	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Assets and Deferred Outflows of Resources				
Current Assets				
Equity in central treasury	\$ 310,909	\$ 2,930,935	\$ 1,985,143	\$ 5,226,987
Prepaid expenses	1,620	-	-	1,620
Total Current Assets	312,529	2,930,935	1,985,143	5,228,607
Noncurrent Assets				
Capital assets:				
Property, plant and equipment	1,813,695	8,130,707	32,459	9,976,861
Less accumulated depreciation	(1,279,110)	(4,976,449)	(23,217)	(6,278,776)
Total capital assets, net of accumulated depreciation	534,585	3,154,258	9,242	3,698,085
Total Noncurrent Assets	534,585	3,154,258	9,242	3,698,085
Total Assets	847,114	6,085,193	1,994,385	8,926,692
Deferred Outflows of Resources related to pensions	29,641	14,820	29,641	74,102
Total Assets and Deferred Outflows of Resources	\$ 876,755	\$ 6,100,013	\$ 2,024,026	\$ 9,000,794
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities -				
accounts payable and accrued liabilities	\$ 592	\$ 147,107	\$ 30,323	\$ 178,022
Noncurrent Liabilities:				
Compensated absences	15,704	7,670	20,337	43,711
Advances from other funds	148,926	300,000	-	448,926
Net pension liability	226,308	113,153	226,308	565,769
Total Noncurrent Liabilities	390,938	420,823	246,645	1,058,406
Total Liabilities	391,530	567,930	276,968	1,236,428
Deferred Inflows of Resources related to pensions	26,146	13,073	26,146	65,365
Net Position				
Net investment in capital assets	534,585	3,154,258	9,242	3,698,085
Unrestricted (deficit)	(75,506)	2,364,752	1,711,670	4,000,916
Total Net Position	459,079	5,519,010	1,720,912	7,699,001
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 876,755	\$ 6,100,013	\$ 2,024,026	\$ 9,000,794

City and Borough of Sitka, Alaska

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2015</i>	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Operating Revenues				
Charges for service	\$ 786,587	\$ 1,625,673	\$ 418,466	\$ 2,830,726
Other operating revenues	-	2,599	-	2,599
Total Operating Revenues	786,587	1,628,272	418,466	2,833,325
Operating Expenses				
Wages and benefits	317,546	165,069	351,987	834,602
Travel and training	15,088	-	2,442	17,530
Utilities	1,893	21,315	1,256	24,464
Repair and maintenance	125,222	63,250	68,638	257,110
Contracted/purchased services	255,977	360,658	196,473	813,108
Interdepartmental services	105,423	137,529	95,213	338,165
Other	1,985	1,662	3,444	7,091
Depreciation and amortization	91,247	394,789	1,689	487,725
Total Operating Expenses	914,381	1,144,272	721,142	2,779,795
Income (Loss) from Operations	(127,794)	484,000	(302,676)	53,530
Nonoperating Revenues (Expenses)				
Investment income	1,434	52,521	23,340	77,295
Interest expense	(6,834)	(17,500)	-	(24,334)
State PERS relief	15,921	7,960	15,921	39,802
Other	-	34,155	-	34,155
Net Nonoperating Revenues (Expenses)	10,521	77,136	39,261	126,918
Income (loss) before transfers	(117,273)	561,136	(263,415)	180,448
Transfers in	48,500	-	81,608	130,108
Transfers out	-	(15,000)	(15,000)	(30,000)
Change in Net Position	(68,773)	546,136	(196,807)	280,556
Net Position, beginning, as restated (Note 17)	527,852	4,972,874	1,917,719	7,418,445
Net Position, ending	\$ 459,079	\$ 5,519,010	\$ 1,720,912	\$ 7,699,001

City and Borough of Sitka, Alaska

Internal Service Funds

Combining Statement of Cash Flows

<i>Year Ended June 30, 2015</i>	Management Information		Building	Total Internal
	Systems	Central Garage	Maintenance	Service Funds
Cash Flows from (for) Operating Activities				
Receipts from customers and users	\$ 786,587	\$ 1,662,427	\$ 418,466	\$ 2,867,480
Payments to suppliers	(401,342)	(318,324)	(288,074)	(1,007,740)
Payments for interfund services used	(105,423)	(137,529)	(95,213)	(338,165)
Payments to employees	(310,965)	(152,737)	(336,005)	(799,707)
Net cash flows from (for) operating activities	(31,143)	1,053,837	(300,826)	721,868
Cash Flows from (for) Noncapital Financing Activities				
Repayment of advances	(46,327)	(50,000)	-	(96,327)
Transfers to other funds	-	(15,000)	(15,000)	(30,000)
Transfers from other funds	48,500	-	81,608	130,108
Net cash flows from (for) noncapital financing activities	2,173	(65,000)	66,608	3,781
Cash Flows for Capital and Related Financing Activities				
Capital expenditures	(126,268)	(421,620)	-	(547,888)
Interest paid	(6,834)	(17,500)	-	(24,334)
Net cash flows for capital and related financing activities	(133,102)	(439,120)	-	(572,222)
Cash Flows from Investing Activities				
Interest received	1,434	52,521	23,340	77,295
Net Increase (Decrease) in Cash and Cash Equivalents	(160,638)	602,238	(210,878)	230,722
Cash and Cash Equivalents, beginning	471,547	2,328,697	2,196,021	4,996,265
Cash and Cash Equivalents, ending	\$ 310,909	\$ 2,930,935	\$ 1,985,143	\$ 5,226,987
Reconciliation of Operating Income (Loss) to Net Cash Flows from (for) Operating Activities				
Income (loss) from operations	\$ (127,794)	\$ 484,000	\$ (302,676)	\$ 53,530
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:				
Depreciation and amortization	91,247	394,789	1,689	487,725
State PERS relief	15,921	7,960	15,921	39,802
Other income	-	34,155	-	34,155
(Increase) decrease in assets and deferred outflows:				
Prepaid expenses	39	-	-	39
Deferred outflows of resources related to pensions	(11,027)	(5,513)	(11,027)	(27,567)
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	(1,216)	128,561	(15,821)	111,524
Compensated absences	(12,611)	2,736	(3,210)	(13,085)
Net pension liability	(11,848)	(5,924)	(11,848)	(29,620)
Deferred inflows of resources related to pensions	26,146	13,073	26,146	65,365
Net Cash Flows from (for) Operating Activities	\$ (31,143)	\$ 1,053,837	\$ (300,826)	\$ 721,868

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Statistical Section

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CITY AND BOROUGH OF SITKA, ALASKA

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2011	2012	2013	2014	2015
Governmental activities:					
Invested in capital assets, net of related debt	\$ 84,221,307	\$ 69,758,706	\$ 81,140,841	\$ 86,125,410	\$ 94,765,479
Restricted	33,185,178	28,065,049	28,969,693	25,924,835	32,149,739
Unrestricted	31,105,881	31,751,885	28,940,773	37,352,229	22,669,294
Total governmental activities net assets	148,512,366	129,575,640	139,051,307	149,402,474	149,584,512
Business-type activities:					
Invested in capital assets, net of related debt	89,514,065	89,725,575	103,467,052	156,196,702	164,836,448
Restricted	7,917,319	3,495,431	7,359,839	8,992,528	10,445,096
Unrestricted	47,488,067	48,724,671	50,906,747	25,943,451	33,109,400
Total business-type activities net assets	144,919,451	141,945,677	161,733,638	191,132,681	208,390,944
Primary government:					
Invested in capital assets, net of related debt	173,735,372	159,484,281	184,607,893	242,322,112	259,601,927
Restricted	41,102,497	31,560,480	36,329,532	34,917,363	42,594,835
Unrestricted	78,593,948	80,476,556	79,847,520	63,295,680	55,778,694
Total Primary Government Net Assets	\$ 293,431,817	\$ 271,521,317	\$ 300,784,945	\$ 340,535,155	\$ 357,975,456

	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities:					
Invested in capital assets, net of related debt	\$ 47,513,951	\$ 60,634,380	\$ 69,697,438	\$ 74,535,296	\$ 77,625,556
Restricted	34,876,513	27,232,833	23,079,443	25,807,768	24,564,026
Unrestricted	27,326,743	24,911,229	24,517,713	20,598,517	25,166,380
Total governmental activities net assets	109,717,207	112,778,442	117,294,594	120,941,581	127,355,962
Business-type activities:					
Invested in capital assets, net of related debt	77,014,024	85,395,684	91,260,956	92,657,290	96,906,077
Restricted	6,346,372	6,875,784	6,929,086	7,280,721	7,047,685
Unrestricted	20,864,296	20,257,056	21,864,845	21,170,279	22,938,329
Total business-type activities net assets	104,224,692	112,528,524	120,064,887	121,108,290	126,892,091
Primary government:					
Invested in capital assets, net of related debt	124,527,975	146,030,064	160,958,394	167,192,586	174,531,633
Restricted	41,222,885	34,108,617	30,008,529	33,088,489	31,611,711
Unrestricted	48,191,039	45,168,285	46,382,558	41,768,796	48,104,709
Total Primary Government Net Assets	\$ 213,941,899	\$ 225,306,966	\$ 237,349,481	\$ 242,049,871	\$ 254,248,053

CITY AND BOROUGH OF SITKA, ALASKA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund:					
Nonspendable	\$ 3,935,798	\$ 225	\$ 49,486	\$ 394,229	\$ 1,825,359
Restricted	2,087,478	522,444	520,742	-	-
Committed	1,205,833	9,987,028	7,904,460	7,762,442	8,295,203
Assigned	-	-	-	-	-
Unassigned	4,332,784	3,075,401	5,843,192	8,234,138	4,889,171
Total General Fund	\$ 11,561,893	\$ 13,585,098	\$ 14,317,880	\$ 16,390,809	\$ 15,009,733
All Other Governmental Funds:					
Nonspendable	1,758,633	1,855,781	2,743,313	2,883,234	56,681
Restricted	43,700,167	29,036,455	28,343,985	25,924,835	26,207,854
Committed	312,039	8,933,726	6,727,368	11,544,459	15,111,535
Assigned	2,584,104	3,016,000	2,391,820	2,434,379	2,387,729
Unassigned	(52,986)	(35,725)	(8,870)	(4,686)	(4,785)
Total all other governmental funds	\$ 48,301,957	\$ 42,806,237	\$ 40,197,616	\$ 42,782,221	\$ 43,759,014
	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund:					
Nonspendable	\$ 5,942,604	\$ 6,588,483	\$ 5,090,933	\$ 3,903,247	\$ 4,288,190
Restricted	2,082,931	2,420,946	2,538,050	2,602,648	2,760,462
Committed	423,698	355,150	234,876	226,501	229,579
Assigned	-	-	-	-	-
Unassigned	1,848,816	1,260,240	240,185	2,004,500	3,229,470
Total General Fund	\$ 10,298,049	\$ 10,624,819	\$ 8,104,044	\$ 8,736,896	\$ 10,507,701
All other governmental funds:					
Nonspendable	3,747,246	5,104,011	4,382,568	14,160,361	2,721,071
Restricted	24,058,686	26,696,299	24,195,980	20,814,274	24,561,265
Committed	7,153	6,607	4,527	4,119	784
Assigned	17,492,872	6,833,283	8,034,057	6,297,154	13,734,819
Unassigned	-	-	-	-	-
Total all other governmental funds	\$ 45,305,957	\$ 38,640,200	\$ 36,617,132	\$ 41,275,908	\$ 41,017,939

CITY AND BOROUGH OF SITKA, ALASKA

Changes in Net Position
All Fiscal Years Available
(modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
Administration	\$ 4,892,060	\$ 1,815,845	\$ 1,890,573	\$ 1,758,063	\$ 1,709,428	\$ 1,762,495	\$ 1,620,189	\$ 1,962,059	\$ 2,258,018	\$ 2,078,240
Public safety	6,012,020	6,855,710	6,663,085	6,591,077	6,345,657	6,625,688	6,655,486	6,984,741	7,044,883	6,958,306
Public works	4,593,023	3,211,146	4,414,371	4,523,661	4,692,515	4,479,567	5,101,445	4,955,993	4,112,134	4,661,945
Public services	1,632,004	2,171,601	2,148,526	2,194,283	2,126,670	2,210,011	2,340,805	2,348,593	2,405,686	3,727,612
Support	7,079,752	9,688,383	8,654,152	9,149,431	9,830,856	9,070,397	9,141,153	9,179,685	9,123,989	9,384,188
Interest on long-term debt	1,491,450	1,277,355	1,283,847	1,540,287	1,475,884	1,420,066	1,329,359	1,277,594	1,268,837	1,082,227
Total governmental activities	25,700,309	25,020,040	25,054,554	25,756,802	26,181,010	25,568,214	26,188,437	26,708,665	26,213,547	27,892,518
Business-type activities:										
Electric Utility	10,861,738	11,134,199	11,889,771	12,368,552	11,872,652	15,810,783	12,990,060	10,414,728	10,110,246	11,144,214
Water Utility	-	-	-	-	-	-	1,873,635	2,092,017	2,182,462	2,370,055
Waste water treatment	2,733,243	2,971,538	3,038,204	3,252,387	3,354,495	3,679,257	3,495,140	3,553,613	3,793,239	3,629,915
Solid waste disposal	2,659,147	2,760,649	2,889,416	2,928,042	3,114,822	3,077,032	3,131,311	3,262,793	3,464,859	3,344,737
Harbor	1,793,545	2,107,023	2,342,593	2,378,228	2,325,372	2,512,984	2,569,234	2,414,632	3,123,702	2,682,945
Other nonmajor business-type activities	1,532,770	1,761,423	1,888,662	3,298,547	1,400,040	3,156,084	1,624,293	1,153,598	1,404,174	1,693,904
Total business-type activities	19,580,443	20,734,832	22,048,646	24,235,756	22,067,381	28,236,140	25,683,673	22,891,381	24,078,682	24,865,770
Total Primary Government Expenses	45,280,752	45,754,872	47,103,200	49,992,558	48,248,391	53,804,354	51,872,110	49,600,046	50,292,229	52,758,288
Program Revenues:										
Governmental activities:										
Charges for services										
Administration	2,041,130	388,373	359,330	836,056	505,174	420,194	713,129	\$ 327,245	\$ 302,118	\$ 377,681
Public safety	664,808	766,622	544,296	717,543	745,265	737,414	763,278	729,406	1,343,299	1,409,655
Public works	838,965	730,674	872,070	838,119	925,240	730,766	855,816	988,231	842,466	1,052,273
Public services	109,252	143,906	102,327	112,414	108,340	178,638	248,229	200,883	213,219	252,980
Operating grants and contributions	2,896,673	4,777,346	6,046,603	4,563,651	5,503,356	4,962,723	6,012,861	5,979,832	6,940,816	5,673,970
Capital grants and contributions	654,540	1,082,284	4,057,066	3,317,782	3,667,956	2,794,677	856,161	4,767,602	5,043,768	9,807,793
Total governmental activities	7,205,368	7,889,205	11,981,692	10,385,565	11,455,331	9,824,412	9,449,474	12,993,099	14,685,686	18,574,352
Business-type Activities:										
Charges for services:										
Electric Utility	11,413,574	11,627,554	11,996,378	12,823,113	11,947,812	12,973,046	11,611,319	12,077,554	14,375,992	14,623,321
Water Utility	-	-	-	-	-	-	1,383,411	1,561,830	1,890,385	2,093,200
Waste water treatment	1,655,272	1,875,149	1,784,369	1,789,429	1,895,122	2,070,832	2,296,085	2,434,969	2,874,795	2,906,839
Solid waste disposal	2,990,550	3,080,503	3,026,943	2,926,079	2,997,497	3,291,086	3,101,682	2,988,758	3,088,777	3,067,855
Harbor	1,409,705	1,635,156	1,683,250	1,698,769	1,598,502	2,003,013	1,529,481	1,912,463	2,696,840	2,256,944
Other nonmajor business-type activities	1,104,236	1,371,782	1,324,881	1,178,091	958,986	973,501	934,857	1,259,824	1,389,285	973,890
Operating grants and contributions	681,749	-	-	1,660,737	1,201,350	1,490,571	2,322,441	2,411,944	1,157,936	881,120
Capital grants and contributions	2,426,587	6,773,860	6,440,790	1,296,997	5,874,475	24,470,807	5,237,360	18,815,585	24,285,814	15,250,445
Total Business-type Activities	21,681,673	26,364,004	26,256,611	23,373,215	26,473,744	47,272,856	28,416,636	43,462,927	51,759,824	42,053,614
Total Primary Government Program Revenues	28,887,041	34,253,209	38,238,303	33,758,780	37,929,075	57,097,268	37,866,110	56,456,026	66,445,510	60,627,966
Net Revenue (Expense):										
Governmental activities	(18,494,941)	(17,130,835)	(13,072,862)	(15,371,237)	(14,725,679)	(15,743,802)	(16,738,963)	(13,715,566)	(11,527,861)	(9,318,166)
Business-type activities	2,101,230	5,629,172	4,207,965	(862,541)	4,406,363	19,036,716	2,732,963	20,571,546	27,681,142	17,187,844
Total Primary Government Net Expense	(16,393,711)	(11,501,663)	(8,864,897)	(16,233,778)	(10,319,316)	3,292,914	(14,006,000)	6,855,980	16,153,281	7,869,678
General revenues and other changes in net assets:										
Governmental activities:										
Taxes										
Property taxes	4,449,211	4,966,216	5,437,154	5,882,368	5,926,046	6,003,008	6,069,078	6,095,558	6,187,719	6,245,146
Sales and other taxes	9,838,887	10,338,689	10,224,623	9,850,321	8,950,243	9,722,879	9,544,100	9,583,108	10,466,361	10,983,577
Unrestricted grants and contributions	808,221	603,168	1,446,242	1,891,506	427,908	443,682	470,436	480,478	489,792	-
Investment earnings	1,420,136	4,895,110	577,934	(1,969,320)	3,649,352	4,348,650	2,266,133	2,564,594	3,453,061	116,824
Debt principal reimbursement	1,380,000	1,011,500	-	1,193,500	1,252,000	1,252,000	1,252,000	1,252,000	1,252,000	1,252,000
Other	-	694,313	-	2,330,615	1,078,480	17,274	-	1,280,350	15,796	1,557,740
Transfers	(102,216)	679,590	(96,939)	(160,766)	(143,969)	(2,998,672)	(1,316,642)	84,587	14,299	(2,727,192)
Special Item - forgiveness of loan receivable	-	(900,000)	-	-	-	-	-	-	-	-
Total Governmental Activities	17,794,239	22,288,586	17,589,014	19,018,224	21,140,060	18,788,821	18,285,105	21,340,675	21,879,028	17,428,095
Business-type Activities:										
Unrestricted grants and contributions	-	1,047,332	1,381,806	-	-	-	-	-	1,227,772	1,009,033
Investment earnings	503,815	1,416,362	1,839,653	1,297,612	1,139,012	799,620	1,413,015	469,791	504,428	559,400
Other	-	317,992	-	457,566	94,457	(169,100.00)	3,672	-	-	43,664
Transfers	102,216	(679,590)	96,939	160,766	143,969	2,998,672	1,316,642	(84,587)	(14,299)	2,727,192
Total Business-type Activities	606,031	2,102,096	3,318,398	1,915,944	1,377,438	3,629,192	2,729,657	388,876	1,717,901	4,339,289
Total Primary Government	18,400,270	24,390,682	20,907,412	20,934,168	22,517,498	22,418,013	21,014,762	21,729,551	23,596,929	21,767,384
Change in net assets:										
Governmental activities	(700,702)	5,157,751	4,516,152	3,646,987	6,414,381	3,045,019	1,546,142	7,625,109	10,351,167	8,109,929
Business-type activities	2,707,261	7,731,268	7,526,363	1,053,403	5,783,801	22,665,908	5,462,620	20,960,422	29,399,043	21,527,133
Total Primary Government	\$ 2,007,559	\$ 12,889,019	\$ 12,042,515	\$ 4,700,390	\$ 12,198,182	\$ 25,710,927	\$ 7,008,762	\$ 28,585,531	\$ 39,750,210	\$ 29,637,062

* Electric and Water Utilities reported as one entity until split apart in FY12

CITY AND BOROUGH OF SITKA, ALASKA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 14,288,098	\$ 15,304,905	\$ 15,661,777	\$ 15,732,689	\$ 14,876,289	\$ 15,019,382	\$ 15,199,048	\$ 15,543,311	\$ 16,351,095	\$ 17,071,383
State sources	2,842,324	3,941,174	6,147,853	7,828,757	6,700,449	5,095,182	5,807,654	9,207,616	9,384,209	15,088,635
Federal sources	1,944,022	2,415,318	2,292,664	3,241,857	4,313,422	2,505,769	2,251,970	2,132,222	2,560,281	3,057,734
Charges for services	1,000,422	1,661,346	1,454,532	1,546,658	1,682,329	1,633,186	1,711,974	1,839,516	2,029,484	2,150,939
Interfund services	1,797,323	1,949,569	2,174,717	2,393,157	2,219,501	2,380,298	2,659,323	2,693,860	3,584,990	2,807,749
Fines and forfeitures	123,897	118,790	139,114	139,373	122,422	138,697	125,112	103,541	97,102	118,679
Investment income	1,434,345	4,793,289	442,652	(1,601,383)	3,507,550	4,624,136	2,166,885	2,262,808	4,630,602	1,291,529
Uses of property	279,302	343,041	429,154	936,532	600,545	579,670	834,309	788,961	408,565	329,537
Licenses and permits	212,244	188,510	171,572	140,879	131,963	140,371	223,422	177,221	130,901	195,824
Other	905,266	1,591,912	2,837,459	1,042,588	691,865	514,866	645,879	1,023,994	971,084	827,062
Total Revenues	24,827,243	32,307,854	31,751,494	31,401,107	34,846,335	32,631,557	31,625,576	35,773,050	40,148,313	42,939,071
Expenditures										
Administration	3,355,184	3,507,680	3,892,275	3,890,049	3,771,014	3,871,834	4,082,610	4,632,192	5,202,321	5,439,736
Public safety	5,740,455	6,472,614	6,410,146	6,329,311	6,412,581	6,427,515	6,402,097	6,552,240	6,688,198	7,773,703
Public works	2,597,964	3,084,784	3,528,597	3,774,964	3,891,905	3,835,904	4,194,363	3,746,518	3,635,207	4,259,577
Public services	1,354,623	1,871,984	1,894,344	1,938,102	1,854,978	1,876,970	2,026,506	1,792,692	1,890,050	2,391,723
Support	6,509,064	8,271,429	7,237,991	7,564,011	7,809,145	7,121,245	6,893,481	6,402,944	7,067,034	6,896,830
Capital outlay	9,897,027	11,854,462	10,380,742	6,244,449	5,807,256	2,845,124	7,710,853	10,112,520	7,086,919	11,168,536
Debt service:										
Principal	1,658,869	1,750,881	1,634,030	1,920,626	1,921,186	1,949,750	2,269,750	2,449,860	2,398,231	2,483,231
Interest and fiscal charges	1,505,826	1,450,987	1,341,498	1,675,888	1,530,218	1,450,183	1,375,318	1,317,335	1,353,487	1,209,446
Total Expenditures	32,619,012	38,264,821	36,319,623	33,337,400	32,998,283	29,378,525	34,954,978	37,006,301	35,321,447	41,622,782
Excess (Deficit) of Revenues Over (Under) Expenditures	(7,791,769)	(5,956,967)	(4,568,129)	(1,936,293)	1,848,052	3,253,032	(3,329,402)	(1,233,251)	4,826,866	1,316,289
Other Financing Sources (Uses)										
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	1,052,256
Issuance of bonds - par	300,468	6,775,000	195,000	7,150,000	-	5,690,000	12,755,000	-	-	6,095,000
Issuance of bonds - premium	-	318,030	-	121,482	-	30,239	2,074,582	-	-	836,234
Payment to refund bonds	-	(7,004,528)	-	-	-	-	(14,829,582)	-	-	(6,876,762)
Note Receivable forgiven	-	(900,000)	-	-	-	-	-	-	-	-
Transfers in	4,178,276	5,504,284	7,053,257	10,510,579	3,083,574	4,232,927	4,037,358	6,021,580	3,165,070	8,509,199
Transfers out	(4,508,451)	(5,074,807)	(7,223,972)	(10,554,140)	(3,418,790)	(4,867,988)	(4,180,470)	(6,184,461)	(3,333,862)	(11,336,499)
Net Other Financing Sources (Uses)	(29,707)	(382,021)	24,285	7,227,921	(335,216)	5,085,178	(143,112)	(162,881)	(168,792)	(1,720,572)
Net change in fund balances	\$ (7,821,476)	\$ (6,338,988)	\$ (4,543,844)	\$ 5,291,628	\$ 1,512,836	\$ 8,338,210	\$ (3,472,514)	\$ (1,396,132)	\$ 4,658,074	\$ (404,283)
Debt service as a percentage of noncapital expenditures	13.9%	12.1%	11.5%	13.3%	12.7%	12.8%	13.4%	14.0%	13.3%	11.8%

CITY AND BOROUGH OF SITKA, ALASKA
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Personal Property	Less Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2006	\$ 538,635,949	\$ 232,044,351	\$ 63,348,272	\$ 57,195,510	\$ 776,833,062	0.006	\$ 834,028,572	93.14%
2007	659,696,100	231,822,488	29,459,888	59,000,000	861,978,476	0.006	1,066,134,900	80.85%
2008	710,920,900	232,604,800	52,542,066	60,173,640	935,894,126	0.006	1,166,392,200	80.24%
2009	729,075,200	230,930,000	51,609,680	70,150,000	941,464,880	0.006	1,178,401,100	79.89%
2010	729,201,100	239,476,200	52,244,615	67,347,130	953,574,685	0.006	1,122,803,600	84.93%
2011	671,727,505	305,317,150	77,029,224	69,000,750	985,073,129	0.006	1,152,462,400	85.48%
2012	760,785,518	175,868,354	141,113,024	86,836,658	990,930,238	0.006	1,151,376,900	86.06%
2013	772,425,015	189,487,200	146,333,667	107,179,098	1,001,066,784	0.006	1,162,987,200	86.08%
2014	785,165,365	205,160,659	153,247,454	112,286,978	1,031,286,500	0.006	1,195,055,878	86.30%
2015	761,395,448	189,935,700	148,629,600	14,587,081	1,085,373,667	0.006	1,195,498,800	90.79%

CITY AND BOROUGH OF SITKA, ALASKA

Property Tax Rates
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Year	Property Tax Mill Levies (per \$1,000 Assessed Valuation)
2006	6.00
2007	6.00
2008	6.00
2009	6.00
2010	6.00
2011	6.00
2012	6.00
2013	6.00
2014	6.00
2015	6.00

There are no overlapping property tax rates.

CITY AND BOROUGH OF SITKA, ALASKA
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Bed Tax	Fuel Flow Tax	Total
2006	\$ 4,449,211	\$ 9,471,791	\$ 361,925	\$ 5,171	\$ 14,288,098
2007	4,966,216	9,933,481	405,208	-	15,304,905
2008	5,437,154	9,843,364	381,259	-	15,661,777
2009	5,882,368	9,514,013	336,308	-	15,732,689
2010	5,926,046	8,646,598	303,655	-	14,876,299
2011	6,003,008	8,708,484	307,890	-	15,019,382
2012	6,069,078	8,804,619	325,351	-	15,199,048
2013	6,095,558	9,093,595	354,158	-	15,543,311
2014	6,187,719	9,785,829	377,547	-	16,351,095
2015	6,245,146	9,678,727	411,916	-	16,335,789

CITY AND BOROUGH OF SITKA, ALASKA

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Silver Bay Seafoods, Inc.	\$ 13,428,543	1	1.30%			
North Pacific Seafoods	9,932,773	2	0.96%	\$ 8,210,758	2	1.21%
Hames Corporation	8,894,083	3	0.86%	6,509,900	5	0.96%
Harbor Enterprises dba Petro Marine Services	8,042,720	4	0.78%	6,978,107	3	1.03%
The North West Company	7,115,400	5	0.69%			
Seafood Producers Co-op	6,454,000	6	0.63%	9,708,744	1	1.44%
Scojo, LLC	5,454,712	7	0.53%			
Halibut Point Marine Services	5,140,100	8	0.50%			
Shee Atika Incorporated	5,130,300	9	0.50%			
ACS	5,374,070	10	0.52%			
True Alaska Bottling				6,526,235	4	0.96%
Lakeside Corporation				5,474,143	6	0.81%
Yoo Jin Lodging dba Westmark				4,687,397	7	0.69%
Spenard Builders Supply				3,107,653	8	0.46%
Sitka Assoc/Admiralty Assoc				2,988,334	9	0.44%
K & R Enterprises				2,857,630	10	0.42%
Totals	\$ 74,966,701		7.27%	\$ 57,048,901		8.42%

CITY AND BOROUGH OF SITKA, ALASKA

Property Tax Levies and Collection
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years		Percentage of Levy
		Amount	Percentage of Levy	Amount	Percentage of Levy	
2006	\$ 4,581,061	\$ 4,526,905	99%	\$ 54,156	\$ 4,581,061	100.00%
2007	5,003,463	4,983,438	100%	20,025	5,003,463	100.00%
2008	5,558,821	5,501,591	99%	57,230	5,558,821	100.00%
2009	5,735,000	5,689,030	99%	57,230	5,746,260	100.20%
2010	5,768,331	5,735,962	99%	45,970	5,781,932	100.24%
2011	5,799,400	5,753,039	99%	46,361	5,799,400	100.00%
2012	5,904,617	5,874,918	99%	29,699	5,904,617	100.00%
2013	5,957,735	5,893,452	99%	64,283	5,957,735	100.00%
2014	5,901,738	5,842,721	99%	34,635	5,877,356	99.59%
2015	6,283,300	6,146,746	98%	-	6,146,746	97.83%

CITY AND BOROUGH OF SITKA, ALASKA

Sales Tax Receipts by Industry
Last Ten Fiscal Years

Industry	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Agriculture, Forestry and Fishing	\$ 29,723	\$ 32,745	\$ 33,824	\$ 32,933	\$ 28,445	\$ 23,758	\$ 23,626	\$ 23,634	\$ 20,094	\$ 18,137
Construction	116,026	128,486	136,086	109,853	109,913	112,806	130,943	166,960	221,446	201,145
Manufacturing	170,095	243,432	259,072	288,990	264,131	332,598	318,827	346,702	213,104	233,094
Transportation & Public Utilities	808,255	841,748	908,367	923,834	773,276	747,953	681,166	692,582	675,327	680,790
Wholesale Trade	68,657	69,288	63,264	64,048	62,336	68,586	61,743	57,666	53,877	54,145
Retail Trade	5,329,649	5,569,676	5,535,101	5,376,039	4,991,535	4,989,084	5,138,245	5,141,931	5,617,392	5,510,674
Finance, Insurance & Real Estate	616,408	655,800	327,109	325,422	318,426	247,223	252,158	297,556	307,149	325,567
Services	1,679,299	1,692,615	1,702,447	1,577,816	1,350,528	1,438,445	1,475,440	1,604,007	1,782,447	1,865,545
Government - Local	505,448	644,416	659,584	591,821	595,154	543,385	722,471	762,558	895,003	789,630
Total Sales Tax Receipts	\$ 9,323,560	\$ 9,878,206	\$ 9,624,854	\$ 9,290,756	\$ 8,493,744	\$ 8,503,838	\$ 8,804,619	\$ 9,093,596	\$ 9,785,829	\$ 9,678,727

Sales tax rate during months of April through September at 6%, remainder of the year at 5%

Gross Sales by Industry
Last Ten Fiscal Years

Industry	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Agriculture, Forestry and Fishing	\$ 1,600,658	\$ 1,805,939	\$ 2,206,402	\$ 2,741,284	\$ 2,205,318	\$ 1,886,260	\$ 5,933,107	\$ 3,676,800	\$ 4,354,707	\$ 3,601,207
Construction	80,454,390	78,323,778	70,339,462	77,213,089	71,402,438	86,964,824	86,689,548	91,354,782	157,611,922	141,721,383
Manufacturing	10,587,099	19,758,526	14,273,067	13,094,014	13,350,424	17,266,204	14,436,992	13,495,858	11,721,581	12,173,509
Transportation & Public Utilities	23,538,493	25,068,736	24,950,742	25,952,847	20,330,171	20,799,846	19,040,347	18,653,208	18,475,455	18,932,722
Wholesale Trade	16,307,414	18,070,392	15,942,727	17,115,448	15,518,232	15,832,946	21,443,717	18,266,103	20,061,339	21,112,181
Retail Trade	145,699,042	147,693,913	148,905,621	151,921,138	137,774,562	127,078,920	138,148,838	137,469,327	147,432,458	147,117,219
Finance, Insurance & Real Estate	21,467,153	22,994,647	19,750,880	23,071,451	31,606,652	21,265,902	21,992,145	22,787,879	24,564,111	22,925,923
Services	57,620,609	60,234,579	65,340,133	61,341,788	51,406,551	55,370,501	56,793,564	62,679,023	71,868,610	76,340,561
Government - Local	19,065,131	19,935,050	20,215,251	20,063,571	20,201,990	19,993,792	25,899,020	26,735,836	30,718,246	33,554,572
Total Gross Sales	\$ 376,339,989	\$ 393,885,560	\$ 381,924,285	\$ 392,504,630	\$ 363,796,338	\$ 366,459,195	\$ 390,377,278	\$ 395,118,816	\$ 486,798,429	\$ 477,479,277

CITY AND BOROUGH OF SITKA, ALASKA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Special Assessment Bonds	Capital Leases	Revenue Bonds	Notes Payable	Special Assessment Bonds	Capital Leases			
2006	\$ 32,006,000	\$ -	\$ 177,000	\$ 438,875	\$ 36,390,000	\$ 13,116,392	\$ -	\$ 30,878	\$ 82,158,145	29.98%	\$ 9,183
2007	30,540,000	-	-	316,342	34,570,000	14,055,608	-	21,892	79,503,842	26.76%	9,001
2008	29,035,000	195,000	-	187,312	32,550,000	17,697,039	-	12,457	79,676,808	25.06%	9,198
2009	34,410,000	185,250	-	51,436	30,395,000	20,132,064	-	2,553	85,166,303	22.06%	9,249
2010	32,550,000	175,500	-	-	28,090,000	20,377,078	-	-	81,192,578	25.89%	9,142
2011	36,300,000	165,750	-	-	48,700,000	20,117,401	-	-	105,273,151	37.46%	12,000
2012	32,290,000	156,000	-	-	47,570,000	21,023,413	-	-	101,039,413	35.85%	11,287
2013	31,020,000	146,250	-	-	85,285,000	20,860,822	-	-	137,312,072	47.80%	15,116
2014	28,635,000	202,641	-	-	108,940,000	20,625,388	-	-	158,403,029	54.24%	17,411
2015	25,990,000	189,410	-	-	123,215,000	25,812,083	-	-	175,206,493	35.86%	19,728

CITY AND BOROUGH OF SITKA, ALASKA

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amount Available in Debt Service Fund	Total	Percentage of Estimated Actual Value of Property	Per Capita
2006	\$ 32,006,000	\$ 1,418,514	\$ 30,586,486	4.32%	\$ 3,463
2007	30,540,000	2,032,412	28,507,588	3.67%	3,298
2008	29,035,000	2,657,143	26,377,857	2.75%	3,062
2009	34,410,000	3,148,838	31,261,162	2.93%	3,624
2010	32,550,000	3,397,347	29,152,653	2.70%	3,283
2011	36,300,000	2,703,304	33,596,696	2.44%	3,830
2012	32,290,000	2,990,924	29,299,076	2.54%	3,273
2013	31,020,000	2,028,544	28,991,456	2.49%	3,191
2014	28,635,000	1,958,072	26,676,928	2.23%	2,932
2015	25,990,000	2,527,635	23,462,365	1.96%	2,642

CITY AND BOROUGH OF SITKA, ALASKA
Direct and Overlapping Governmental Activities Debt
Legal Debt Margin Information
As of June 30, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping debt	\$ -	0%	\$ -
City and Borough of Sitka, Alaska	25,990,000	100%	25,990,000
Total direct and overlapping debt	\$ -		\$ 28,635,000

Legal Debt Margin

The City and Borough of Sitka, Alaska has had no legal debt margin requirements for any of the last ten fiscal years.

CITY AND BOROUGH OF SITKA, ALASKA

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Electric and Water Revenue Bonds and Revenue Notes							Total	Coverage
	Electric and Water Revenue	Electric Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest			
2006	\$ 11,927,177	\$ -	\$ 5,659,421	\$ 6,267,756	\$ 1,970,000	\$ 2,738,512	\$ 4,708,512	1.33	
2007	12,670,456	-	5,928,563	6,741,893	2,061,395	2,611,172	4,672,567	1.44	
2008	13,443,798	-	6,786,879	6,656,919	2,270,889	2,647,577	4,918,466	1.35	
2009	13,900,365	-	7,400,345	6,500,020	2,451,078	2,480,310	4,931,388	1.32	
2010	12,717,974	-	6,938,167	5,779,807	2,764,199	2,418,756	5,182,955	1.12	
2011	-	13,688,856	7,967,421	5,721,435	2,709,411	1,738,453	4,447,864	1.29	
2012	-	13,076,192	7,261,194	5,814,998	1,394,689	2,848,639	4,243,328	1.37	
2013	-	13,412,647	7,127,520	6,285,127	1,770,000	2,296,332	4,066,332	1.55	
2014	-	15,629,908	7,824,140	7,805,768	1,845,000	5,138,451	7,098,451	1.10	
2015	-	15,230,815	8,970,825	6,259,990	1,915,000	5,815,392	7,730,392	0.81	

Fiscal Year	Harbor Revenue Bonds							Total	Coverage
	Harbor Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest				
2014	\$ 3,940,686	\$ 2,454,599	\$ 1,486,087	\$ 115,000	\$ 157,728	\$ 272,728	5.45		
2015	3,495,150	2,027,367	1,467,783	135,000	175,700	310,700	4.72		

Revenue includes all operating and nonoperating revenues.

Expenses includes all operating expenses excluding depreciation

CITY AND BOROUGH OF SITKA, ALASKA

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (,000s)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2006	8,833	\$ 280,896	\$ 34,762	1,477	5.4%
2007	8,644	307,053	36,696	1,454	4.5%
2008	8,615	317,200	41,872	1,378	5.8%
2009	8,627	361,230	38,593	1,316	6.5%
2010	8,881	313,624	35,314	1,315	6.6%
2011	8,773	281,034	32,034	1,299	6.6%
2012	8,952	281,872	52,608	1,312	6.2%
2013	9,084	287,263	53,397	1,313	6.2%
2014	9,098	292,019	54,198	1,338	6.2%
2015	8,881	488,553	55,011	1,342	5.5%

source: suburbanstats.org & laborstats.alaska.gov/income

CITY AND BOROUGH OF SITKA, ALASKA

Principal Employers
Current Year and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
S.E.A.R.H.C.	482	1	10.30%	484	1	11.10%
Sitka School District	219	2	4.68%	231	2	5.30%
U.S. Coast Guard	209	3	4.47%	200	3	4.60%
Sitka Community Hospital	176	4	3.76%	115	5	2.60%
City and Borough of Sitka	165	5	3.53%	154	4	3.50%
Mt Edgecombe High School	154	6	3.29%			
Hames Corporation	150	7	3.21%	108	7	2.50%
Sitka Tribe of Alaska	134	8	2.86%			
Pioneer's Home	105	9	2.24%	103	8	2.30%
University of Alaska Southeast	87	10	1.86%			
North Pacific Processors				102	9	2.30%
U.S. Forest Service				108	6	2.50%
Sheldon Jackson				95	10	2.2%

CITY AND BOROUGH OF SITKA, ALASKA
Full-Time Equivalent City and Borough Government Employees By Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	42	41	41	41	43	29	29	28	42	37
Public Safety:										
Police	37	36	36	36	32	33	33	33	28	33
Fire and Ambulance	10	10	10	10	10	10	10	10	10	10
Public Works	12	11	11	11	13	25	25	25	19	20
Public Services:										
Library	7	7	7	7	7	7	7	7	12	7
Centennial Building	4	4	4	4	4	4	4	4	4	4
Electric	23	23	23	23	24	25	25	27	28	26
Water	4	4	4	4	4	5	5	5	3	3
Waste Water Treatment	7	7	7	7	7	6	6	6	8	10
Solid Waste Disposal	1	1	2	2	2	2	2	2	2	2
Harbor	8	8	8	9	9	9	9	9	10	9
Sawmill Cove Industrial Park	1	1	1	-	-	1	1	-	1	-
Totals	156	153	154	154	155	156	156	156	165	165

CITY AND BOROUGH OF SITKA, ALASKA

Average Number of Electrical Customers Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Harbor	Public Authority	Gary Paxton Industrial Park	Total
2006	3,524	622	727	188	N/A	5,061
2007	3,583	621	723	186	N/A	5,113
2008	3,622	638	749	188	N/A	5,197
2009	3,651	647	771	188	N/A	5,257
2010	3,671	634	772	201	N/A	5,278
2011	3,672	620	769	205	16	5,282
2012	3,662	653	774	201	19	5,309
2013	3,728	677	760	217	21	5,403
2014	3,598	861	754	277	*	5,490
2015	3,697	665	834	215	*	5,411

* For 2015 The breakout for the Gary Paxton Industrial Park is not available - Formerly Sawmill Cove Industrial Park prior to FY 2015

KwH Sold by Class Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Harbor	Public Authority	Gary Paxton Industrial Park	Total
2006	41,623,107	29,981,828	2,583,059	22,346,191	1,871,596	98,405,781
2007	45,057,318	30,940,454	3,137,092	25,152,588	2,203,633	106,491,085
2008	46,400,989	32,008,120	3,686,525	23,711,772	4,189,777	109,997,183
2009	49,925,862	31,421,023	4,221,524	24,550,555	4,747,228	114,866,192
2010	46,775,688	30,932,153	3,446,996	22,554,209	5,030,924	108,739,970
2011	47,901,502	30,486,914	3,619,949	24,636,619	5,150,360	111,795,344
2012	47,583,037	32,013,255	3,214,648	22,778,544	5,460,139	111,048,623
2013	47,628,760	32,043,016	3,217,737	22,800,432	5,465,385	111,155,330
2014	46,273,202	34,799,581	2,980,418	22,909,862	*	106,963,063
2015	43,287,665	37,826,945	3,165,669	28,747,993	*	113,028,272

Source: City and Borough of Sitka's Finance Department and Electric Utilities Fund

* For 2015 The breakout for the Gary Paxton Industrial Park is not available - Formerly Sawmill Cove Industrial Park prior to FY 2015