

CITY AND BOROUGH OF SITKA, ALASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED

JUNE 30, 2016

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City and Borough of Sitka, Alaska

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City and Borough of Sitka, Alaska

Elected Officials

June 30, 2016

Name	Position
Matthew Hunter	Mayor
Bob Potrzuski	Deputy Mayor
Steven Eisenbeisz	Vice-Deputy Mayor
Tristan Guevin	Assembly Member
Kevin Knox	Assembly Member
Aaron Bean	Assembly Member
Aaron Swanson	Assembly Member
Mark Gorman	Municipal Administrator

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3601 C Street, Suite 600
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Independent Auditor's Report

Honorable Mayor and Borough Assembly
City and Borough of 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, 2016, 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 represented 69 percent of the assets and deferred outflows of resources, and 49 percent of 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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-2 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.

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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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017 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 30, 2017

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Management Discussion and Analysis

City and Borough of Sitka, Alaska
Management Discussion and Analysis
June 30, 2016

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 **\$370.4** million. Of this amount, **\$53.3** 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 **\$4.6** 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 **18%** 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 the 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 Gary Paxton Industrial Park.

City and Borough of Sitka, Alaska
Management Discussion and Analysis
June 30, 2016

The government-wide financial statements present not only the Municipality itself, which is the primary government, but also its component units: Sitka School District and Sitka Community Hospital for which the Municipality is financially accountable. Financial information for the Sitka School District and Sitka Community Hospital 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 the 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 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 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 Gary Paxton 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

City and Borough of Sitka, Alaska
Management Discussion and Analysis
June 30, 2016

financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary funds 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, Expense 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-8 – D-13**.

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 pages **D-14 - 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-37** 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 Municipality's 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 **\$370.4** million at June 30, 2016 compared to **\$358.0** million at June 30, 2015. By far the largest portion of the Municipality's net position of **\$370.4M** 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.

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Management Discussion and Analysis
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Net Position June 30, 2016 and 2015 (in millions)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 63.2	\$ 68.2	\$ 50.0	\$ 52.8	\$ 113.2	\$ 121.0
Capital Assets	135.7	121.9	323.1	320.8	458.8	442.7
Total assets	198.9	190.1	373.1	373.6	572.0	563.7
Deferred outflows	2.8	1.9	3.2	3.0	6.0	4.9
Total assets and deferred outflows	\$ 201.7	\$ 192.0	\$ 376.3	\$ 376.6	\$ 578.0	\$ 568.6
Long-term debt outstanding	\$ 37.4	\$ 36.8	\$ 160.9	\$ 163.6	\$ 198.3	\$ 200.4
Other liabilities	4.1	4.6	4.6	4.1	8.7	8.7
Total liabilities	41.5	41.4	165.5	167.7	207.0	209.1
Deferred inflows	0.2	1.0	0.1	0.5	0.3	1.5
Total liabilities and deferred inflows	\$ 41.7	\$ 42.4	\$ 165.6	\$ 168.2	\$ 207.3	\$ 210.6
Net position:						
Net investment in capital assets	\$ 111.1	\$ 94.8	\$ 171.2	\$ 164.8	\$ 282.3	\$ 259.6
Restricted	27.5	32.1	10.5	10.5	38.0	42.6
Unrestricted	21.4	22.7	29.0	33.1	50.4	55.8
Total net position	\$ 160.0	\$ 149.6	\$ 210.7	\$ 208.4	\$ 370.7	\$ 358.0

Governmental Activities

Governmental activities increased the Municipality's net position by \$10.4 million. Key elements of are listed below:

- Excluding capital grants, total governmental activity revenue exceeded total governmental activity expenses by \$5.6 million
- Capital grants increased by \$4.5 million. Significant capital grants were received for the Sitka Public Library and Centennial Building
- Compared to prior year, the surplus of total governmental activity revenue over total governmental activity expenses grew by \$2.0 million, from \$8.1 million to \$10.1 million

The net position for the Municipality's governmental activities is \$160.0 million, an increase of \$10.4 million. A substantial portion (69%) of the net position is invested in capital assets – an increase of \$16.3 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 is \$27.5 million as of June 30, 2016. The largest portion of the restricted net position is for the Permanent Fund (\$21.7 million).

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Business-type activities

Business-type activities increased the Municipality's net position by \$2.3 million. This compares to an increase of \$18.8 million for the year ended June 30, 2015. Key elements are listed below:

- Total expenses for the Electric Fund increased by \$8.3 million, due to increased debt service for revenue bonds related to the Blue Lake Hydroelectric Project
- Capital grants and contributions decreased by (\$8.4) million, due to the completion of the Blue Lake Dam Hydroelectric Project

The net position for the Municipality's business-type activities is \$210.7 million, an increase of \$2.3 million. As with government-wide activities, a substantial portion (81%) 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 is \$29.0 million as of June 30, 2016.

**Changes in Net Position
For Fiscal Years Ending June 30, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues						
Charges for services	3.5	3.1	26.1	25.9	29.6	29.0
Operating grants and contributions	5.6	5.7	0.9	0.9	6.5	6.6
Capital grants and contributions	14.4	9.8	6.8	15.3	21.2	25.1
General revenues:						
Property tax	6.2	6.2	-	-	6.2	6.2
Sales and other taxes	11.7	11.0	-	-	11.7	11.0
Grants and contributions not restricted to specific programs	-	-	0.9	1.0	0.9	1.0
Unrestricted investment earnings	1.1	1.4	1.1	0.5	2.2	1.9
Other	0.1	1.6	0.1	-	0.2	1.6
Total revenues	42.6	38.8	35.9	43.6	78.5	82.4
Expenses:						
Administration	2.4	2.1	-	-	2.4	2.1
Public safety	7.8	7.0	-	-	7.8	7.0
Public works	6.3	4.7	-	-	6.3	4.7

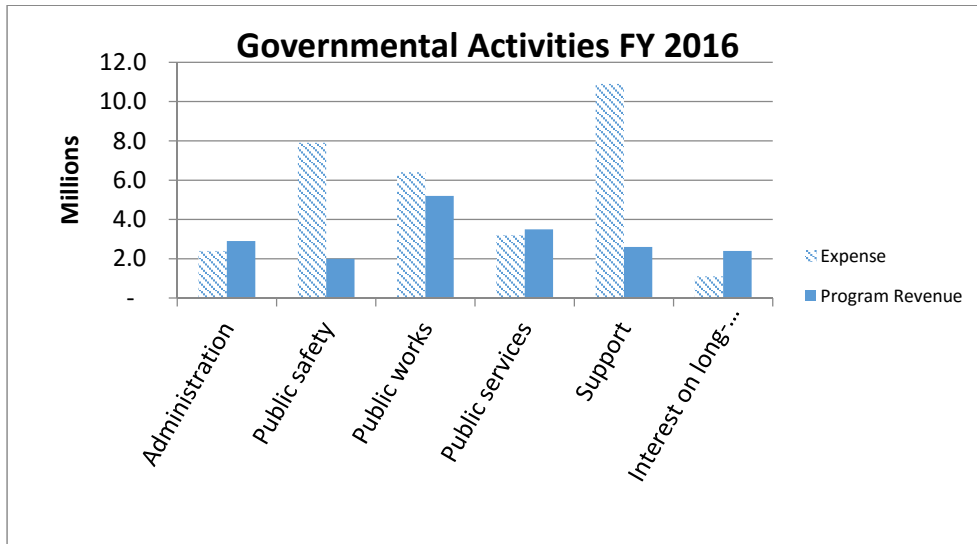
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Public services	3.2	3.7	-	-	3.2	3.7
Support	10.8	9.4	-	-	10.8	9.4
Interest on long-term debt	1.1	1.1	-	-	1.1	1.1
Electric	-	-	19.5	11.1	19.5	11.1
Water	-	-	2.3	2.4	2.3	2.4
Wastewater treatment	-	-	3.8	3.6	3.8	3.6
Solid waste disposal	-	-	3.9	3.3	3.9	3.3
Harbor	-	-	3.3	2.7	3.3	2.7
Nonmajor business-type	-	-	1.4	1.7	1.4	1.7
Total expenses	31.6	28.0	34.2	24.8	65.8	52.8
Increase in net position before transfers	11.0	10.8	1.7	18.8	12.7	29.6
Transfers in (out)	(0.6)	(2.7)	0.6	2.7	-	-
Increase in net position	10.4	8.1	2.3	21.5	12.7	9.6
Net position, beginning of year	149.6	149.4	208.4	191.2	358.0	340.6
Restatement - GASB 68	-	(7.9)	-	(4.3)	-	(12.2)
Net position, beginning as restated	149.6	141.5	208.4	186.9	358.0	328.4
Net position, end of year	1	149.6	210.7	208.4	370.7	358.0

Expenses and Program Revenues – Governmental Activities

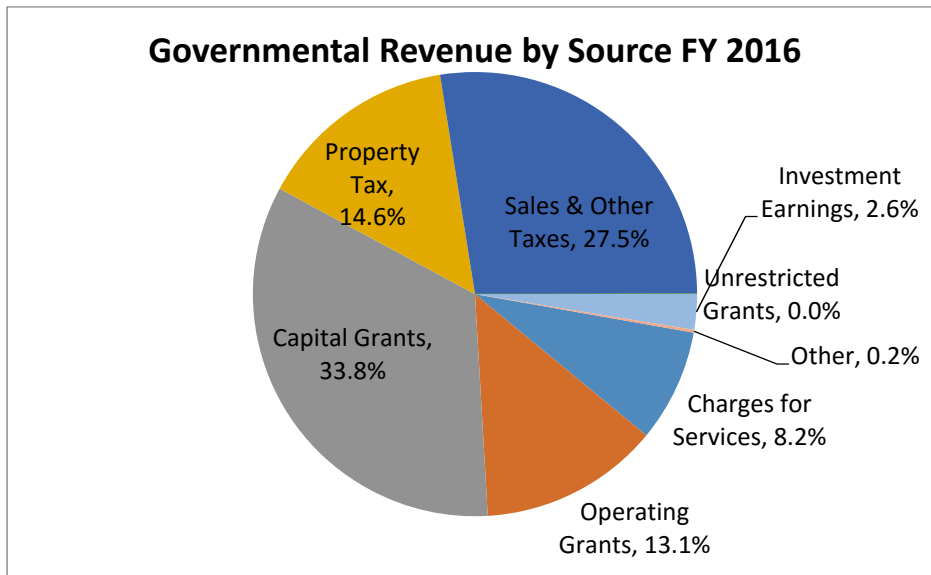
The graph shown below compares program expenses with associated revenues. It should be noted that revenue generated through sales, bed, and property taxes are considered general revenues and are therefore not included on this graph.

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Revenues by Source – Governmental Activities

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



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.

City and Borough of Sitka, Alaska
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June 30, 2016

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 \$54.4 million, a decrease of \$4.3 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 (\$1.7, \$26.3, \$18.3, and \$3.6 million respectively). The remainder of fund balance is unassigned (\$4.6 million) and is available for spending at the government's discretion.

The General Fund is the chief operating fund of Municipality. At the end of the current fiscal year, total fund balance was \$14.5 million and unassigned fund balance was \$4.6 million. Total fund balance decreased by \$0.5 million from the prior year. Key factors include:

- A decrease of (\$0.4M) in amounts due from other funds, due to repayment and subsequent expenditure by the General Fund.

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 eight enterprise funds at the end of the year were \$29.2 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 in the General Fund are as follows:

- Per the Sitka General Code, a portion of the unassigned balance in the General Fund is recommended for transfer each year to the Public Infrastructure Sinking Fund. The recommendation is developed once the prior year's accounting is complete and is accomplished through a supplemental budget ordinance.
- Per the Sitka General Code, encumbered appropriations do not lapse at the end of the fiscal year and are added into the following fiscal year's budget through a supplemental budget ordinance.

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, 2016 amounts to \$458.8 million (net of accumulated depreciation), an increase of \$16.1 million from the prior year. This investment in capital assets includes land, buildings, machinery and equipment, roads and infrastructure.

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June 30, 2016

Capital Assets
For Fiscal Years Ending June 30, 2016 and 2015
(in millions, net of depreciation)

Capital Assets
For Fiscal Years Ending June 30, 2016 and 2015
(in millions, net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and improvements	\$ 16.4	\$ 16.7	\$ 15.8	\$ 16.0	\$ 32.2	\$ 38.2
Buildings	65.3	68.0	6.6	7.0	71.9	75.0
Equipment	5.0	5.1	1.9	1.9	6.9	7.0
Infrastructure	28.6	18.1	-	-	28.6	18.1
Electric plant	-	-	224.1	53.8	224.1	53.8
Water plant			19.0	17.8	19.0	17.8
Wastewater treatment plant	-	-	15.4	9.7	15.4	9.7
Harbors	-	-	19.8	12.4	19.8	12.4
Master plan and licenses	-	-	-	1.5	-	1.5
Construction in process	20.4	8.5	20.5	200.7	40.9	209.2
Total capital assets	\$ 135.7	\$ 121.9	\$ 323.1	\$ 320.8	\$ 458.8	\$ 442.7

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

- Completion of reconstruction of the Sitka Public Library
- Substantial construction in progress on the renovation and expansion of the Centennial Building
- Completion of the Edgecumbe Drive Reconstruction

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 \$198.3 million. Of this amount \$23.4 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.

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**Outstanding Debt
For Fiscal Years Ending June 30, 2016 and 2015
(in millions)**

**Outstanding Debt
For Fiscal Years Ending June 30, 2016 and 2015
(in millions)**

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 23.4	\$ 27.8	\$ -	\$ -	\$ 23.4	\$ 27.8
Revenue bonds	-	-	121.1	132.5	121.1	132.5
Revenue notes	-	-	7.4	7.7	7.4	7.7
Net pension liability	11.4	8.2	6.2	4.4	17.6	12.6
Other debt	2.6	0.8	26.2	19.0	28.8	19.8
Total outstanding debt	\$ 37.4	\$ 36.8	\$ 160.9	\$ 163.6	\$ 198.3	\$ 200.4

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 education 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.

City and Borough of Sitka, Alaska
Management Discussion and Analysis
June 30, 2016

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 addition 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, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Sitka School District	Sitka Community Hospital
Assets and Deferred Outflows of Resources					
Assets					
Equity in central treasury	\$ 23,707,423	\$ 33,820,243	\$ 57,527,666	\$ -	\$ -
Cash and investments	-	-	-	3,415,006	4,610,702
Receivables (net of allowance)	8,292,547	3,778,105	12,070,652	1,027,683	3,115,269
Internal balances	598,792	(598,792)	-	-	202,193
Inventories	-	1,707,424	1,707,424	-	357,821
Prepaid items	25,642	12,002	37,644	5,696	160,968
Notes receivable	3,142,752	122,539	3,265,291	-	-
Special assessments receivable	31,682	76,035	107,717	-	-
Water rights	-	46,966	46,966	-	-
Restricted assets					
Equity in central treasury	4,320,525	560,362	4,880,887	-	-
Bond covenant accounts	-	10,470,409	10,470,409	-	-
Cash and investments	23,029,867	-	23,029,867	-	129,395
Interest receivable	99,813	-	99,813	-	-
Capital assets not being depreciated	31,605,764	25,771,647	57,377,411	-	-
Other capital assets, net of depreciation	104,073,621	297,356,031	401,429,652	369,070	4,477,410
Total Assets	198,928,428	373,122,971	572,051,399	4,817,455	13,053,758
Deferred Outflows of Resources					
Deferred charge on refunding	767,143	2,081,455	2,848,598	-	-
Deferred outflows related to pensions	2,008,755	1,087,570	3,096,325	2,729,615	3,538,873
Total Deferred Outflows of Resources	2,775,898	3,169,025	5,944,923	2,729,615	3,538,873
Total Assets and Deferred Outflows of Resources	\$ 201,704,326	\$ 376,291,996	\$ 577,996,322	\$ 7,547,070	\$ 16,592,631
Liabilities, Deferred Inflows of Resources and Net Position					
Liabilities					
Accounts payable and accrued liabilities	\$ 3,767,634	\$ 1,936,456	\$ 5,704,090	\$ 916,668	\$ 2,739,881
Unearned revenue	32,271	32,035	64,306	56,867	-
Accrued interest payable	272,382	2,456,147	2,728,529	-	-
Liabilities payable from restricted assets	-	122,745	122,745	-	-
Noncurrent liabilities:					
Due within one year:					
Bonds and notes	2,687,310	3,259,231	5,946,541	-	1,400,000
Lease	-	-	-	23,222	1,772,225
Compensated absences	635,811	360,875	996,686	7,000	796,659
Due in more than one year:					
Bonds and notes	21,096,366	141,707,121	162,803,487	-	352,217
Lease	-	-	-	23,222	-
Unamortized bond premium	1,595,718	8,983,444	10,579,162	-	-
Compensated absences	-	-	-	146,473	-
Net pension liability	11,394,457	6,169,133	17,563,590	13,985,997	15,650,585
Landfill post-closure liability	-	438,717	438,717	-	-
Total Liabilities	41,481,949	165,465,904	206,947,853	15,159,449	22,711,567
Deferred Inflows of Resources					
Property taxes paid in advance	31,615	-	31,615	-	-
Deferred inflows related to pensions	201,730	109,218	310,948	258,954	277,080
Total Deferred Inflows of Resources	233,345	109,218	342,563	258,954	277,080
Net Position					
Net investment in capital assets	111,067,134	171,259,337	282,326,471	369,070	4,048,633
Restricted for:					
Permanent Fund	21,678,037	-	21,678,037	-	-
Capital projects	5,874,104	-	5,874,104	-	-
Debt service	15,000	10,470,409	10,485,409	-	-
Sitka School District	-	-	-	29,259	-
Medical services	-	-	-	-	81,728
Unrestricted (deficit)	21,354,757	28,987,128	50,341,885	(8,269,662)	(10,526,377)
Total Net Position (Deficit)	159,989,032	210,716,874	370,705,906	(7,871,333)	(6,396,016)
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	\$ 201,704,326	\$ 376,291,996	\$ 577,996,322	\$ 7,547,070	\$ 16,592,631

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Statement of Activities

Year Ended June 30, 2016	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 Sitka Community Hospital
Primary Government								
Governmental Activities								
Administration	\$ 2,388,505	\$ 330,066	\$ 2,373,770	\$ -	\$ 315,331	\$ -	\$ 315,331	
Public safety	7,788,950	1,112,805	573,289	-	(6,102,856)	-	(6,102,856)	
Public works	6,341,667	1,928,131	103,867	2,108,027	(2,201,642)	-	(2,201,642)	
Public services	3,222,086	161,542	48,146	12,031,959	9,019,561	-	9,019,561	
Support	10,783,487	-	-	212,458	(10,571,029)	-	(10,571,029)	
Interest on long-term debt	1,054,818	-	2,484,239	-	1,429,421	-	1,429,421	
Total Governmental Activities	31,579,513	3,532,544	5,583,311	14,352,444	(8,111,214)	-	(8,111,214)	
Business-type Activities								
Electric	19,484,534	14,251,478	791,031	2,294,233	-	(2,147,792)	(2,147,792)	
Water	2,274,676	2,237,501	16,406	1,838,003	-	1,817,234	1,817,234	
Wastewater treatment	3,809,005	3,069,962	58,633	456,487	-	(223,923)	(223,923)	
Solid waste disposal	3,882,003	3,252,472	-	-	-	(629,531)	(629,531)	
Harbor	3,318,718	2,376,000	35,500	2,188,442	-	1,281,224	1,281,224	
Airport	589,375	392,313	-	-	-	(197,062)	(197,062)	
Marine	297,612	232,584	-	-	-	(65,028)	(65,028)	
Gary Paxton Industrial Park	580,378	254,859	-	67,225	-	(258,294)	(258,294)	
Total Business-type Activities	34,236,301	26,067,169	901,570	6,844,390	-	(423,172)	(423,172)	
Total Primary Government	\$ 65,815,814	\$ 29,599,713	\$ 6,484,881	\$ 21,196,834	\$ (8,111,214)	\$ (423,172)	\$ (8,534,386)	
Component Units								
Sitka School District	\$ 29,286,891	\$ 859,936	\$ 5,391,262	\$ -			\$ (23,035,693)	\$ -
Sitka Community Hospital	29,299,323	23,184,579	2,217,171	-			-	(3,897,573)
Total Component Units	\$ 58,586,214	\$ 24,044,515	\$ 7,608,433	\$ -			(23,035,693)	(3,897,573)
General revenues								
Taxes:								
Property					\$ 6,202,972	\$ -	\$ 6,202,972	-
Sales					11,004,137	-	11,004,137	-
Commercial passenger excise tax					218,350	-	218,350	-
Tobacco tax					490,353	-	490,353	-
Contributions from primary government					-	-	-	6,283,762
Grants and entitlements not restricted to specific purpose					-	879,793	879,793	13,860,783
Investment income					1,098,031	1,115,858	2,213,889	-
Other					113,329	142,013	255,342	958,975
Transfers					(611,438)	611,438	-	-
Total General Revenues and Transfers					18,515,734	2,749,102	21,264,836	21,103,520
Change in net position					10,404,520	2,325,930	12,730,450	(1,932,173)
Net Position (deficit), beginning					149,584,512	208,390,944	357,975,456	(5,939,160)
Net Position (deficit), ending					\$ 159,989,032	\$ 210,716,874	\$ 370,705,906	\$ (7,871,333)

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, 2016</i>					
Assets					
Equity in central treasury	\$ 10,025,855	\$ -	\$ -	\$ 8,487,479	\$ 18,513,334
Receivables:					
Accounts	1,063,630	-	-	-	1,063,630
Taxes	2,626,504	-	-	236,917	2,863,421
Allowance for uncollectables	(853,030)	-	-	-	(853,030)
Interest	309,513	-	-	-	309,513
Special assessments	-	-	-	31,682	31,682
Federal and State of Alaska	759,663	-	4,003,449	145,901	4,909,013
Due from other funds	248,019	-	-	-	248,019
Advances to other funds	250,000	-	-	590,574	840,574
Prepaid items	7,883	-	-	15,000	22,883
Notes receivable	1,400,000	54,015	-	1,688,737	3,142,752
Restricted assets:					
Equity in central treasury	-	-	4,320,525	-	4,320,525
Cash and investments	-	22,994,581	35,286	-	23,029,867
Interest receivable	-	99,813	-	-	99,813
Total Assets	\$ 15,838,037	\$ 23,148,409	\$ 8,359,260	\$ 11,196,290	\$ 58,541,996
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 405,707	\$ 4,006	\$ 2,458,056	\$ 122,255	\$ 2,990,024
Accrued payroll	570,339	-	-	-	570,339
Deposits payable	45,659	-	-	-	45,659
Due to other funds	-	28,647	-	119,372	148,019
Advances from other funds	240,684	-	-	-	240,684
Unearned revenue	5,171	-	27,100	-	32,271
Total Liabilities	1,267,560	32,653	2,485,156	241,627	4,026,996
Deferred Inflows of Resources					
Deferred assessments	-	-	-	31,682	31,682
Property taxes paid in advance	31,615	-	-	-	31,615
Total Deferred Inflows of Resources	31,615	-	-	31,682	63,297
Fund Balances					
Nonspendable	1,657,883	54,015	-	15,000	1,726,898
Restricted	-	21,678,037	-	3,185,571	24,863,608
Committed	8,460,152	1,383,704	5,874,104	4,147,050	19,865,010
Assigned	-	-	-	3,580,527	3,580,527
Unassigned (deficit)	4,420,827	-	-	(5,167)	4,415,660
Total Fund Balances	14,538,862	23,115,756	5,874,104	10,922,981	54,451,703
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,838,037	\$ 23,148,409	\$ 8,359,260	\$ 11,196,290	\$ 58,541,996

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, 2016

Total fund balances for governmental funds \$ 54,451,703

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	20,163,061	211,791	
Total capital assets not being depreciated	31,393,973	211,791	
Buildings	116,022,580	1,404,116	
Land improvements	6,524,107	24,275	
Infrastructure	45,692,229	32,459	
Equipment	5,793,143	9,191,072	
Accumulated depreciation	(74,038,083)	(6,572,277)	
Total depreciable capital assets, net of depreciation	99,993,976	4,079,645	135,679,385
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.			31,682
Bond refundings may result in deferred charges. These items are treated as expenditures in the funds but deferred in the Statement of Net Position and amortized in the Statement of Activities.			767,143
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	(23,783,676)	-	
Unamortized bond premium	(1,595,718)	-	
Net pension liability	(10,609,875)	(784,582)	
Accrued interest payable	(272,382)	-	
Compensated absences	(606,415)	(29,396)	
Total long term liabilities	(36,868,066)	(813,978)	(37,682,044)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.			
Deferred inflows related to pensions	(187,840)	(13,890)	
Deferred outflows related to pensions	1,870,441	138,314	
Total deferred pension items	1,682,601	124,424	1,807,025
Internal service funds are used by the Borough to charge the cost of certain activities, such as information systems, 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.			4,934,138
Total Net Position of Governmental Activities			\$ 159,989,032

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, 2016	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Permanent Fund	Capital Projects Fund		
Revenues					
Taxes:					
Real and personal property	\$ 6,202,972	\$ -	\$ -	\$ -	\$ 6,202,972
Sales and bed	10,531,237	-	-	472,900	11,004,137
Tobacco	-	-	-	490,353	490,353
State sources	1,335,452	-	13,180,027	2,702,589	17,218,068
Federal sources	2,147,198	-	384,205	281,694	2,813,097
Charges for services	1,733,192	-	-	1,015,000	2,748,192
Interfund services	2,870,628	-	-	-	2,870,628
Fines, forfeitures and penalties	85,245	-	-	-	85,245
Investment income	439,519	224,600	40,775	248,690	953,584
Uses of property	226,643	-	-	-	226,643
Licenses and permits	203,016	-	-	720	203,736
Other	238,210	-	66,000	83,685	387,895
Total Revenues	26,013,312	224,600	13,671,007	5,295,631	45,204,550
Expenditures					
Current:					
Administration	4,750,036	-	-	-	4,750,036
Public safety	6,660,870	-	-	308,826	6,969,696
Public works	4,473,164	-	-	132,695	4,605,859
Public services	1,396,040	-	-	823,055	2,219,095
Support	7,650,465	-	-	-	7,650,465
Debt service:					
Principal	23,831	-	-	2,555,000	2,578,831
Interest	14,633	-	-	1,111,374	1,126,007
Capital outlay	-	-	19,139,373	-	19,139,373
Total Expenditures	24,969,039	-	19,139,373	4,930,950	49,039,362
Excess of Revenues Over (Under) Expenditures	1,044,273	224,600	(5,468,366)	364,681	(3,834,812)
Other Financing Sources (Uses)					
Proceeds from sales of assets	-	22,334	-	-	22,334
Transfer of loan from Wastewater Treatment Fund	-	-	183,097	-	183,097
Transfers in	2,960,920	-	3,390,244	1,151,075	7,502,239
Transfers out	(4,476,064)	(1,195,852)	(1,813,097)	(704,889)	(8,189,902)
Net Other Financing Sources (Uses)	(1,515,144)	(1,173,518)	1,760,244	446,186	(482,232)
Net Change in Fund Balances	(470,871)	(948,918)	(3,708,122)	810,867	(4,317,044)
Fund Balances, beginning	15,009,733	24,064,674	9,582,226	10,112,114	58,768,747
Fund Balances, ending	\$ 14,538,862	\$ 23,115,756	\$ 5,874,104	\$ 10,922,981	\$ 54,451,703

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, 2016

Net change in fund balances - total governmental funds	\$ (4,317,044)
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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 outlay	\$ 18,464,365	
Miscellaneous capital asset activities (disposals, etc.)	393,542	
Depreciation	<u>(5,643,452)</u>	13,214,455

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	(5,838)
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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 Position and the Statement of Activities. This is the decrease in deferred charge on bonds.

(75,599)

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	2,578,831	
Assumption of loan from Wastewater Treatment Enterprise Fund	(183,097)	
Decrease in unamortized bond premium	<u>173,714</u>	2,569,448

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

Increase in accrued interest payable	(26,926)	
Decrease in accrued leave	25,410	
Increase in net pension liability and related accounts	<u>(1,438,268)</u>	(1,439,784)

Internal service funds are used by the Borough to charge the cost of certain activities, such as information systems, to individual funds. A portion of the net income of these activities is reported with governmental activities.

458,882

Change in Net Position of Governmental Activities

\$ 10,404,520

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

**Proprietary Funds
Statement of Net Position**

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Solid Waste Disposal	Harbor			
<i>June 30, 2016</i>								
Assets and Deferred Outflows of Resources								
Current Assets								
Equity in central treasury	\$ 17,430,098	\$ 2,057,658	\$ 5,440,391	\$ 85,765	\$ 5,411,769	\$ 3,394,562	\$ 33,820,243	\$ 5,194,089
Receivables:								
Accounts	740,543	148,983	197,517	212,026	124,926	40,727	1,464,722	-
Allowance for uncollectables	(80,443)	(14,381)	(19,656)	(19,665)	(110,353)	-	(244,498)	-
Federal and State of Alaska	501,896	245,835	75,547	-	1,708,952	25,651	2,557,881	-
Current portion of notes receivable	-	-	-	-	-	7,788	7,788	-
Inventories	1,415,479	232,539	59,406	-	-	-	1,707,424	-
Prepaid expenses	3,952	-	-	-	-	8,050	12,002	2,759
Total Current Assets	20,011,525	2,670,634	5,753,205	278,126	7,135,294	3,476,778	39,325,562	5,196,848
Noncurrent Assets								
Restricted Assets:								
Equity in central treasury:								
Landfill postclosure	-	-	-	438,717	-	-	438,717	-
Deposits	110,437	-	-	11,208	-	-	121,645	-
Bond covenant accounts	10,148,110	-	-	-	322,299	-	10,470,409	-
Notes receivable	-	-	61,034	-	-	53,717	114,751	-
Special assessments receivable	-	-	76,035	-	-	-	76,035	-
Water rights	23,483	23,483	-	-	-	-	46,966	-
Capital assets:								
Property, plant and equipment	290,479,893	33,738,737	53,709,806	7,745,477	32,520,741	23,880,955	442,075,609	10,651,921
Construction in progress	3,677,350	8,587,075	1,955,832	-	5,767,143	562,336	20,549,736	211,791
Less accumulated depreciation	(63,852,575)	(14,171,869)	(37,571,847)	(2,385,835)	(12,644,327)	(8,871,214)	(139,497,667)	(6,572,276)
Total Capital Assets, Net of Accumulated Depreciation	230,304,668	28,153,943	18,093,791	5,359,642	25,643,557	15,572,077	323,127,678	4,291,436
Total Noncurrent Assets	240,586,698	28,177,426	18,230,860	5,809,567	25,965,856	15,625,794	334,396,201	4,291,436
Total Assets	260,598,223	30,848,060	23,984,065	6,087,693	33,101,150	19,102,572	373,721,763	9,488,284
Deferred Outflows of Resources								
Deferred charge on refunding	2,081,455	-	-	-	-	-	2,081,455	-
Deferred outflows related to pension	680,693	60,389	215,820	-	130,668	-	1,087,570	138,314
Total Deferred Outflows of Resources	2,762,148	60,389	215,820	-	130,668	-	3,169,025	138,314
Total Assets and Deferred Outflows of Resources	\$ 263,360,371	\$ 30,908,449	\$ 24,199,885	\$ 6,087,693	\$ 33,231,818	\$ 19,102,572	\$ 376,890,788	\$ 9,626,598

City and Borough of Sitka, Alaska

**Proprietary Funds
Statement of Net Position, continued**

	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Solid Waste Disposal	Harbor			
<i>June 30, 2016</i>								
Liabilities, Deferred Inflows of Resources and Net Position								
Current Liabilities								
Accounts payable and accrued liabilities	\$ 500,577	\$ 292,186	\$ 38,327	\$ 487,606	\$ 589,938	\$ 27,822	\$ 1,936,456	\$ 161,612
Interest payable	2,330,296	18,648	38,578	-	68,625	-	2,456,147	-
Unearned revenue	-	-	-	-	-	32,035	32,035	-
Due to other funds	-	-	-	-	100,000	-	100,000	-
Current portion:								
Revenue bonds	2,035,000	-	-	-	145,000	-	2,180,000	-
Notes payable	379,390	304,076	226,589	115,798	53,378	-	1,079,231	-
Compensated absences	232,565	19,185	62,273	-	46,852	-	360,875	-
Payable from restricted assets - deposits	110,437	1,100	-	11,208	-	-	122,745	-
Total Current Liabilities	5,588,265	635,195	365,767	614,612	1,003,793	59,857	8,267,489	161,612
Noncurrent Liabilities								
Compensated absences	-	-	-	-	-	-	-	29,396
Advances from other funds	-	-	-	-	-	248,911	248,911	350,979
Revenue bonds	115,520,000	-	-	-	3,420,000	-	118,940,000	-
Unamortized bond premiums	8,461,133	-	-	-	522,311	-	8,983,444	-
Notes payable	9,361,101	5,857,308	5,622,994	1,389,570	536,148	-	22,767,121	-
Net pension liability	3,861,161	342,549	1,224,220	-	741,203	-	6,169,133	784,582
Landfill post-closure liability	-	-	-	438,717	-	-	438,717	-
Total Noncurrent Liabilities	137,203,395	6,199,857	6,847,214	1,828,287	5,219,662	248,911	157,547,326	1,164,957
Total Liabilities	142,791,660	6,835,052	7,212,981	2,442,899	6,223,455	308,768	165,814,815	1,326,569
Deferred Inflows of Resources - related to pensions	68,358	6,065	21,673	-	13,122	-	109,218	13,890
Net Position								
Net investment in capital assets	96,629,499	21,992,559	12,244,208	3,854,274	20,966,720	15,572,077	171,259,337	4,291,436
Restricted for debt service	10,148,110	-	-	-	322,299	-	10,470,409	-
Unrestricted	13,722,744	2,074,773	4,721,023	(209,480)	5,706,222	3,221,727	29,237,009	3,994,703
Total Net Position	120,500,353	24,067,332	16,965,231	3,644,794	26,995,241	18,793,804	210,966,755	8,286,139
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 263,360,371	\$ 30,908,449	\$ 24,199,885	\$ 6,087,693	\$ 33,231,818	\$ 19,102,572		\$ 9,626,598
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							(249,881)	
Net Position of Business-Type Activities							\$ 210,716,874	

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

<i>Year Ended June 30, 2016</i>	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	\$ 13,908,688	\$ 2,206,369	\$ 2,787,917	\$ 3,250,867	\$ 2,275,333	\$ 879,756	\$ 25,308,930	\$ 3,342,422
Other operating revenues	342,790	31,132	282,045	1,605	100,667	-	758,239	1,140
Total Operating Revenues	14,251,478	2,237,501	3,069,962	3,252,472	2,376,000	879,756	26,067,169	3,343,562
Operating Expenses								
Wages and benefits	4,542,509	411,189	1,517,398	-	1,015,325	-	7,486,421	915,619
Travel and training	65,336	8,909	13,825	-	6,665	-	94,735	27,449
Utilities	202,530	50,657	178,657	31,391	215,641	125,304	804,180	31,917
Repair and maintenance	255,991	17,445	29,691	21,797	61,691	175,167	561,782	354,089
Contracted/purchased services	2,354,335	155,407	330,223	3,089,308	219,924	230,391	6,379,588	736,836
Interdepartmental services	1,071,259	611,347	455,478	450,889	481,192	229,279	3,299,444	346,405
Other	320,966	28,426	(21,423)	39,580	106,572	18,033	492,154	1,099
Depreciation and amortization	4,547,771	908,461	1,225,764	250,443	1,086,409	625,544	8,644,392	582,488
Total Operating Expenses	13,360,697	2,191,841	3,729,613	3,883,408	3,193,419	1,403,718	27,762,696	2,995,902
Income (Loss) from Operations	890,781	45,660	(659,651)	(630,936)	(817,419)	(523,962)	(1,695,527)	347,660
Nonoperating Revenues (Expenses)								
Investment income	619,597	115,251	136,049	11,585	164,255	69,121	1,115,858	144,447
Interest expense	(6,214,978)	(93,491)	(112,984)	(24,335)	(146,365)	(9,708)	(6,601,861)	(20,212)
Raw fish tax	-	-	-	-	879,793	-	879,793	-
State PERS relief	184,928	16,406	58,633	-	35,500	-	295,467	37,577
Other federal sources	606,103	-	-	-	-	-	606,103	-
Loss on sale of capital assets	-	-	-	-	-	-	-	(3,959)
Other	-	4,085	22,363	22,110	-	93,455	142,013	5,400
Net Nonoperating Revenues (Expenses)	(4,804,350)	42,251	104,061	9,360	933,183	152,868	(3,562,627)	163,253
Income (Loss) Before Contributions and Transfers	(3,913,569)	87,911	(555,590)	(621,576)	115,764	(371,094)	(5,258,154)	510,913

City and Borough of Sitka, Alaska

Proprietary Funds

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

<i>Year Ended June 30, 2016</i>	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Solid Waste Disposal	Harbor			
Capital contributions	\$ 2,294,233	\$ 1,838,003	\$ 456,487	\$ -	\$ 2,188,442	\$ 67,225	\$ 6,844,390	\$ -
Transfers in	-	4,598	713,173	-	55,784	68,883	842,438	76,225
Transfers out	(36,000)	(90,000)	(5,000)	-	(100,000)	-	(231,000)	-
Change in Net Position	(1,655,336)	1,840,512	609,070	(621,576)	2,259,990	(234,986)	2,197,674	587,138
Net Position, beginning	122,155,689	22,226,820	16,356,161	4,266,370	24,735,251	19,028,790		7,699,001
Net Position, ending	\$ 120,500,353	\$ 24,067,332	\$ 16,965,231	\$ 3,644,794	\$ 26,995,241	\$ 18,793,804		\$ 8,286,139
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							128,256	
Change in Net Position of Business-Type Activities							\$ 2,325,930	

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, 2016</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	\$ 14,450,180	\$ 2,240,821	\$ 3,094,254	\$ 3,273,483	\$ 2,489,027	\$ 968,559	\$ 26,516,324	\$ 3,348,962
Payments to suppliers	(3,231,444)	(256,992)	(582,892)	(3,002,125)	(241,050)	(545,437)	(7,859,940)	(1,168,939)
Payments for interfund services used	(1,071,259)	(611,347)	(455,478)	(450,889)	(481,192)	(229,279)	(3,299,444)	(346,405)
Payments to employees	(3,880,240)	(352,937)	(1,168,555)	(49,371)	(852,926)	-	(6,304,029)	(789,230)
Net cash flows from (for) operating activities	6,267,237	1,019,545	887,329	(228,902)	913,859	193,843	9,052,911	1,044,388
Cash Flows from (for) Noncapital Financing Activities								
Other federal sources	606,103	-	-	-	-	-	606,103	-
State revenue sharing	-	-	-	-	879,793	-	879,793	-
Receipts (repayment) of advances	-	-	-	-	-	(49,782)	(49,782)	(97,947)
Transfers to other funds	(36,000)	(90,000)	(5,000)	-	(100,000)	-	(231,000)	-
Transfers from other funds	-	-	-	-	55,784	68,883	124,667	76,225
Notes receivable payments	-	12,501	33,383	-	-	7,522	53,406	-
Net cash flows from (for) noncapital financing activities	570,103	(77,499)	28,383	-	835,577	26,623	1,383,187	(21,722)
Cash Flows from (for) Capital and Related Financing Activities								
Capital expenditures	(3,488,943)	(954,105)	(1,305,357)	-	(5,157,882)	(114,531)	(11,020,818)	(1,179,799)
Interest paid	(6,247,562)	(93,491)	(112,981)	(24,335)	(151,848)	(9,708)	(6,639,925)	(20,212)
Payments on bonds and notes payable	(2,303,943)	(2,184,951)	(567,063)	(19,384)	(272,094)	-	(5,347,435)	-
Government grants and loans for construction received	6,091,254	4,227,410	1,025,407	-	1,489,128	42,321	12,875,520	-
Special assessments received	-	-	24,443	-	-	-	24,443	-
Transfers from other funds	-	4,598	713,173	-	-	-	717,771	-
Increase in bond covenant accounts	(20,580)	-	-	-	(4,733)	-	(25,313)	-
Net cash flows from (for) capital and related financing activities	(5,969,774)	999,461	(222,378)	(43,719)	(4,097,429)	(81,918)	(9,415,757)	(1,200,011)
Cash Flows From Investing Activities								
Interest received	619,597	115,251	136,049	11,585	164,255	69,121	1,115,858	144,447
Net Increase (Decrease) in Cash and Cash Equivalents	1,487,163	2,056,758	829,383	(261,036)	(2,183,738)	207,669	2,136,199	(32,898)
Cash and Cash Equivalents, beginning	16,053,372	900	4,611,008	796,726	7,595,507	3,186,893	32,244,406	5,226,987
Cash and Cash Equivalents, ending	\$ 17,540,535	\$ 2,057,658	\$ 5,440,391	\$ 535,690	\$ 5,411,769	\$ 3,394,562	\$ 34,380,605	\$ 5,194,089

City and Borough of Sitka, Alaska

Proprietary Funds

Statement of Cash Flows, continued

<i>Year Ended June 30, 2016</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	\$ 890,781	\$ 45,660	\$ (659,651)	\$ (630,936)	\$ (817,419)	\$ (523,962)	\$ (1,695,527)	\$ 347,660	
Adjustments to reconcile operating income (loss) from operations to net cash flows from (for) operating activities:									
Depreciation and amortization	4,547,771	908,461	1,225,764	250,443	1,086,409	625,544	8,644,392	582,488	
State PERS relief	184,928	16,406	58,633	-	35,500	-	295,467	37,577	
Other	-	4,085	22,363	22,110	-	93,455	142,013	5,400	
(Increase) decrease in assets and deferred outflows:									
Accounts receivable (net)	193,310	(865)	1,929	(1,099)	113,027	(3,019)	303,283	-	
Inventory	(30,720)	(2,901)	-	-	-	-	(33,621)	-	
Prepaid expenses	(1,786)	-	-	-	-	-	(1,786)	(1,139)	
Deferred outflows related to pensions	(313,480)	(39,707)	(152,739)	4,136	(87,236)	-	(589,026)	(64,212)	
Increase (decrease) in liabilities and deferred inflows:									
Accounts payable and accrued liabilities	220	6,753	(51,919)	188,022	370,486	3,458	517,020	(16,410)	
Compensated absences	(11,075)	(2,442)	4,140	(584)	15,505	-	5,544	(14,315)	
Net pension liability	1,057,461	77,930	417,136	(52,923)	185,508	-	1,685,112	218,813	
Deferred inflows related to pensions	(255,565)	6,065	21,673	-	13,122	-	(214,705)	(51,474)	
Unearned revenue	(200)	(100)	-	-	-	(1,633)	(1,933)	-	
Deposits	5,592	200	-	3,449	(1,043)	-	8,198	-	
Landfill post-closure liability	-	-	-	(11,520)	-	-	(11,520)	-	
Net Cash Flows from (for) Operating Activities	\$ 6,267,237	\$ 1,019,545	\$ 887,329	\$ (228,902)	\$ 913,859	\$ 193,843	\$ 9,052,911	\$ 1,044,388	
Cash on Statement of Net Position									
Equity in central treasury	\$ 17,430,098	\$ 2,057,658	\$ 5,440,391	\$ 85,765	\$ 5,411,769	\$ 3,394,562	\$ 33,820,243	\$ 5,194,089	
Landfill post closure	-	-	-	438,717	-	-	438,717	-	
Deposits	110,437	-	-	11,208	-	-	121,645	-	
Cash and Cash Equivalents, ending	\$ 17,540,535	\$ 2,057,658	\$ 5,440,391	\$ 535,690	\$ 5,411,769	\$ 3,394,562	\$ 34,380,605	\$ 5,194,089	
Capital expenditures included in accounts payable	\$ 391,010	\$ 285,554	\$ -	\$ -	\$ -	\$ -	\$ 676,564	\$ -	

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Fiduciary Funds

Statement of Fiduciary Net Position

<i>June 30, 2016</i>	Rowe Trust Fund	Sitka Cemetery Agency Fund	Totals
Assets			
Restricted equity in central treasury	\$ 208,912	\$ 105,166	\$ 314,078
Liabilities and Net Position			
Liabilities			
Due to Sitka Cemetery Association	\$ -	\$ 105,166	\$ 105,166
Net Position - held in trust for library acquisitions	208,912	-	208,912
Total Liabilities and Net Position	\$ 208,912	\$ 105,166	\$ 314,078

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, 2016</i>	Rowe Trust Fund
Additions - investment income	\$ 5,703
Net Position, beginning	203,209
Net Position, ending	\$ 208,912

See accompanying notes to the basic financial statements.

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City and Borough of Sitka, Alaska

Notes to Financial Statements

June 30, 2016

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.

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
P.O. Box 179	209 Moller Drive
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 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 Wastewater Treatment and Solid Waste Disposal funds did not meet the quantitative test for major fund presentation in 2016; however, management has elected to continue reporting these funds 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

City and Borough of Sitka, Alaska

Notes to Financial Statements

special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes and investment income.

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 did not capitalize any interest during 2016.

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 of Resources

A deferred outflow of resources 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 of resources 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 of resources consist of deferred charges on debt refunding as well as certain pension related accounts. Deferred inflows of resources 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 and Hospital 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 and hospital purposes.

3. Deposits and Investments

As of June 30, 2016, the City and Borough had the following investments:

<i>Investment Type</i>	Credit Rating	Fair Value	Weighted Average Maturity (Years)
Investments subject to custodial credit risk:			
Corporate bonds	A1 to AAA	\$ 5,267,134	5.81
Municipal bonds	AA3 or AAA	622,311	5.14
Certificates of deposits	unrated	3,035,130	2.25
US treasuries	AAA	4,939,504	4.32
External investment pool	unrated	2,620,962	N/A
Exchange traded funds	unrated	14,426,163	N/A
U.S Agency notes & bonds	unrated or AAA	38,398,017	3.43
Money market funds	unrated	21,919,088	N/A

**Total Fair Value of Investments Subject to
Custodial Credit Risk**

\$ 91,228,309

Portfolio Weighted Average Maturity

3.80

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, 2016.

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, 2016, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$4,705,707 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, 2016, the Permanent Fund's portfolio contained 63% mutual fund equities, 32% fixed income securities and 5% 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

Fair Value Measurement

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

The Borough has the following recurring fair value measurements as of June 30, 2016:

- U.S. government agency securities of \$38,398,017 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs)
- U.S. treasury bonds of \$4,939,504 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs)
- Corporate bonds of \$5,267,134 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs)
- Municipal bonds of \$622,311 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs)
- International and U.S. equities of \$14,426,163 are valued using quoted market prices (Level 1 inputs)

The Borough has investments in money market funds and certificates of deposits totaling \$24,954,218 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2016. The Borough's investment in AMLIP of \$2,620,962 is measured at net asset value, as of June 30, 2016. Management believes that these values approximate fair value.

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

Cash on hand	\$	2,101
Carrying amount of deposits		4,992,497
Carrying amount of investments		91,228,309
Total Cash and Investments		\$ 96,222,907
<hr/>		
Reported in the Statement of Net Position		
Equity in central treasury	\$	57,527,666
Equity in central treasury - restricted		4,880,887
Bond covenant accounts		10,470,409
Cash and investments - restricted		23,029,867
Reported in the Fiduciary Funds		314,078
Total Cash and Investments		\$ 96,222,907

City and Borough of Sitka, Alaska

Notes to Financial Statements

At June 30, 2016, the Sitka School District's cash and investments included operating bank accounts and sweep accounts. The carrying amount of deposits was \$3,752,899. 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, 2016, 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, 2016, the Hospital had bank deposits of \$4,803,055 in excess of FDIC insurance.

4. Receivables

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

	General	Permanent	Capital Projects	Nonmajor Governmental
Taxes	\$ 2,626,504	\$ -	\$ -	\$ 236,917
Special assessments	-	-	-	31,682
Federal & State	759,663	-	4,003,449	145,901
Accounts	1,063,630	-	-	-
Interest	309,513	-	-	-
Notes	1,400,000	54,015	-	1,688,737
Total receivables	6,159,310	54,015	4,003,449	2,103,237
Less allowance for doubtful accounts	(853,030)	-	-	-
Net Total Receivables	\$ 5,306,280	\$ 54,015	\$ 4,003,449	\$ 2,103,237

	Electric Utility	Water Utility	Waste-water Treatment	Solid Waste Disposal	Harbor	Nonmajor Enterprise	Total
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,863,421
Special assessments	-	-	76,035	-	-	-	107,717
Federal & State	501,896	245,835	75,457	-	1,708,952	25,651	7,466,894
Accounts	740,543	148,983	197,517	212,026	124,926	40,727	2,528,352
Interest	-	-	-	-	-	-	309,513
Notes	-	-	61,034	-	-	61,505	3,265,291
Total receivables	1,242,439	413,942	390,942	212,026	1,833,878	127,883	16,541,188
Less allowance for doubtful accounts	(80,443)	(14,381)	(19,656)	(19,665)	(110,353)	-	(1,097,528)
Net Total Receivables	\$1,161,996	\$ 399,561	\$ 371,286	\$ 192,361	\$1,723,525	\$ 127,883	\$15,443,660

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	\$ 31,682	\$ -
Grant drawdowns prior to meeting all eligibility requirements	-	32,271
Property taxes received in advance	31,615	-
Totals for Governmental Funds	\$ 63,297	\$ 32,271

5. Capital Assets

Governmental Activities	Beginning Balance	Additions	Deletions and Adjustments	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,230,912	\$ -	-	\$ 11,230,912
Construction in progress	8,482,798	18,879,219	(6,987,165)	20,374,852
Total capital assets not being depreciated	19,713,710	18,879,219	(6,987,165)	31,605,764
<i>Capital assets being depreciated:</i>				
Buildings	116,830,686	596,010	-	117,426,696
Land improvements	6,548,382	-	-	6,548,382
Infrastructure	39,135,900	6,588,788	-	45,724,688
Equipment	14,316,308	1,185,295	(517,388)	14,984,215
Total capital assets being depreciated	176,831,276	8,370,093	(517,388)	184,683,981
<i>Less accumulated depreciation for:</i>				
Buildings	(48,593,765)	(3,567,818)	-	(52,161,583)
Land improvements	(1,105,810)	(301,490)	-	(1,407,300)
Infrastructure	(15,761,904)	(1,361,102)	-	(17,123,006)
Equipment	(9,211,928)	(995,532)	288,989	(9,918,471)
Total accumulated depreciation	(74,673,407)	(6,225,942)	288,989	(80,610,360)
Total capital assets being depreciated, net	102,157,869	2,144,151	(228,399)	104,073,621
Governmental Activities				
Capital Assets, net	\$ 121,871,579	\$ 21,023,370	\$ (7,215,564)	\$ 135,679,385

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	200,747,848	10,970,516	(191,168,628)	20,549,736
Total capital assets not being depreciated	205,969,759	10,970,516	(191,168,628)	25,771,647
<i>Capital assets being depreciated:</i>				
Buildings	15,993,625	228,889	-	16,222,514
Land improvements	12,697,575	-	-	12,697,575
Equipment	5,530,787	185,667	-	5,716,454
Harbors	23,349,603	8,406,849	-	31,756,452
Electric plant	112,945,552	173,487,161	-	286,432,713
Water plant	30,509,496	2,076,358	-	32,585,854
Wastewater treatment plant	44,675,248	6,766,888	-	51,442,136
Total capital assets being depreciated	245,701,886	191,151,812	-	436,853,698
<i>Less accumulated depreciation for:</i>				
Buildings	(8,981,921)	(594,870)	-	(9,576,791)
Land improvements	(1,874,325)	(259,002)	-	(2,133,327)
Equipment	(3,586,298)	(231,456)	-	(3,817,754)
Harbors	(10,958,164)	(1,004,192)	-	(11,962,356)
Electric plant	(57,719,986)	(4,642,969)	-	(62,362,955)
Water plant	(12,726,471)	(836,545)	-	(13,563,016)
Wastewater treatment plant	(35,006,110)	(1,075,358)	-	(36,081,468)
Total accumulated depreciation	(130,853,275)	(8,644,392)	-	(139,497,667)
Total capital assets being depreciated, net	114,848,611	182,507,420	-	297,356,031
Business-type Activities Capital Assets, net	\$ 320,818,370	\$ 193,477,936	\$ (191,168,628)	\$ 323,127,678

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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	\$	82,003
Public safety		281,787
Public works		1,382,480
Public services		810,730
Support		3,086,454
Capital assets held by internal service funds		582,488

Total Depreciation Expense - Governmental Activities	\$	6,225,942
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Business-type Activities:

Electric	\$	4,547,771
Water		908,461
Wastewater treatment		1,225,764
Solid waste disposal		250,443
Harbor		1,086,409
Airport terminal building		169,897
Marine service center		140,064
Gary Paxton Industrial Park		315,583

Total Depreciation Expense - Business-type Activities	\$	8,644,392
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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	\$ 119,372
General Fund	Permanent Fund	28,647
General Fund	Harbor Fund	100,000
Total Due To/From Other Funds		\$ 248,019
Advances from/to other funds:		
General Fund	Internal service fund	\$ 250,000
Nonmajor governmental fund	Internal service fund	100,979
Nonmajor governmental fund	Nonmajor enterprise funds	248,911
Nonmajor governmental fund	General Fund	240,684
Total Advances From/To Other Funds		\$ 840,574

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 2016, \$183,097 was transferred from the Capital Projects Fund to the Wastewater Treatment Fund to reimburse costs related to the assumption of a portion of a note payable. 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
General Fund	\$ -	\$ 1,195,852	\$ 1,630,000	\$ 35,068
Capital Projects Fund	2,850,000	-	-	530,244
Nonmajor Governmental Funds	1,151,075	-	-	-
Water Utility Fund	-	-	-	4,598
Wastewater Treatment Fund	437,000	-	183,097	8,076
Harbor Fund	37,989	-	-	17,795
Nonmajor Enterprise Funds	-	-	-	68,883
Internal Service Funds	-	-	-	40,225
Total Transfers Out	\$ 4,476,064	\$ 1,195,852	\$ 1,813,097	\$ 704,889

City and Borough of Sitka, Alaska

Notes to Financial Statements

	Electric Utility Fund	Water Utility Fund	Wastewater Treatment Fund	Harbor Fund	Total Transfers in
General Fund	\$ -	\$ -	\$ -	\$ 100,000	\$ 2,960,920
Capital Projects Fund	-	5,000	5,000	-	3,390,244
Nonmajor Governmental Funds	-	-	-	-	1,151,075
Water Utility Fund	-	-	-	-	4,598
Wastewater Treatment Fund	-	85,000	-	-	713,173
Harbor Fund	-	-	-	-	55,784
Nonmajor Enterprise Funds	-	-	-	-	68,883
Internal Service Funds	36,000	-	-	-	76,225
Total Transfers Out	\$ 36,000	\$ 90,000	\$ 5,000	\$ 100,000	\$ 8,420,902

7. 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.

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City and Borough of Sitka, Alaska

Notes to Financial Statements

General obligation bonds currently outstanding are as follows:

Governmental Activities	Interest rates	Outstanding Amount
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%	\$ 2,380,000
\$7,150,000, 2008 Series Two School bonds, final payment due June 1, 2028	4.000% to 6.000%	655,000
\$5,690,000, 2011 Series Two School bonds, final payment due June 1, 2031	2.000% to 4.325%	4,550,000
\$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%	10,090,000
\$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%	5,760,000
Total General Obligation Bonds		\$ 23,435,000

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

<i>Year Ending June 30.</i>	Principal	Interest
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	1,850,000	547,540
2022-2026	8,250,000	1,471,957
2027-2031	2,830,000	289,703
	\$ 23,435,000	\$ 5,589,681

In addition, governmental activities reports three State of Alaska, Department of Environmental Conservation Loans for stormwater improvements and sewer replacement projects.

	Interest rates	Outstanding Amount
\$195,000, note payable for stormwater improvements, #783011	1.5%	\$ 117,000
\$69,622, note payable for stormwater improvements, #783401	1.5%	59,179
\$740,000, note payable for Baranof Street Sewer Replacement, governmental portion of \$183,097, #783091	1.5%	172,497
Total State of Alaska, Department of Environmental Conservation Loans		\$ 348,676

City and Borough of Sitka, Alaska

Notes to Financial Statements

Annual debt service requirements to maturity are as follows:

<i>Year Ending June 30,</i>	Principal	Outstanding Interest
2017	\$ 22,310	\$ 5,230
2018	22,310	4,895
2019	22,310	4,561
2020	22,310	4,226
2021	22,310	3,892
2022-2026	111,550	14,439
2027-2031	82,300	6,512
2032-2033	43,276	1,517
	\$ 348,676	\$ 45,272

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:

Business-type Activities	Interest rates	Outstanding Amount
\$3,955,000, 2013 Series One Harbor bonds, final payment due February 1, 2033	2.000% to 5.000%	\$ 3,565,000
\$25,880,000, 2010 Series B Four Refunding Electric Serial bonds, final payment due July 1, 2031	2.000% to 5.000%	17,265,000
\$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		\$ 121,120,000

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

<i>Year Ending June 30,</i>	Principal	Interest
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	2,545,000	5,670,705
2022-2026	14,300,000	26,542,184
2027-2031	17,020,000	22,097,889
2032-2036	18,505,000	17,391,145
2037-2041	22,840,000	12,405,237
2042-2046	27,590,000	6,044,625
2047-2049	9,120,000	616,000
	\$ 121,120,000	\$ 114,448,999

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, 2016.

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%	\$ 7,365,399

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City and Borough of Sitka, Alaska

Notes to Financial Statements

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

<i>Year Ending June 30,</i>	Principal	Interest
2017	\$ 322,654	\$ 291,421
2018	335,690	278,386
2019	349,252	264,824
2020	363,361	250,714
2021	378,041	236,035
2022-2026	2,132,020	938,360
2027-2031	2,598,920	471,459
2032-2033	885,461	35,652
	<hr/>	<hr/>
	\$ 7,365,399	\$ 2,766,851

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, 2016.

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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:		
\$400,000, note payable for corrosion control of municipal water #783031	1.5%	\$ 82,731
\$565,000, note payable for water system upgrades on Sawmill Creek Road #783061	1.5%	309,684
\$1,000,000, note payable for harbor water distribution system upgrades #783071	1.5%	589,526
\$1,310,000, note payable for waste water treatment plant upgrades #783051	1.5%	693,178
\$987,157, note payable for I and I #783011	1.5%	592,294
\$2,400,000, note payable for Kimsham landfill closure #783081	1.5%	1,505,368
\$3,170,000, note payable for Whitcomb Heights Subdivision water tank #783211	1.5%	2,060,322
\$1,000,000, note payable for Japonski Island water distribution main #783151	1.5%	490,158
\$1,400,000, note payable for sewer system upgrades #783101	1.5%	767,137
\$483,000, note payable for SMC Road/HPR Intersection water line replacement #783311	1.5%	249,560
\$308,000, note payable for HPR/SMC Road Intersection Sewer Replacement #783241	1.5%	217,740
\$617,000, note payable for water tank protection, #783341	1.5%	52,445
\$859,103, note payable for Monastery Street Sewer Main replacement, #783401	1.5%	396,040
\$782,000, note payable for Monastery Street Water Main replacement, #783441	1.5%	567,300
\$1,455,081, note payable for SMC Road Sewer Upgrade, Phase III - ARRA Funding #783281	1.5%	137,250
\$740,000, project for Baranof Street Sewer Replacement - #783091	1.5%	293,710
\$685,000, project for Baranof Street Water System replacement - #783501	1.5%	271,384
\$1,740,000, project for Japonski Island Sewer Liftstations - #783391	1.5%	1,298,535
Total notes payable for completed projects		\$ 10,574,362

City and Borough of Sitka, Alaska

Notes to Financial Statements

	Interest Rate	Outstanding Amount
Uncompleted projects in draw down phase:		
\$2,500,000, project for UV Disinfection Facility - #783431	1.5%	\$ 1,520,000
\$3,113,000, project for Temporary Filtration at Indian River - #783381	1.5%	2,375,092
\$497,000, project for Monastery and Baranof Streets Water System - #783301	1.5%	295,693
\$812,000, project for Jeff Davis Street Water Main Replacement - #783371	1.5%	60,464
\$250,000, project for Hollywood Way Water Main Replacement - #783521	1.5%	115,698
\$1,379,170, project for Channel, Lake and Monastery Lift Station Upgrades - #783361	1.5%	994,798
\$533,000, project for Monastery and Baranof Sewer System - #783411	1.5%	313,984
\$500,000, project for Hollywood Way and New Archangel Street Sewer - #783511	1.5%	230,862

Total draw on notes yet to be finalized	5,906,591
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Total State Department of Environmental Conservation Loans	\$ 16,480,953
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Annual debt service requirements to maturity for notes payable on completed projects are as follows:

<i>Year Ending June 30,</i>	Principal	Interest
2017	\$ 756,577	\$ 158,633
2018	757,549	147,283
2019	758,535	135,918
2020	759,537	124,541
2021	739,871	113,149
2022-2026	3,715,130	398,960
2027-2031	2,489,575	139,125
2032-2036	597,588	18,687
	\$ 10,574,362	\$ 1,236,296

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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	\$ 25,990,000	\$ -	\$ 2,555,000	\$ 23,435,000	\$ 2,665,000
Issuance premiums	1,769,432	-	173,714	1,595,718	-
Total bonds payable	27,759,432	-	2,728,714	25,030,718	2,665,000
State of Alaska notes	189,410	183,097	23,831	348,676	22,310
Compensated absences (net)	675,536	-	39,725	635,811	635,811
Net pension liability	8,172,219	3,222,238	-	11,394,457	-
Governmental Activity Long-term Liabilities	\$ 36,796,597	\$ 3,405,335	\$ 2,792,270	\$ 37,409,662	\$ 3,323,121
Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Bonds payable:					
Revenue bonds	\$ 123,215,000	\$ -	\$ 2,095,000	\$ 121,120,000	\$ 2,180,000
Issuance premiums	9,333,645	-	350,201	8,983,444	-
Total bonds payable	132,548,645	-	2,445,201	130,103,444	2,180,000
Revenue notes	7,675,524	-	310,126	7,365,399	322,654
State of Alaska notes	18,136,559	1,150,164	1,346,129	16,480,953	756,577
Total notes payable	25,812,083	1,150,164	1,346,129	23,846,352	1,079,231
Compensated absences (net)	372,424	-	11,549	360,875	360,875
Landfill post-closure liability	438,717	-	-	438,717	-
Net pension liability	4,400,428	1,768,705	-	6,169,133	-
Business-type Activity Long-term Liabilities	\$ 163,572,297	\$ 2,918,869	\$ 4,113,005	\$ 160,918,521	\$ 3,620,106
Entity Combined Long-term Liabilities	\$ 200,368,894	\$ 6,324,204	\$ 6,905,275	\$ 198,328,183	\$ 6,943,227

For governmental activities, compensated absences are generally liquidated by the General Fund. In 2016, \$183,097 of State of Alaska notes were transferred from business-type activities to governmental activities.

8. Authorized, Unissued Bonds

As of June 30, 2016, the City and Borough had no authorized but unissued bonds.

City and Borough of Sitka, Alaska

Notes to Financial Statements

9. Refunding Bonds and Defeased Debt Outstanding

In fiscal year ended June 30 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, 2016, 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>
2015 Series 1 Refunding	2005 Series B	6/1/18	\$ 4,285,000

10. Restricted Assets

The balance of the restricted assets accounts in the enterprise funds at June 30, 2016 are as follows:

Landfill post-closure	\$ 438,717
Customer deposits:	
Electric utility	110,437
Solid waste disposal	11,208
Investment with bond trustee pursuant to revenue bond covenants	10,470,409
Total Restricted Assets	\$ 11,030,771

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City and Borough of Sitka, Alaska

Notes to Financial Statements

11. 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	\$ 7,883	\$ -	\$ -	\$ 15,000	\$ 22,883
Long-term notes receivable	1,400,000	54,015	-	-	1,454,015
Advances receivable	250,000	-	-	-	840,574
Total nonspendable	1,657,883	54,015	-	15,000	1,726,898
Restricted:					
Library building	-	-	-	253,822	253,822
Commercial passenger tax	-	-	-	498,009	498,009
Home rule charter	-	21,678,037	-	-	21,678,037
Debt service	-	-	-	2,448,740	2,448,740
Total restricted	-	21,678,037	-	3,185,571	24,863,608
Committed:					
Working capital reserve	6,460,152	-	-	-	6,460,152
Emergency reserve	2,000,000	-	-	-	2,000,000
Home rule charter SE economic development	-	1,383,704	-	-	1,383,704
Capital projects	-	-	5,874,104	-	5,874,103
Total committed	8,460,152	1,383,704	5,874,104	4,147,050	19,865,010
Assigned:					
Gary Paxton Park	-	-	-	865,998	865,998
Sitka Tobacco	-	-	-	20,731	20,731
LID revolving	-	-	-	1,139,266	1,139,266
LID guarantee	-	-	-	283,818	283,818
Raw Water Sales	-	-	-	1,028,464	1,028,464
Other small funds	-	-	-	242,250	242,250
Total assigned	-	-	-	3,580,527	3,580,527
Unassigned (deficit)	4,420,827	-	-	(5,167)	4,415,660
Total Fund Balances	\$ 14,538,862	\$ 23,115,756	\$ 5,874,104	\$ 10,922,981	\$ 54,451,703

City and Borough of Sitka, Alaska

Notes to Financial Statements

12. 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, 2016 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 2016.

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.

13. 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.

City and Borough of Sitka, Alaska

Notes to Financial Statements

Historical Context and Special Funding Situation

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

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis.

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

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

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

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

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In 2015, the State Legislature appropriated a one-time contribution to the Plan in

City and Borough of Sitka, Alaska

Notes to Financial Statements

the amount of \$1 billion. As a result, the on-behalf contribution in 2015 was significantly higher than the statutory amount. In 2016, the on-behalf contribution has returned to "normal" levels and generally equals the statutory calculation. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY16, the rate uses an 8% pension discount rate and a 4.55% 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, 2016 were determined in the June 30, 2013 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	13.25%	16.38%	3.63 %	37.79%
Postemployment healthcare (see Note 15)	8.75%	10.81%	1.56 %	58.73%
Total Contribution Rates	22.00%	27.19%	5.19 %	96.52%

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

	Measurement Period	
	Borough FY15	Borough FY16
Employer contributions (including DBUL)	\$ 1,123,981	\$ 1,142,815
Nonemployer contributions (on-behalf)	5,051,718	446,487
Total Contributions	\$ 6,175,699	\$ 1,589,302

In addition, employee contributions to the plan totaled \$406,805 during the Borough fiscal year.

City and Borough of Sitka, Alaska

Notes to Financial Statements

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

At June 30, 2016, 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:

	2016
Borough proportionate share of NPL	\$ 17,563,590
State's proportionate share of NPL associated with the Borough	4,706,852
Total Net Pension Liability	\$ 22,270,442

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation 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, 2016, the Borough's proportion was 0.36213 percent, which was an increase of 0.092570 from its proportion measured as of the prior measurement date.

For the year ended June 30, 2016, the Borough recognized pension expense of \$4,191,610 and on-behalf revenue of \$650,001 for support provided by the State. At June 30, 2016, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,472	\$ -
Changes in assumptions	1,026,961	-
Net difference between projected and actual earnings on pension plan investments	-	(310,948)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	906,077	-
Borough contributions subsequent to the measurement date	1,142,815	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ 3,096,325	\$ (310,948)

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City and Borough of Sitka, Alaska

Notes to Financial Statements

The \$1,142,815 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, 2017. 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,

2017	\$ 1,587,184
2018	(33,075)
2019	(199,701)
2020	288,154

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2015 (Borough fiscal year 2016) was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2015. The actuarial assumptions used in the June 30, 2014 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry Age Normal - Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	Amounts for FY14 and FY13 were allocated to employers based on actual contributions made in FY14 and FY13, respectively. Amounts for FY15 were allocated to employers based on the projected present value of contributions for FY2017-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	Inflation - 3.12% per year Productivity - 0.50% per year Peace Officer/Firefighter - graded by years of service from 9.66% to 4.92% All others - graded by age and years of service from 8.55% to 4.34%
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 3.12% annually.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB

City and Borough of Sitka, Alaska

Notes to Financial Statements

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

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

Discount Rate

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

Discount Rate Sensitivity

The following presents the 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	0.36213%	\$ 23,349,307	\$ 17,563,590	\$ 12,692,616

City and Borough of Sitka, Alaska

Notes to Financial Statements

Pension Plan Fiduciary Net Position

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

14. 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% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2016, 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, 2016 were \$266,955 and \$427,128, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

City and Borough of Sitka, Alaska

Notes to Financial Statements

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.

Total contributions to ASBS for the year ended June 30, 2016 were \$1,461,642, based on a payroll of \$11,921,672 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 \$730,821.

15. Other Post-Employment Benefit (OPEB) Plans

Defined Benefit OPEB Plan

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 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015 there were no on-behalf contributions to the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2016 and 2014 were \$191,198 and \$678,777, respectively.

<i>Year Ended June 30,</i>	Annual OPEB Costs	Borough Contributions	% of Costs Contributed
2016	\$ 753,404	\$ 753,404	100 %
2015	\$ 847,935	\$ 847,935	100 %
2014	\$ 1,087,226	\$ 1,087,226	100 %

City and Borough of Sitka, Alaska

Notes to Financial Statements

Defined Contribution OPEB

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

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2016 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.68%	1.68%
Occupational death and disability benefits	0.22%	1.05%
Total Contribution Rates	1.90%	2.73%

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, 2015, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,005 per year for each full-time employee, and \$1.28 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2015, the Borough contributed \$269,730 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

16. 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, 2016. 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, 2016 is \$361,517. 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 \$77,200 as of June 30, 2016. 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.

17. 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 determined 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.

18. Subsequent Events

On November 3, 2016, the Borough issued General Obligation Refunding Bonds, 2016 Series 3, principal amount of \$1,630,000, to advance refund \$1,625,000 of the outstanding 2007 Series A principal of \$2,380,000 at June 30, 2016. The refunding is due in annual installments of \$30,000 to \$810,000, plus interest rates of 2.0% to 4.0% percent.

19. New Accounting Pronouncements

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

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 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 77 - Tax Abatement Disclosures - Effective for year-end June 30, 2017 - 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, and 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.

GASB 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans - Effective for year-end June 30, 2017 - This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees through a cost-sharing multiple-employer defined benefit pension plan that is (1) not a state or local government pension plan, (2) used to provide defined benefit pensions to employees of both government and non-government employers, and (3) has no predominant state or local government employer, either individually or collectively with other governmental employers providing pensions in the plan.

GASB 80 - Blending Requirements for Certain Component Units - Effective for year-end June 30, 2017, with earlier application encouraged - This statement requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement amends the previous requirements established in paragraph 53 of GASB 14. The criterion specified in GASB 80 does not apply to component units included in the financial reporting entity pursuant to GASB 39.

GASB 81 - Irrevocable Split-Interest Agreements - Effective for year-end June 30, 2018, with earlier application encouraged - This statement establishes recording and recognition criteria for governments who receive resources pursuant to an irrevocable split-interest agreement.

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

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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, 2016</i>	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes:				
Property taxes	\$ 6,386,100	\$ 6,386,100	\$ 6,202,972	\$ (183,128)
Sales taxes	10,665,400	10,665,400	10,531,237	(134,163)
Total taxes	17,051,500	17,051,500	16,734,209	(317,291)
State sources:				
State revenue sharing	863,000	863,000	869,394	6,394
State PERS relief	-	348,692	385,215	36,523
State grants	-	35,000	14,343	(20,657)
Other	59,600	59,600	66,500	6,900
Total state sources	922,600	1,306,292	1,335,452	29,160
Federal sources:				
National Forest receipts	760,000	760,000	544,967	(215,033)
Payment in lieu of taxes	596,000	596,000	756,444	160,444
Federal grants	112,000	114,289	845,787	731,498
Total federal sources	1,468,000	1,470,289	2,147,198	676,909
Licenses and permits	183,400	183,400	203,016	19,616
Charges for services:				
State jail contract	694,660	694,660	391,194	(303,466)
Ambulance fees	300,000	300,000	401,803	101,803
E911 surcharges	201,600	201,600	185,909	(15,691)
Jobbing	730,000	730,000	738,270	8,270
Other	87,300	89,430	16,016	(73,414)
Total charges for services	2,013,560	2,015,690	1,733,192	(282,498)
Property and investments:				
Leases and rent	145,600	145,600	226,643	81,043
Investment income	500,000	500,000	439,519	(60,481)
Other	226,720	226,720	147,900	(78,820)
Total property and investments	872,320	872,320	814,062	(58,258)
Interfund services	2,744,343	2,838,127	2,870,628	32,501
Fines, forfeitures and penalties	144,200	144,200	85,245	(58,955)
Other	43,605	43,605	90,310	46,705
Total Revenues	25,443,528	25,925,423	26,013,312	87,889

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, 2016</i>	Original Budget	Final Budget	Actual	Variance
Expenditures				
Administration:				
Administration/Assembly:				
Wages and benefits	\$ 663,995	\$ 685,320	\$ 583,434	\$ 101,886
Travel and training	42,148	35,725	25,440	10,285
Other	197,409	165,409	149,742	15,667
Total administration/assembly	903,552	886,454	758,616	127,838
Legal:				
Wages and benefits	265,065	273,710	345,053	(71,343)
Travel and training	9,000	7,628	3,489	4,139
Other	46,198	46,198	239,243	(193,045)
Total legal	320,263	327,536	587,785	(260,249)
Municipal clerk:				
Wages and benefits	223,829	232,474	250,282	(17,808)
Travel and training	9,925	8,412	8,606	(194)
Other	174,429	134,429	115,310	19,119
Total municipal clerk	408,183	375,315	374,198	1,117
Finance:				
Wages and benefits	1,424,587	1,471,271	1,435,072	36,199
Travel and training	30,600	25,937	25,951	(14)
Other	279,953	279,953	253,964	25,989
Total finance	1,735,140	1,777,161	1,714,987	62,174
Assessing:				
Wages and benefits	279,953	290,271	305,439	(15,168)
Travel and training	8,200	6,950	7,430	(480)
Other	44,510	44,510	40,814	3,696
Total assessing	332,663	341,731	353,683	(11,952)

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, 2016</i>	Original Budget	Final Budget	Actual	Variance
Planning:				
Wages and benefits	\$ 199,086	\$ 205,426	\$ 297,502	\$ (92,076)
Travel and training	8,000	6,781	3,124	3,657
Other	79,039	57,039	55,602	1,437
Total planning	286,125	269,246	356,228	(86,982)
General office - other	539,387	536,224	604,539	(68,315)
Total administration	4,525,313	4,513,667	4,750,036	(236,369)
Public safety:				
Police:				
Wages and benefits	3,597,705	3,609,487	3,633,860	(24,373)
Travel and training	62,000	89,683	61,152	28,531
Other	1,030,673	944,300	920,009	24,291
Total police	4,690,378	4,643,470	4,615,021	28,449
Fire:				
Wages and benefits	1,064,141	1,096,993	1,150,142	(53,149)
Travel and training	32,000	23,694	20,804	2,890
Other	679,185	597,949	540,547	57,402
Total fire	1,775,326	1,718,636	1,711,493	7,143
Ambulance:				
Wages and benefits	136,297	139,755	137,682	2,073
Travel and training	17,500	18,100	16,375	1,725
Other	186,108	181,233	142,558	38,675
Total ambulance	339,905	339,088	296,615	42,473
Search and rescue:				
Wages and benefits	5,794	5,794	6,788	(994)
Travel and training	5,000	5,000	3,588	1,412
Other	26,300	26,300	27,365	(1,065)
Total search and rescue	37,094	37,094	37,741	(647)
Total public safety	6,842,703	6,738,288	6,660,870	77,418

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, 2016</i>	Original Budget	Final Budget	Actual	Variance
Public works:				
Administration:				
Wages and benefits	\$ 508,964	\$ 637,957	\$ 700,979	\$ (63,022)
Travel and training	7,500	6,293	5,624	669
Other	28,911	706,240	710,160	(3,920)
Total administration	545,375	1,350,490	1,416,763	(66,273)
Engineering:				
Wages and benefits	1,194,712	1,219,495	972,184	247,311
Travel and training	10,000	8,936	4,836	4,100
Other	134,077	139,786	116,434	23,352
Total engineering	1,338,789	1,368,217	1,093,454	274,763
Streets:				
Wages and benefits	533,447	549,584	505,029	44,555
Travel and training	3,000	1,670	1,116	554
Other	956,379	925,513	669,817	255,696
Total streets	1,492,826	1,476,767	1,175,962	300,805
Recreation:				
Wages and benefits	408,903	418,701	318,283	100,418
Travel and training	3,600	2,536	2,611	(75)
Other	320,623	333,947	257,183	76,764
Total Recreation	733,126	755,184	578,077	177,107
Building officials:				
Wages and benefits	217,952	224,292	177,254	47,038
Travel and training	10,000	9,468	9,743	(275)
Other	29,960	29,960	21,911	8,049
Total building officials	257,912	263,720	208,908	54,812
Total public works	4,368,028	5,214,378	4,473,164	741,214
Public services:				
Library:				
Wages and benefits	546,003	548,870	574,110	(25,240)
Travel and training	4,000	3,390	2,897	493
Other	344,334	339,673	302,250	37,423
Total library	894,337	891,933	879,257	12,676

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, 2016</i>	Original Budget	Final Budget	Actual	Variance
Harrigan Centennial Hall:				
Wages and benefits	\$ 302,215	\$ 297,854	\$ 307,357	\$ (9,503)
Other	199,931	199,931	139,490	60,441
Total Harrigan Centennial Hall	502,146	497,785	446,847	50,938
Senior Citizen Center - other	83,503	83,503	69,936	13,567
Total public services	1,479,986	1,473,221	1,396,040	77,181
Support:				
Municipal grants to local organizations	365,000	340,000	377,951	(37,951)
Sitka Convention and Visitors Bureau	-	-	537	(537)
Sitka School District	7,658,167	7,495,241	7,271,977	223,264
Total Support	8,023,167	7,835,241	7,650,465	184,776
Debt service:				
Principal	53,342	53,342	23,831	29,511
Interest	12,469	12,469	14,633	(2,164)
Total debt service	65,811	65,811	38,464	27,347
Total Expenditures	25,305,008	25,840,606	24,969,039	871,567
Excess of revenues over expenditures	138,520	84,817	1,044,273	959,456
Other Financing Sources (Uses)				
Transfers in	2,597,700	2,899,918	2,960,920	61,002
Transfers out	(3,458,700)	(4,503,700)	(4,476,064)	27,636
Net Other Financing Sources (Uses)	(861,000)	(1,603,782)	(1,515,144)	88,638
Net Change in Fund Balance	\$ (722,480)	\$ (1,518,965)	(470,871)	\$ 1,048,094
Fund Balance, beginning			15,009,733	
Fund Balance, ending			\$ 14,538,862	

See accompanying notes to Required Supplementary Information.

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

<i>Years Ended June 30,</i>	Borough's Proportion of the Net Pension Liability	Borough's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Borough's Covered Payroll	Borough's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.26956%	\$ 12,572,647	\$ 10,755,597	\$ 23,328,244	\$ 12,031,717	104.50%	62.37%
2016	0.36213%	\$ 17,563,590	\$ 4,706,852	\$ 22,270,442	\$ 10,977,459	160.00%	63.96%

See accompanying notes to Required Supplementary Information.

City and Borough of Sitka, Alaska

**Nonmajor Governmental Funds
Combining Balance Sheet**

	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	Raw Water Sales	Fisheries Enhancement	Animal	Bed Tax			
June 30, 2016																	
Assets																	
Equity in central treasury	\$ -	\$ -	\$ 17,284	\$ 236,538	\$ 1,867,739	\$ 865,998	\$ 45,796	\$ 483,009	\$ 1,139,266	\$ 283,818	\$ 1,028,464	\$ 1,228	\$ 45,761	\$ 48,681	\$ 2,423,897	\$ 8,487,479	
Receivables:																	
Taxes	-	-	-	-	-	-	91,775	-	-	-	-	-	-	145,142	-	236,917	
Special assessments	-	-	-	-	-	-	-	-	31,682	-	-	-	-	-	-	31,682	
Federal and State of Alaska	57,453	63,605	-	-	-	-	-	-	-	-	-	-	-	-	24,843	145,901	
Advances to other funds	-	-	-	-	590,574	-	-	-	-	-	-	-	-	-	-	590,574	
Prepaid items	-	-	-	-	-	-	-	15,000	-	-	-	-	-	-	-	15,000	
Notes receivable	-	-	-	-	1,688,737	-	-	-	-	-	-	-	-	-	-	1,688,737	
Total Assets	\$ 57,453	\$ 63,605	\$ 17,284	\$ 236,538	\$ 4,147,050	\$ 865,998	\$ 137,571	\$ 498,009	\$ 1,170,948	\$ 283,818	\$ 1,028,464	\$ 1,228	\$ 45,761	\$ 193,823	\$ 2,448,740	\$ 11,196,290	
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)																	
Liabilities																	
Accounts payable	\$ 5,415	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	122,255	
Due to other funds	50,600	68,772	-	-	-	-	-	-	-	-	-	-	-	-	-	119,372	
Total Liabilities	56,015	68,772	-	-	-	-	116,840	-	-	-	-	-	-	-	-	241,627	
Deferred Inflows of Resources - deferred assessments	-	-	-	-	-	-	-	-	31,682	-	-	-	-	-	-	31,682	
Fund Balances (Deficit)																	
Nonspendable	-	-	-	-	-	-	-	15,000	-	-	-	-	-	-	-	15,000	
Restricted	-	-	17,284	236,538	-	-	-	483,009	-	-	-	-	-	-	2,448,740	3,185,571	
Committed	-	-	-	-	4,147,050	-	-	-	-	-	-	-	-	-	-	4,147,050	
Assigned	1,438	-	-	-	-	865,998	20,731	-	1,139,266	283,818	1,028,464	1,228	45,761	193,823	-	3,580,527	
Unassigned (deficit)	-	(5,167)	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,167)	
Total Fund Balances (Deficit)	1,438	(5,167)	17,284	236,538	4,147,050	865,998	20,731	498,009	1,139,266	283,818	1,028,464	1,228	45,761	193,823	2,448,740	10,922,981	
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)	\$ 57,453	\$ 63,605	\$ 17,284	\$ 236,538	\$ 4,147,050	\$ 865,998	\$ 137,571	\$ 498,009	\$ 1,170,948	\$ 283,818	\$ 1,028,464	\$ 1,228	\$ 45,761	\$ 193,823	\$ 2,448,740	\$ 11,196,290	

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

Year Ended June 30, 2016	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	Animal	Bed Tax			
Revenues																		
Tobacco taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 490,353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 490,353	
Bed taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	472,900	-	472,900	
State sources	-	-	-	-	-	-	-	218,350	-	-	-	-	-	-	-	2,484,239	2,702,589	
Federal sources	117,895	163,799	-	-	-	-	-	-	-	-	-	-	-	-	-	-	281,694	
Charges for services	-	-	-	-	-	-	-	-	-	-	-	1,015,000	-	-	-	-	1,015,000	
Investment income (loss)	(176)	-	(3,421)	6,475	103,446	23,431	482	13,153	32,669	7,691	-	28,314	(475)	761	1,186	35,154	248,690	
Licenses and permits	-	-	-	-	-	-	720	-	-	-	-	-	-	-	-	-	720	
Other	26,375	-	50	4,000	-	-	-	-	5,931	-	-	-	-	-	47,329	-	83,685	
Total Revenues	144,094	163,799	(3,371)	10,475	103,446	23,431	491,555	231,503	38,600	7,691	-	1,043,314	(475)	761	521,415	2,519,393	5,295,631	
Expenditures																		
Public safety	144,645	164,181	-	-	-	-	-	-	-	-	-	-	-	-	-	-	308,826	
Public works	-	-	-	-	-	3,401	-	51,189	440	-	-	-	77,665	-	-	-	132,695	
Public services	-	-	-	-	5,000	-	490,377	-	-	-	86	-	-	-	327,592	-	823,055	
Debt service:																		
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,555,000	2,555,000	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,111,374	1,111,374	
Total Expenditures	144,645	164,181	-	-	5,000	3,401	490,377	51,189	440	-	86	-	77,665	-	327,592	3,666,374	4,930,950	
Excess of Revenues Over (Under) Expenditures	(551)	(382)	(3,371)	10,475	98,446	20,030	1,178	180,314	38,160	7,691	(86)	1,043,314	(78,140)	761	193,823	(1,146,981)	364,681	
Other Financing Sources (Uses)																		
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	37,989	45,000	-	1,068,086	1,151,075	
Transfers out	-	-	(530,244)	-	(40,225)	(21,241)	-	(18,049)	(27,866)	(6,948)	-	(60,316)	-	-	-	-	(704,889)	
Net Other Financing Sources (Uses)	-	-	(530,244)	-	(40,225)	(21,241)	-	(18,049)	(27,866)	(6,948)	-	(60,316)	37,989	45,000	-	1,068,086	446,186	
Net Change in Fund Balances	(551)	(382)	(533,615)	10,475	58,221	(1,211)	1,178	162,265	10,294	743	(86)	982,998	(40,151)	45,761	193,823	(78,895)	810,867	
Fund Balances (Deficit), beginning	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	
Fund Balances (Deficit), ending	\$ 1,438	\$ (5,167)	\$ 17,284	\$ 236,538	\$ 4,147,050	\$ 865,998	\$ 20,731	\$ 498,009	\$ 1,139,266	\$ 283,818	\$ -	\$ 1,028,464	\$ 1,228	\$ 45,761	\$ 193,823	\$ 2,448,740	\$ 10,922,981	

City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds Combining Statement of Net Position

<i>June 30, 2016</i>	Airport	Marine Service Center	Gary Paxton Industrial Park	Total Nonmajor Enterprise Funds
Assets				
Current Assets				
Equity in central treasury	\$ 877,155	\$ 1,649,037	\$ 868,370	\$ 3,394,562
Receivables:				
Accounts	6,655	-	34,072	40,727
Federal and State of Alaska	-	-	25,651	25,651
Current portion of note receivable	-	-	7,788	7,788
Prepaid expenses	8,050	-	-	8,050
Total Current Assets	891,860	1,649,037	935,881	3,476,778
Noncurrent Assets				
Notes receivable	-	-	53,717	53,717
Capital assets:				
Property, plant and equipment	5,206,983	3,506,392	15,167,580	23,880,955
Construction in progress	128,702	-	433,634	562,336
Less accumulated depreciation	(2,705,009)	(3,173,378)	(2,992,827)	(8,871,214)
Total capital assets, net of accumulated depreciation	2,630,676	333,014	12,608,387	15,572,077
Total Noncurrent Assets	2,630,676	333,014	12,662,104	15,625,794
Total Assets	\$ 3,522,536	\$ 1,982,051	\$ 13,597,985	\$ 19,102,572
Liabilities and Net Position				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 6,702	\$ -	\$ 21,120	\$ 27,822
Unearned revenue	22,492	9,543	-	32,035
Total Current Liabilities	29,194	9,543	21,120	59,857
Noncurrent Liabilities - advances from other funds	-	-	248,911	248,911
Total Liabilities	29,194	9,543	270,031	308,768
Net Position				
Net investment in capital assets	2,630,676	333,014	12,608,387	15,572,077
Unrestricted	862,666	1,639,494	719,567	3,221,727
Total Net Position	3,493,342	1,972,508	13,327,954	18,793,804
Total Liabilities and Net Position	\$ 3,522,536	\$ 1,982,051	\$ 13,597,985	\$ 19,102,572

City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2016</i>	Airport	Marine Service Center	Gary Paxton Industrial Park	Total Nonmajor Enterprise Funds
Operating Revenues				
Charges for service	\$ 392,313	\$ 232,584	\$ 254,859	\$ 879,756
Operating Expenses				
Utilities	84,258	(7,950)	48,996	125,304
Repair and maintenance	51,579	111,030	12,558	175,167
Contracted/purchased services	96,684	3,735	129,972	230,391
Interdepartmental services	159,250	16,263	53,766	229,279
Other	11,694	-	6,339	18,033
Depreciation and amortization	169,897	140,064	315,583	625,544
Total Operating Expenses	573,362	263,142	567,214	1,403,718
Loss from Operations	(181,049)	(30,558)	(312,355)	(523,962)
Nonoperating Revenues (Expenses)				
Investment income	23,991	45,130	-	69,121
Interest expense	-	-	(9,708)	(9,708)
Other	98,054	116	(4,715)	93,455
Net Nonoperating Revenues (Expenses)	122,045	45,246	(14,423)	152,868
Income (loss) before contributions and transfers	(59,004)	14,688	(326,778)	(371,094)
Capital contributions	-	-	67,225	67,225
Transfers in	-	-	68,883	68,883
Change in Net Position	(59,004)	14,688	(190,670)	(234,986)
Net Position, beginning	3,552,346	1,957,820	13,518,624	19,028,790
Net Position, ending	\$ 3,493,342	\$ 1,972,508	\$ 13,327,954	\$ 18,793,804

City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds Combining Statement of Cash Flows

<i>Year Ended June 30, 2016</i>	Airport	Marine Service Center	Gary Paxton Industrial Park	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 490,929	\$ 231,142	\$ 246,488	\$ 968,559
Payments to suppliers	(261,187)	(106,815)	(177,435)	(545,437)
Payments for interfund services used	(159,250)	(16,263)	(53,766)	(229,279)
Net cash flows from operating activities	70,492	108,064	15,287	193,843
Cash Flows from Noncapital Financing Activities				
Receipts (repayment) of advances	-	-	(49,782)	(49,782)
Transfers from other funds	-	-	68,883	68,883
Notes receivable payments	-	-	7,522	7,522
Net cash flows from noncapital financing activities	-	-	26,623	26,623
Cash Flows for Capital and Related Financing Activities				
Capital expenditures	(33,882)	-	(80,649)	(114,531)
Interest paid	-	-	(9,708)	(9,708)
Government grants and loans for construction received	-	-	42,321	42,321
Net cash flows for capital and related financing activities	(33,882)	-	(48,036)	(81,918)
Cash Flows from Investing Activities				
Interest received	23,991	45,130	-	69,121
Net increase (decrease) in cash and cash equivalents	60,601	153,194	(6,126)	207,669
Cash and Cash Equivalents, beginning	816,554	1,495,843	874,496	3,186,893
Cash and Cash Equivalents, ending	\$ 877,155	\$ 1,649,037	\$ 868,370	\$ 3,394,562
Reconciliation of Operating Loss to Net				
Cash Flows from Operating Activities				
Loss from operations	\$ (181,049)	\$ (30,558)	\$ (312,355)	\$ (523,962)
Adjustments to reconcile loss from operations to net cash flows from operating activities:				
Depreciation and amortization	169,897	140,064	315,583	625,544
Other income (expense)	98,054	116	(4,715)	93,455
(Increase) decrease in assets - accounts receivable (net)	637	-	(3,656)	(3,019)
Increase (decrease) in liabilities:				
Accounts payable and accrued liabilities	(16,972)	-	20,430	3,458
Unearned revenue	(75)	(1,558)	-	(1,633)
Net Cash Flows from Operating Activities	\$ 70,492	\$ 108,064	\$ 15,287	\$ 193,843

City and Borough of Sitka, Alaska

Internal Service Funds Combining Statement of Net Position

<i>June 30, 2016</i>	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Assets and Deferred Outflows of Resources				
Current Assets				
Equity in central treasury	\$ 166,156	\$ 3,140,422	\$ 1,887,511	\$ 5,194,089
Prepaid expenses	2,759	-	-	2,759
Total Current Assets	168,915	3,140,422	1,887,511	5,196,848
Noncurrent Assets				
Capital assets:				
Property, plant and equipment	2,144,576	8,474,886	32,459	10,651,921
Construction in progress	211,791	-	-	211,791
Less accumulated depreciation	(1,402,895)	(5,145,283)	(24,098)	(6,572,276)
Total capital assets, net of accumulated depreciation	953,472	3,329,603	8,361	4,291,436
Total Noncurrent Assets	953,472	3,329,603	8,361	4,291,436
Total Assets	1,122,387	6,470,025	1,895,872	9,488,284
Deferred Outflows of Resources related to pensions	59,456	28,701	50,157	138,314
Total Assets and Deferred Outflows of Resources	\$ 1,181,843	\$ 6,498,726	\$ 1,946,029	\$ 9,626,598
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities -				
accounts payable and accrued liabilities	\$ 119,109	\$ 16,046	\$ 26,457	\$ 161,612
Noncurrent Liabilities				
Compensated absences	8,373	6,685	14,338	29,396
Advances from other funds	100,979	250,000	-	350,979
Net pension liability	337,261	162,805	284,516	784,582
Total Noncurrent Liabilities	446,613	419,490	298,854	1,164,957
Total Liabilities	565,722	435,536	325,311	1,326,569
Deferred Inflows of Resources related to pensions	5,971	2,882	5,037	13,890
Net Position				
Net investment in capital assets	953,472	3,329,603	8,361	4,291,436
Unrestricted (deficit)	(343,322)	2,730,705	1,607,320	3,994,703
Total Net Position	610,150	6,060,308	1,615,681	8,286,139
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,181,843	\$ 6,498,726	\$ 1,946,029	\$ 9,626,598

City and Borough of Sitka, Alaska

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2016</i>	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Operating Revenues				
Charges for service	\$ 1,233,612	\$ 1,610,801	\$ 498,009	\$ 3,342,422
Other operating revenues	22	1,118	-	1,140
Total Operating Revenues	1,233,634	1,611,919	498,009	3,343,562
Operating Expenses				
Wages and benefits	391,716	201,588	322,315	915,619
Travel and training	24,991	-	2,458	27,449
Utilities	9,693	20,497	1,727	31,917
Repair and maintenance	185,247	70,234	98,608	354,089
Contracted/purchased services	260,662	300,924	175,250	736,836
Interdepartmental services	105,423	137,014	103,968	346,405
Other	-	-	1,099	1,099
Depreciation and amortization	123,785	457,823	880	582,488
Total Operating Expenses	1,101,517	1,188,080	706,305	2,995,902
Income (Loss) from Operations	132,117	423,839	(208,296)	347,660
Nonoperating Revenues (Expenses)				
Investment income	7,234	90,121	47,092	144,447
Interest expense	(5,212)	(15,000)	-	(20,212)
State PERS relief	16,153	7,797	13,627	37,577
Loss on sale of capital assets	-	(3,959)	-	(3,959)
Other	779	2,500	2,121	5,400
Net Nonoperating Revenues (Expenses)	18,954	81,459	62,840	163,253
Income (loss) before transfers	151,071	505,298	(145,456)	510,913
Transfers in	-	36,000	40,225	76,225
Change in Net Position	151,071	541,298	(105,231)	587,138
Net Position, beginning	459,079	5,519,010	1,720,912	7,699,001
Net Position, ending	\$ 610,150	\$ 6,060,308	\$ 1,615,681	\$ 8,286,139

City and Borough of Sitka, Alaska

Internal Service Funds

Combining Statement of Cash Flows

<i>Year Ended June 30, 2016</i>	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Cash Flows from (for) Operating Activities				
Receipts from customers and users	\$ 1,234,413	\$ 1,614,419	\$ 500,130	\$ 3,348,962
Payments to suppliers	(363,215)	(522,716)	(283,008)	(1,168,939)
Payments for interfund services used	(105,423)	(137,014)	(103,968)	(346,405)
Payments to employees	(321,931)	(169,196)	(298,103)	(789,230)
Net cash flows from (for) operating activities	443,844	785,493	(184,949)	1,044,388
Cash Flows from (for) Noncapital Financing Activities				
Repayment of advances	(47,947)	(50,000)	-	(97,947)
Transfers from other funds	-	36,000	40,225	76,225
Net cash flows from (for) noncapital financing activities	(47,947)	(14,000)	40,225	(21,722)
Cash Flows for Capital and Related Financing Activities				
Capital expenditures	(542,672)	(637,127)	-	(1,179,799)
Interest paid	(5,212)	(15,000)	-	(20,212)
Net cash flows for capital and related financing activities	(547,884)	(652,127)	-	(1,200,011)
Cash Flows from Investing Activities				
Interest received	7,234	90,121	47,092	144,447
Net Increase (Decrease) in Cash and Cash Equivalents	(144,753)	209,487	(97,632)	(32,898)
Cash and Cash Equivalents, beginning	310,909	2,930,935	1,985,143	5,226,987
Cash and Cash Equivalents, ending	\$ 166,156	\$ 3,140,422	\$ 1,887,511	\$ 5,194,089
Reconciliation of Operating Income (Loss) to Net Cash Flows from (for) Operating Activities				
Income (loss) from operations	\$ 132,117	\$ 423,839	\$ (208,296)	\$ 347,660
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:				
Depreciation and amortization	123,785	457,823	880	582,488
State PERS relief	16,153	7,797	13,627	37,577
Other income	779	2,500	2,121	5,400
(Increase) decrease in assets and deferred outflows:				
Prepaid expenses	(1,139)	-	-	(1,139)
Deferred outflows of resources related to pensions	(29,815)	(13,881)	(20,516)	(64,212)
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	118,517	(131,061)	(3,866)	(16,410)
Compensated absences	(7,331)	(985)	(5,999)	(14,315)
Net pension liability	110,953	49,652	58,208	218,813
Deferred inflows of resources related to pensions	(20,175)	(10,191)	(21,108)	(51,474)
Net Cash Flows from (for) Operating Activities	\$ 443,844	\$ 785,493	\$ (184,949)	\$ 1,044,388

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

<i>Years Ended June 30,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Borough's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 1,123,981	\$ 1,123,981	\$ -	\$ 10,977,459	10.24%
2016	\$ 1,142,815	\$ 1,142,815	\$ -	\$ 11,058,684	10.33%

See accompanying notes to Required Supplementary Information.

City and Borough of Sitka, Alaska

Notes to Required Supplementary Information June 30, 2016

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 2016, 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, 2016, the Plan measurement date is June 30, 2015.

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

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

There was a significant change in the allocation methodology. For the measurement period ended June 30, 2014, the liability was allocated to participating employers based on actual contributions for 2014. For the measurement period ended June 30, 2015, the liability is allocated based on projected contributions for fiscal years 2017-2039, as calculated in the June 30, 2014 actuarial valuation.

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

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

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

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Supplementary Information

City and Borough of Sitka, Alaska

**Nonmajor Governmental Funds
Combining Balance Sheet**

	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	Raw Water Sales	Fisheries Enhancement	Animal	Bed Tax			
June 30, 2016																	
Assets																	
Equity in central treasury	\$ -	\$ -	\$ 17,284	\$ 236,538	\$ 1,867,739	\$ 865,998	\$ 45,796	\$ 483,009	\$ 1,139,266	\$ 283,818	\$ 1,028,464	\$ 1,228	\$ 45,761	\$ 48,681	\$ 2,423,897	\$ 8,487,479	
Receivables:																	
Taxes	-	-	-	-	-	-	91,775	-	-	-	-	-	-	145,142	-	236,917	
Special assessments	-	-	-	-	-	-	-	-	31,682	-	-	-	-	-	-	31,682	
Federal and State of Alaska	57,453	63,605	-	-	-	-	-	-	-	-	-	-	-	-	24,843	145,901	
Advances to other funds	-	-	-	-	590,574	-	-	-	-	-	-	-	-	-	-	590,574	
Prepaid items	-	-	-	-	-	-	-	15,000	-	-	-	-	-	-	-	15,000	
Notes receivable	-	-	-	-	1,688,737	-	-	-	-	-	-	-	-	-	-	1,688,737	
Total Assets	\$ 57,453	\$ 63,605	\$ 17,284	\$ 236,538	\$ 4,147,050	\$ 865,998	\$ 137,571	\$ 498,009	\$ 1,170,948	\$ 283,818	\$ 1,028,464	\$ 1,228	\$ 45,761	\$ 193,823	\$ 2,448,740	\$ 11,196,290	
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)																	
Liabilities																	
Accounts payable	\$ 5,415	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	122,255	
Due to other funds	50,600	68,772	-	-	-	-	-	-	-	-	-	-	-	-	-	119,372	
Total Liabilities	56,015	68,772	-	-	-	-	116,840	-	-	-	-	-	-	-	-	241,627	
Deferred Inflows of Resources - deferred assessments	-	-	-	-	-	-	-	-	31,682	-	-	-	-	-	-	31,682	
Fund Balances (Deficit)																	
Nonspendable	-	-	-	-	-	-	-	15,000	-	-	-	-	-	-	-	15,000	
Restricted	-	-	17,284	236,538	-	-	-	483,009	-	-	-	-	-	-	2,448,740	3,185,571	
Committed	-	-	-	-	4,147,050	-	-	-	-	-	-	-	-	-	-	4,147,050	
Assigned	1,438	-	-	-	-	865,998	20,731	-	1,139,266	283,818	1,028,464	1,228	45,761	193,823	-	3,580,527	
Unassigned (deficit)	-	(5,167)	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,167)	
Total Fund Balances (Deficit)	1,438	(5,167)	17,284	236,538	4,147,050	865,998	20,731	498,009	1,139,266	283,818	1,028,464	1,228	45,761	193,823	2,448,740	10,922,981	
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)	\$ 57,453	\$ 63,605	\$ 17,284	\$ 236,538	\$ 4,147,050	\$ 865,998	\$ 137,571	\$ 498,009	\$ 1,170,948	\$ 283,818	\$ 1,028,464	\$ 1,228	\$ 45,761	\$ 193,823	\$ 2,448,740	\$ 11,196,290	

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

Year Ended June 30, 2016	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	Animal	Bed Tax			
Revenues																		
Tobacco taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 490,353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 490,353	
Bed taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	472,900	-	472,900	
State sources	-	-	-	-	-	-	-	218,350	-	-	-	-	-	-	-	2,484,239	2,702,589	
Federal sources	117,895	163,799	-	-	-	-	-	-	-	-	-	-	-	-	-	-	281,694	
Charges for services	-	-	-	-	-	-	-	-	-	-	-	1,015,000	-	-	-	-	1,015,000	
Investment income (loss)	(176)	-	(3,421)	6,475	103,446	23,431	482	13,153	32,669	7,691	-	28,314	(475)	761	1,186	35,154	248,690	
Licenses and permits	-	-	-	-	-	-	720	-	-	-	-	-	-	-	-	-	720	
Other	26,375	-	50	4,000	-	-	-	-	5,931	-	-	-	-	-	47,329	-	83,685	
Total Revenues	144,094	163,799	(3,371)	10,475	103,446	23,431	491,555	231,503	38,600	7,691	-	1,043,314	(475)	761	521,415	2,519,393	5,295,631	
Expenditures																		
Public safety	144,645	164,181	-	-	-	-	-	-	-	-	-	-	-	-	-	-	308,826	
Public works	-	-	-	-	-	3,401	-	51,189	440	-	-	-	77,665	-	-	-	132,695	
Public services	-	-	-	-	5,000	-	490,377	-	-	-	86	-	-	-	327,592	-	823,055	
Debt service:																		
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,555,000	2,555,000	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,111,374	1,111,374	
Total Expenditures	144,645	164,181	-	-	5,000	3,401	490,377	51,189	440	-	86	-	77,665	-	327,592	3,666,374	4,930,950	
Excess of Revenues Over (Under) Expenditures	(551)	(382)	(3,371)	10,475	98,446	20,030	1,178	180,314	38,160	7,691	(86)	1,043,314	(78,140)	761	193,823	(1,146,981)	364,681	
Other Financing Sources (Uses)																		
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	37,989	45,000	-	1,068,086	1,151,075	
Transfers out	-	-	(530,244)	-	(40,225)	(21,241)	-	(18,049)	(27,866)	(6,948)	-	(60,316)	-	-	-	-	(704,889)	
Net Other Financing Sources (Uses)	-	-	(530,244)	-	(40,225)	(21,241)	-	(18,049)	(27,866)	(6,948)	-	(60,316)	37,989	45,000	-	1,068,086	446,186	
Net Change in Fund Balances	(551)	(382)	(533,615)	10,475	58,221	(1,211)	1,178	162,265	10,294	743	(86)	982,998	(40,151)	45,761	193,823	(78,895)	810,867	
Fund Balances (Deficit), beginning	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	
Fund Balances (Deficit), ending	\$ 1,438	\$ (5,167)	\$ 17,284	\$ 236,538	\$ 4,147,050	\$ 865,998	\$ 20,731	\$ 498,009	\$ 1,139,266	\$ 283,818	\$ -	\$ 1,028,464	\$ 1,228	\$ 45,761	\$ 193,823	\$ 2,448,740	\$ 10,922,981	

City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds Combining Statement of Net Position

<i>June 30, 2016</i>	Airport	Marine Service Center	Gary Paxton Industrial Park	Total Nonmajor Enterprise Funds
Assets				
Current Assets				
Equity in central treasury	\$ 877,155	\$ 1,649,037	\$ 868,370	\$ 3,394,562
Receivables:				
Accounts	6,655	-	34,072	40,727
Federal and State of Alaska	-	-	25,651	25,651
Current portion of note receivable	-	-	7,788	7,788
Prepaid expenses	8,050	-	-	8,050
Total Current Assets	891,860	1,649,037	935,881	3,476,778
Noncurrent Assets				
Notes receivable	-	-	53,717	53,717
Capital assets:				
Property, plant and equipment	5,206,983	3,506,392	15,167,580	23,880,955
Construction in progress	128,702	-	433,634	562,336
Less accumulated depreciation	(2,705,009)	(3,173,378)	(2,992,827)	(8,871,214)
Total capital assets, net of accumulated depreciation	2,630,676	333,014	12,608,387	15,572,077
Total Noncurrent Assets	2,630,676	333,014	12,662,104	15,625,794
Total Assets	\$ 3,522,536	\$ 1,982,051	\$ 13,597,985	\$ 19,102,572
Liabilities and Net Position				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 6,702	\$ -	\$ 21,120	\$ 27,822
Unearned revenue	22,492	9,543	-	32,035
Total Current Liabilities	29,194	9,543	21,120	59,857
Noncurrent Liabilities - advances from other funds	-	-	248,911	248,911
Total Liabilities	29,194	9,543	270,031	308,768
Net Position				
Net investment in capital assets	2,630,676	333,014	12,608,387	15,572,077
Unrestricted	862,666	1,639,494	719,567	3,221,727
Total Net Position	3,493,342	1,972,508	13,327,954	18,793,804
Total Liabilities and Net Position	\$ 3,522,536	\$ 1,982,051	\$ 13,597,985	\$ 19,102,572

City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2016</i>	Airport	Marine Service Center	Gary Paxton Industrial Park	Total Nonmajor Enterprise Funds
Operating Revenues				
Charges for service	\$ 392,313	\$ 232,584	\$ 254,859	\$ 879,756
Operating Expenses				
Utilities	84,258	(7,950)	48,996	125,304
Repair and maintenance	51,579	111,030	12,558	175,167
Contracted/purchased services	96,684	3,735	129,972	230,391
Interdepartmental services	159,250	16,263	53,766	229,279
Other	11,694	-	6,339	18,033
Depreciation and amortization	169,897	140,064	315,583	625,544
Total Operating Expenses	573,362	263,142	567,214	1,403,718
Loss from Operations	(181,049)	(30,558)	(312,355)	(523,962)
Nonoperating Revenues (Expenses)				
Investment income	23,991	45,130	-	69,121
Interest expense	-	-	(9,708)	(9,708)
Other	98,054	116	(4,715)	93,455
Net Nonoperating Revenues (Expenses)	122,045	45,246	(14,423)	152,868
Income (loss) before contributions and transfers	(59,004)	14,688	(326,778)	(371,094)
Capital contributions	-	-	67,225	67,225
Transfers in	-	-	68,883	68,883
Change in Net Position	(59,004)	14,688	(190,670)	(234,986)
Net Position, beginning	3,552,346	1,957,820	13,518,624	19,028,790
Net Position, ending	\$ 3,493,342	\$ 1,972,508	\$ 13,327,954	\$ 18,793,804

City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds Combining Statement of Cash Flows

<i>Year Ended June 30, 2016</i>	Airport	Marine Service Center	Gary Paxton Industrial Park	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 490,929	\$ 231,142	\$ 246,488	\$ 968,559
Payments to suppliers	(261,187)	(106,815)	(177,435)	(545,437)
Payments for interfund services used	(159,250)	(16,263)	(53,766)	(229,279)
Net cash flows from operating activities	70,492	108,064	15,287	193,843
Cash Flows from Noncapital Financing Activities				
Receipts (repayment) of advances	-	-	(49,782)	(49,782)
Transfers from other funds	-	-	68,883	68,883
Notes receivable payments	-	-	7,522	7,522
Net cash flows from noncapital financing activities	-	-	26,623	26,623
Cash Flows for Capital and Related Financing Activities				
Capital expenditures	(33,882)	-	(80,649)	(114,531)
Interest paid	-	-	(9,708)	(9,708)
Government grants and loans for construction received	-	-	42,321	42,321
Net cash flows for capital and related financing activities	(33,882)	-	(48,036)	(81,918)
Cash Flows from Investing Activities				
Interest received	23,991	45,130	-	69,121
Net increase (decrease) in cash and cash equivalents	60,601	153,194	(6,126)	207,669
Cash and Cash Equivalents, beginning	816,554	1,495,843	874,496	3,186,893
Cash and Cash Equivalents, ending	\$ 877,155	\$ 1,649,037	\$ 868,370	\$ 3,394,562
Reconciliation of Operating Loss to Net				
Cash Flows from Operating Activities				
Loss from operations	\$ (181,049)	\$ (30,558)	\$ (312,355)	\$ (523,962)
Adjustments to reconcile loss from operations to net cash flows from operating activities:				
Depreciation and amortization	169,897	140,064	315,583	625,544
Other income (expense)	98,054	116	(4,715)	93,455
(Increase) decrease in assets - accounts receivable (net)	637	-	(3,656)	(3,019)
Increase (decrease) in liabilities:				
Accounts payable and accrued liabilities	(16,972)	-	20,430	3,458
Unearned revenue	(75)	(1,558)	-	(1,633)
Net Cash Flows from Operating Activities	\$ 70,492	\$ 108,064	\$ 15,287	\$ 193,843

City and Borough of Sitka, Alaska

Internal Service Funds Combining Statement of Net Position

<i>June 30, 2016</i>	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Assets and Deferred Outflows of Resources				
Current Assets				
Equity in central treasury	\$ 166,156	\$ 3,140,422	\$ 1,887,511	\$ 5,194,089
Prepaid expenses	2,759	-	-	2,759
Total Current Assets	168,915	3,140,422	1,887,511	5,196,848
Noncurrent Assets				
Capital assets:				
Property, plant and equipment	2,144,576	8,474,886	32,459	10,651,921
Construction in progress	211,791	-	-	211,791
Less accumulated depreciation	(1,402,895)	(5,145,283)	(24,098)	(6,572,276)
Total capital assets, net of accumulated depreciation	953,472	3,329,603	8,361	4,291,436
Total Noncurrent Assets	953,472	3,329,603	8,361	4,291,436
Total Assets	1,122,387	6,470,025	1,895,872	9,488,284
Deferred Outflows of Resources related to pensions	59,456	28,701	50,157	138,314
Total Assets and Deferred Outflows of Resources	\$ 1,181,843	\$ 6,498,726	\$ 1,946,029	\$ 9,626,598
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities -				
accounts payable and accrued liabilities	\$ 119,109	\$ 16,046	\$ 26,457	\$ 161,612
Noncurrent Liabilities				
Compensated absences	8,373	6,685	14,338	29,396
Advances from other funds	100,979	250,000	-	350,979
Net pension liability	337,261	162,805	284,516	784,582
Total Noncurrent Liabilities	446,613	419,490	298,854	1,164,957
Total Liabilities	565,722	435,536	325,311	1,326,569
Deferred Inflows of Resources related to pensions	5,971	2,882	5,037	13,890
Net Position				
Net investment in capital assets	953,472	3,329,603	8,361	4,291,436
Unrestricted (deficit)	(343,322)	2,730,705	1,607,320	3,994,703
Total Net Position	610,150	6,060,308	1,615,681	8,286,139
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,181,843	\$ 6,498,726	\$ 1,946,029	\$ 9,626,598

City and Borough of Sitka, Alaska

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2016</i>	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Operating Revenues				
Charges for service	\$ 1,233,612	\$ 1,610,801	\$ 498,009	\$ 3,342,422
Other operating revenues	22	1,118	-	1,140
Total Operating Revenues	1,233,634	1,611,919	498,009	3,343,562
Operating Expenses				
Wages and benefits	391,716	201,588	322,315	915,619
Travel and training	24,991	-	2,458	27,449
Utilities	9,693	20,497	1,727	31,917
Repair and maintenance	185,247	70,234	98,608	354,089
Contracted/purchased services	260,662	300,924	175,250	736,836
Interdepartmental services	105,423	137,014	103,968	346,405
Other	-	-	1,099	1,099
Depreciation and amortization	123,785	457,823	880	582,488
Total Operating Expenses	1,101,517	1,188,080	706,305	2,995,902
Income (Loss) from Operations	132,117	423,839	(208,296)	347,660
Nonoperating Revenues (Expenses)				
Investment income	7,234	90,121	47,092	144,447
Interest expense	(5,212)	(15,000)	-	(20,212)
State PERS relief	16,153	7,797	13,627	37,577
Loss on sale of capital assets	-	(3,959)	-	(3,959)
Other	779	2,500	2,121	5,400
Net Nonoperating Revenues (Expenses)	18,954	81,459	62,840	163,253
Income (loss) before transfers	151,071	505,298	(145,456)	510,913
Transfers in	-	36,000	40,225	76,225
Change in Net Position	151,071	541,298	(105,231)	587,138
Net Position, beginning	459,079	5,519,010	1,720,912	7,699,001
Net Position, ending	\$ 610,150	\$ 6,060,308	\$ 1,615,681	\$ 8,286,139

City and Borough of Sitka, Alaska

Internal Service Funds Combining Statement of Cash Flows

<i>Year Ended June 30, 2016</i>	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Cash Flows from (for) Operating Activities				
Receipts from customers and users	\$ 1,234,413	\$ 1,614,419	\$ 500,130	\$ 3,348,962
Payments to suppliers	(363,215)	(522,716)	(283,008)	(1,168,939)
Payments for interfund services used	(105,423)	(137,014)	(103,968)	(346,405)
Payments to employees	(321,931)	(169,196)	(298,103)	(789,230)
Net cash flows from (for) operating activities	443,844	785,493	(184,949)	1,044,388
Cash Flows from (for) Noncapital Financing Activities				
Repayment of advances	(47,947)	(50,000)	-	(97,947)
Transfers from other funds	-	36,000	40,225	76,225
Net cash flows from (for) noncapital financing activities	(47,947)	(14,000)	40,225	(21,722)
Cash Flows for Capital and Related Financing Activities				
Capital expenditures	(542,672)	(637,127)	-	(1,179,799)
Interest paid	(5,212)	(15,000)	-	(20,212)
Net cash flows for capital and related financing activities	(547,884)	(652,127)	-	(1,200,011)
Cash Flows from Investing Activities				
Interest received	7,234	90,121	47,092	144,447
Net Increase (Decrease) in Cash and Cash Equivalents	(144,753)	209,487	(97,632)	(32,898)
Cash and Cash Equivalents, beginning	310,909	2,930,935	1,985,143	5,226,987
Cash and Cash Equivalents, ending	\$ 166,156	\$ 3,140,422	\$ 1,887,511	\$ 5,194,089
Reconciliation of Operating Income (Loss) to Net Cash Flows from (for) Operating Activities				
Income (loss) from operations	\$ 132,117	\$ 423,839	\$ (208,296)	\$ 347,660
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:				
Depreciation and amortization	123,785	457,823	880	582,488
State PERS relief	16,153	7,797	13,627	37,577
Other income	779	2,500	2,121	5,400
(Increase) decrease in assets and deferred outflows:				
Prepaid expenses	(1,139)	-	-	(1,139)
Deferred outflows of resources related to pensions	(29,815)	(13,881)	(20,516)	(64,212)
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	118,517	(131,061)	(3,866)	(16,410)
Compensated absences	(7,331)	(985)	(5,999)	(14,315)
Net pension liability	110,953	49,652	58,208	218,813
Deferred inflows of resources related to pensions	(20,175)	(10,191)	(21,108)	(51,474)
Net Cash Flows from (for) Operating Activities	\$ 443,844	\$ 785,493	\$ (184,949)	\$ 1,044,388

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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				
	2012	2013	2014	2015	2016
Governmental activities:					
Invested in capital assets, net of related debt	\$ 69,758,706	\$ 81,140,841	\$ 86,125,410	\$ 94,765,479	\$ 111,067,134
Restricted	28,065,049	28,969,693	25,924,835	32,149,739	27,567,141
Unrestricted	31,751,885	28,940,773	37,352,229	22,669,294	21,354,757
Total governmental activities net assets	129,575,640	139,051,307	149,402,474	149,584,512	159,989,032
Business-type activities:					
Invested in capital assets, net of related debt	89,725,575	103,467,052	156,196,702	164,836,448	171,259,337
Restricted	3,495,431	7,359,839	8,992,528	10,445,096	10,470,409
Unrestricted	48,724,671	50,906,747	25,943,451	33,109,400	28,987,128
Total business-type activities net assets	141,945,677	161,733,638	191,132,681	208,390,944	210,716,874
Primary government:					
Invested in capital assets, net of related debt	159,484,281	184,607,893	242,322,112	259,601,927	282,326,471
Restricted	31,560,480	36,329,532	34,917,363	42,594,835	38,037,550
Unrestricted	80,476,556	79,847,520	63,295,680	55,778,694	50,341,885
Total Primary Government Net Assets	\$ 271,521,317	\$ 300,784,945	\$ 340,535,155	\$ 357,975,456	\$ 370,705,906
	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities:					
Invested in capital assets, net of related debt	\$ 60,634,380	\$ 69,697,438	\$ 74,535,296	\$ 77,625,556	\$ 84,221,307
Restricted	27,232,833	23,079,443	25,807,768	24,564,026	33,185,178
Unrestricted	24,911,229	24,517,713	20,598,517	25,166,380	31,105,881
Total governmental activities net assets	112,778,442	117,294,594	120,941,581	127,355,962	148,512,366
Business-type activities:					
Invested in capital assets, net of related debt	85,395,684	91,260,956	92,657,290	96,906,077	89,514,065
Restricted	6,875,784	6,929,086	7,280,721	7,047,685	7,917,319
Unrestricted	20,257,056	21,864,845	21,170,279	22,938,329	47,488,067
Total business-type activities net assets	112,528,524	120,064,887	121,108,290	126,892,091	144,919,451
Primary government:					
Invested in capital assets, net of related debt	146,030,064	160,958,394	167,192,586	174,531,633	173,735,372
Restricted	34,108,617	30,008,529	33,088,489	31,611,711	41,102,497
Unrestricted	45,168,285	46,382,558	41,768,796	48,104,709	78,593,948
Total Primary Government Net Assets	\$ 225,306,966	\$ 237,359,481	\$ 242,049,871	\$ 254,248,053	\$ 293,431,817

Table 2

CITY AND BOROUGH OF SITKA, ALASKA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
General Fund:					
Nonspendable	\$ 225	\$ 49,486	\$ 394,229	\$ 1,825,359	\$ 1,657,883
Restricted	522,444	520,742	-	-	-
Committed	9,987,028	7,904,460	7,762,442	8,295,203	8,460,152
Assigned	-	-	-	-	-
Unassigned	3,075,401	5,843,192	8,234,138	4,889,171	4,420,827
Total General Fund	\$ 13,585,098	\$ 14,317,880	\$ 16,390,809	\$ 15,009,733	\$ 14,538,862
All Other Governmental Funds:					
Nonspendable	1,855,781	2,743,313	2,883,234	56,681	69,015
Restricted	29,036,455	28,343,985	25,924,835	26,207,854	24,863,608
Committed	8,933,726	6,727,368	11,544,459	15,111,535	11,404,858
Assigned	3,016,000	2,391,820	2,434,379	2,387,729	3,580,527
Unassigned	(35,725)	(8,870)	(4,686)	(4,785)	(5,167)
Total all other governmental funds	\$ 42,806,237	\$ 40,197,616	\$ 42,782,221	\$ 43,759,014	\$ 39,912,841
	Fiscal Year				
	2007	2008	2009	2010	2011
General Fund:					
Nonspendable	\$ 6,588,483	\$ 5,090,933	\$ 3,903,247	\$ 4,288,190	\$ 3,935,798
Restricted	2,420,946	2,538,050	2,602,648	2,760,462	2,087,478
Committed	355,150	234,876	226,501	229,579	1,205,833
Assigned	-	-	-	-	-
Unassigned	1,260,240	240,185	2,004,500	3,229,470	4,332,784
Total General Fund	\$ 10,624,819	\$ 8,104,044	\$ 8,736,896	\$ 10,507,701	\$ 11,561,893
All other governmental funds:					
Nonspendable	5,104,011	4,382,568	14,160,361	2,721,071	1,758,633
Restricted	26,696,299	24,195,980	20,814,274	24,561,265	43,700,167
Committed	6,607	4,527	4,119	784	312,039
Assigned	6,833,283	8,034,057	6,297,154	13,734,819	2,584,104
Unassigned	-	-	-	-	(52,986)
Total all other governmental funds	\$ 38,640,200	\$ 36,617,132	\$ 41,275,908	\$ 41,017,939	\$ 48,301,957

CITY AND BOROUGH OF SITKA, ALASKA

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
Administration	\$ 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	\$ 2,388,505
Public safety	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	7,788,950
Public works	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	6,341,667
Public services	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	3,222,086
Support	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	10,783,487
Interest on long-term debt	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	1,054,818
Total governmental activities	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	31,579,513
Business-type Activities										
Electric Utility	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	19,484,534
Water Utility	*	*	*	*	*	1,873,635	2,092,017	2,182,462	2,370,055	2,274,676
Waste water treatment	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	3,809,005
Solid waste disposal	2,760,649	2,889,416	2,938,042	3,114,822	3,077,032	3,131,311	3,262,793	3,464,859	3,344,737	3,882,003
Harbor	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	3,318,718
Other nonmajor business-type activities	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	1,467,365
Total business-type Activities	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	34,236,301
Total Primary Government Expenses	\$ 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	\$ 65,815,814
Program Revenues										
Governmental activities										
Charges for services										
Administration	\$ 388,373	\$ 359,330	\$ 836,056	\$ 505,174	\$ 420,194	\$ 713,129	\$ 327,245	\$ 302,118	\$ 377,681	\$ 330,066
Public safety	766,622	544,296	717,543	745,265	737,414	763,278	729,406	1,343,299	1,409,655	1,112,805
Public works	730,674	872,070	838,119	925,240	730,766	855,816	988,231	842,466	1,052,273	1,928,131
Public services	143,906	102,327	112,414	108,340	178,638	248,229	200,883	213,219	252,980	161,542
Operating grants and contributions	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	5,583,311
Capital grants and contributions	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	14,352,444
Total Governmental Activities	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	23,468,299
Business-type Activities										
Charges for services:										
Electric Utility	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	14,251,478
Water Utility	*	*	*	*	*	1,383,411	1,561,830	1,890,385	2,093,200	2,237,501
Waste water treatment	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	3,069,962
Solid waste disposal	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	3,252,472
Harbor	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	2,376,000
Other nonmajor business-type activities	1,371,782	1,324,881	1,178,091	958,986	973,501	934,857	1,259,824	1,389,285	973,890	879,756
Operating grants and contributions	-	-	1,660,737.00	1,201,350	1,490,571	2,322,441	2,411,944	1,157,936	881,120	901,570
Capital grants and contributions	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	6,844,390
Total Business-type Activities	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	33,813,129
Total Primary Government	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	57,281,428
Net Revenue (Expense)										
Governmental activities	(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)	(8,111,214)
Business-type activities	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	(423,172)
Total Primary Government Net Expense	\$ (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	\$ (8,534,386)
General Revenues and Other Changes in Net Assets										
Governmental Activities										
Taxes										
Property taxes	\$ 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	\$ 6,202,972
Sales and other taxes	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	11,712,840
Unrestricted grants and contributions	603,168	1,446,242	1,891,506	427,908	443,682	470,436	480,478	489,792	-	-
Investment earnings	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	(153,969)
Debt principal reimbursement	1,011,500	-	1,193,500	1,252,000	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	113,329
Transfers	679,590	(96,939)	(160,766)	(143,969)	(2,998,672)	(1,316,642)	84,587	14,299	(2,727,192)	(611,438)
Special item - forgiveness of loan receivable	(900,000)	-	-	-	-	-	-	-	-	-
Total Governmental Activities	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	18,515,734
Business-type Activities										
Unrestricted grants and contributions	1,047,332	1,381,806	-	-	-	-	-	1,227,772	1,009,033	879,793
Investment earnings	1,416,362	1,839,653	1,297,612	1,139,012	799,620	1,413,015	469,791	504,428	559,400	1,115,858
Other	317,992	-	457,566	94,457	(169,100)	-	3,672	-	43,664	142,013
Transfers	(679,590)	96,939	160,766	143,969	2,998,672	1,316,642	(84,587)	(14,299)	2,727,192	611,438
Total Business-type Activities	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	2,749,102
Total Primary Government	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	21,264,836
Change in Net Position										
Governmental activities	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	10,404,520
Business-type activities	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	2,325,930
Total Primary Government	\$ 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	\$ 12,730,450

* 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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 15,304,905	\$ 15,661,777	\$ 15,732,689	\$ 14,876,289	\$ 15,019,382	\$ 15,199,048	\$ 15,543,311	\$ 16,351,095	\$ 17,224,562	\$ 17,697,462
State sources	3,941,174	6,147,853	7,828,757	6,700,449	5,095,182	5,807,654	9,207,616	9,384,209	17,218,068	17,218,068
Federal sources	2,415,318	2,292,664	3,241,857	4,313,422	2,505,769	2,251,970	2,132,222	2,560,281	2,813,097	2,813,097
Charges for services	1,661,346	1,454,532	1,546,658	1,682,329	1,633,186	1,711,974	1,839,516	2,029,484	1,733,016	2,748,192
Interfund services	1,949,569	2,174,717	2,393,157	2,219,501	2,380,298	2,659,323	2,693,860	3,584,990	2,870,628	2,870,628
Fines and forfeitures	118,790	139,114	139,373	122,422	138,697	125,112	103,541	97,102	85,245	85,245
Investment income	4,793,289	442,652	(1,601,383)	3,507,550	4,624,136	2,166,885	2,262,808	4,630,602	951,813	953,584
Uses of property	343,041	429,154	936,532	600,545	579,670	834,309	788,961	408,565	226,643	226,643
Licenses and permits	188,510	171,572	140,879	131,963	140,371	223,422	177,221	130,901	203,736	203,736
Other	1,591,912	2,837,459	1,042,588	691,865	514,866	645,879	1,023,994	971,084	314,183	387,895
Total Revenues	32,307,854	31,751,494	31,401,107	34,846,335	32,631,557	31,625,576	35,773,050	40,148,313	43,640,991	45,204,550
Expenditures										
Administration	3,507,680	3,892,275	3,890,049	3,771,014	3,871,834	4,082,610	4,632,192	5,202,321	4,750,036	4,750,036
Public safety	6,472,614	6,410,146	6,329,311	6,412,581	6,427,515	6,402,097	6,552,240	6,688,198	6,969,695	6,969,696
Public works	3,084,784	3,528,597	3,774,964	3,891,905	3,835,904	4,194,363	3,746,518	3,635,207	4,605,859	4,605,859
Public services	1,871,984	1,894,344	1,938,102	1,854,978	1,876,970	2,026,506	1,792,692	1,890,050	1,886,502	2,219,095
Support	8,271,429	7,237,991	7,564,011	7,809,145	7,121,245	6,893,481	6,402,944	7,067,034	7,650,465	7,650,465
Capital outlay	11,854,462	10,380,742	6,244,449	5,807,256	2,845,124	7,710,853	10,112,520	7,086,919	18,956,276	19,139,373
Debt service:										
Principal	1,750,881	1,634,030	1,920,626	1,921,186	1,949,750	2,269,750	2,449,860	2,398,231	2,578,831	2,578,831
Interest and fiscal charges	1,450,987	1,341,498	1,675,888	1,530,218	1,450,183	1,375,318	1,317,335	1,353,487	1,126,007	1,126,007
Total Expenditures	38,264,821	36,319,623	33,337,400	32,998,283	29,378,525	34,954,978	37,006,301	35,321,447	48,523,671	49,039,362
Excess (Deficit) of Revenues Over (Under) Expenditures	(5,956,967)	(4,568,129)	(1,936,293)	1,848,052	3,253,032	(3,329,402)	(1,233,251)	4,826,866	(4,882,680)	(3,834,812)
Other Financing Sources (Uses)										
Proceeds from sale of assets	-	-	-	-	-	-	-	-	22,334	22,334
Issuance of bonds - par	6,775,000	195,000	7,150,000	-	5,690,000	12,755,000	-	-	-	-
Issuance of bonds - premium	318,030	-	121,482	-	30,239	2,074,582	-	-	-	-
Payment to refund bonds	(7,004,528)	-	-	-	-	(14,829,582)	-	-	-	-
Note Receivable forgiven	(900,000)	-	-	-	-	-	-	-	-	-
Transfers in	5,504,284	7,053,257	10,510,579	3,083,574	4,232,927	4,037,358	6,021,580	3,165,070	5,827,239	7,685,336
Transfers out	(5,074,807)	(7,223,972)	(10,554,140)	(3,418,790)	(4,867,988)	(4,180,470)	(6,184,461)	(3,333,862)	(5,969,342)	(8,189,902)
Net Other Financing Sources (Uses)	(382,021)	24,285	7,227,921	(335,216)	5,085,178	(143,112)	(162,881)	(168,792)	(119,769)	(482,232)
Net change in fund balances	\$ (6,338,988)	\$ (4,543,844)	\$ 5,291,628	\$ 1,512,836	\$ 8,338,210	\$ (3,472,514)	\$ (1,396,132)	\$ 4,658,074	\$ (5,002,449)	\$ (4,317,044)
Debt service as a percentage of noncapital expenditures	12.1%	11.5%	13.3%	12.7%	12.8%	13.4%	14.0%	13.3%	9.7%	9.6%

Table 5

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
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%
2016	682,904,400	292,673,300	60,709,500	77,348,300	1,113,635,500	0.006	1,245,005,400	89.45%

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)
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
2016	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		Total
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
2016		6,202,972		10,531,237		472,900		17,207,109

Table 8

CITY AND BOROUGH OF SITKA, ALASKA

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Silver Bay Seafoods, Inc.	\$ 13,648,800	1	1.23%			
ACS of the Northland	4,427,700	2	0.40%	\$ 4,362,121	7	0.49%
North Pacific Seafoods	4,211,700	3	0.38%	9,323,224	1	1.06%
Seafood Producers Cooperative	3,312,400	4	0.30%	7,155,784	4	0.81%
GCI Communications	2,692,100	5	0.24%			
AT&T Alascom	2,086,100	6	0.19%			
Alaska Airlines	1,964,168	7	0.18%			
Scojo LLC	1,820,180	8	0.16%			
Aggregate Construction	1,714,500	9	0.15%			
Sitka Ready-Mix & Rental Equipment	1,537,500	10	0.14%			
Harbor Enterprised dba Petro Marine Services				7,616,859	2	0.86%
Hames Corporation				7,351,081	3	0.83%
Yoo Jin Lodging				6,040,949	5	0.68%
Lakeside Corporation				5,285,478	6	0.60%
Shee Atika Incorporation				4,288,713	8	0.49%
Harang				3,212,500	9	0.36%
Brown Apts LLC				289,150	10	0.33%
Totals	<u>\$ 37,415,148</u>		<u>3.36%</u>	<u>\$ 54,925,859</u>		<u>6.51%</u>

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		
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	64,826	5,958,278	100.00%
2014	5,901,738	5,842,721	99%	38,488	5,881,209	99.65%
2015	6,283,300	6,146,746	98%	29,616	6,176,362	98.30%
2016	6,194,742	6,145,132	99%	-	6,145,132	99.20%

CITY AND BOROUGH OF SITKA, ALASKA

Sales Tax Receipts by Industry
Last Ten Fiscal Years

Industry	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture, Forestry and Fishing	\$ 32,745	\$ 33,824	\$ 32,933	\$ 28,445	\$ 23,758	\$ 23,626	\$ 23,634	\$ 20,094	\$ 18,137	\$ 19,297
Construction	128,486	136,086	109,853	109,913	112,806	130,943	166,960	221,446	201,145	205,887
Manufacturing	243,432	259,072	288,990	264,131	332,598	318,827	346,702	213,104	233,094	249,378
Transportation & Public Utilities	841,748	908,367	923,834	773,276	747,953	681,166	692,582	675,327	680,790	657,369
Wholesale Trade	69,288	63,264	64,048	62,336	68,586	61,743	57,666	53,877	54,145	70,273
Retail Trade	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	5,539,053
Finance, Insurance & Real Estate	655,800	327,109	325,422	318,426	247,223	252,158	297,556	307,149	325,567	378,274
Services	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	2,173,224
Government - Local	644,416	659,584	591,821	595,154	543,385	722,471	762,558	895,003	789,630	930,599
Total Sales Tax Receipts	\$ 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	\$ 10,223,354

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture, Forestry and Fishing	\$ 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	\$ 3,535,452
Construction	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	100,767,547
Manufacturing	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	11,546,457
Transportation & Public Utilities	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	17,792,868
Wholesale Trade	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	20,867,486
Retail Trade	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	137,741,065
Finance, Insurance & Real Estate	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	17,877,973
Services	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	78,410,397
Government - Local	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	39,544,915
Total Gross Sales	\$ 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	\$ 428,084,160

Table 11

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		Special		Revenue Bonds	Special						
	Obligation Bonds	Notes Payable	Assessment Bonds	Capital Leases		Notes Payable	Assessment Bonds	Capital Leases				
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	
2016	23,435,000	347,676	-	-	121,120,000	23,846,352	-	-	168,749,028	29.30%	18,785	

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
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%	2,579
2016	23,435,000	2,448,740	20,986,260	1.88%	2,353

CITY AND BOROUGH OF SITKA, ALASKA
Direct and Overlapping Governmental Activities Debt
Legal Debt Margin Information
As of June 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping debt	\$ -	0%	\$ -
City and Borough of Sitka, Alaska	23,435,000	100%	23,435,000
Total direct and overlapping debt	\$ 23,435,000		\$ 23,435,000

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.

Table 14

CITY AND BOROUGH OF SITKA, ALASKA

Pledged Revenue Coverage
Last Ten Fiscal Years

Electric and Water Revenue Bonds and Revenue Notes										
Fiscal Year	Electric and Water Revenue	Electric Revenue	Transfers From Rate Stabilization Fund	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest Paid	Interest Subsidies	Total	Coverage
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	-	12,253,636	-	7,919,275	4,334,361	1,394,689	2,337,567	(615,829)	3,116,427	1.37
2013	-	12,569,950	-	6,739,139	5,830,811	1,770,000	2,296,332	(616,507)	3,449,825	1.55
2014	-	15,283,017	-	8,538,616	6,744,401	1,845,000	3,781,252	(581,094)	5,045,158	1.10
2015	-	16,078,019	2,006,696	9,028,272	9,056,443	1,915,000	5,815,392	(571,533)	7,158,859	1.27
2016	-	14,868,306	2,881,000	8,287,025	9,462,281	1,955,000	5,958,317	(574,328)	7,338,989	1.29

Harbor Revenue Bonds										
Fiscal Year	Harbor Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest Paid	Interest Subsidies	Total	Coverage		
2014	\$ 3,860,198	\$ 2,454,160	\$ 1,406,038	\$ 115,000	\$ 157,728	\$ -	\$ 272,728	5.16		
2015	3,819,584	2,170,161	1,649,423	135,000	175,700	-	310,700	5.31		
2016	3,538,828	1,994,660	1,544,168	140,000	170,300	-	310,300	4.98		

Coverage ratios are computed according to formulas in revenue bond ordinances

Revenue includes all operating and nonoperating revenues.

Expenses includes all operating expenses excluding depreciation

Interest paid is actual interest paid, not interest expense

All outstanding electric and water revenue bonds were refinanced in 2011, and refinanced bonds no longer include water revenues as pledged revenues

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
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%
2016	8,920	568,309	64,122	1,276	3.9%

source: BEA.gov; Sitka Trends

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	41	41	41	43	29	29	28	42	37	36
Public Safety:										
Police	36	36	36	32	33	33	33	28	33	32
Fire and Ambulance	10	10	10	10	10	10	10	10	10	10
Public Works	11	11	11	13	25	25	25	19	20	20
Public Services:										
Library	7	7	7	7	7	7	7	12	7	7
Centennial Building	4	4	4	4	4	4	4	4	4	4
Electric	23	23	23	24	25	25	27	28	26	26
Water	4	4	4	4	5	5	5	3	3	3
Waste Water Treatment	7	7	7	7	6	6	6	8	10	10
Solid Waste Disposal	1	2	2	2	2	2	2	2	2	-
Harbor	8	8	9	9	9	9	9	10	9	9
Sawmill Cove Industrial Park	1	1	-	-	1	1	-	1	-	-
Totals	153	154	154	155	156	156	156	167	161	157

CITY AND BOROUGH OF SITKA, ALASKA

Average Number of Electrical Customers Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Harbor	Public Authority	Other	Total
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	3,332	595	724	196	21	4,868
2015	4,057	658	1,006	205	20	5,946
2016	4,638	688	1,202	205	22	6,755

KwH Sold by Class Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Harbor	Public Authority	Gary Paxton Industrial Park	Total
2007	\$ 45,057,318	\$ 30,940,454	\$ 3,137,092	\$ 25,152,588	N/A	\$ 104,287,452
2008	46,400,989	32,008,120	3,686,525	23,711,772	N/A	105,807,406
2009	49,925,862	31,421,023	4,221,524	24,550,555	N/A	110,118,964
2010	46,775,688	30,932,153	3,446,996	22,554,209	N/A	103,709,046
2011	47,901,502	30,486,914	3,619,949	24,636,619	5,150,360	111,797,355
2012	47,583,037	32,013,255	3,214,648	22,778,544	5,460,139	111,051,635
2013	47,628,760	32,043,016	3,217,737	22,800,432	5,465,385	111,157,343
2014	38,457,760	15,826,254	1,901,323	21,132,737	22,098,177	99,416,252
2015	42,757,624	16,017,947	2,638,209	21,007,870	23,317,701	105,739,350
2016	41,849,249	16,369,107	2,495,102	19,788,270	21,335,395	101,837,123

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