

City and Borough of Sitka, Alaska

Comprehensive Annual Financial Report

For the Year Ended June 30, 2017

Prepared by

John P. Sweeney III
Chief Financial and Administrative Officer

Melissa Haley
Controller

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City and Borough of Sitka, Alaska

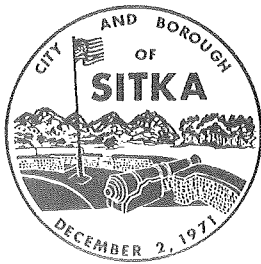
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City and Borough of Sitka

100 Lincoln Street Sitka, Alaska 99835

Coast Guard City, USA

January 31, 2017

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

The Assembly of the City and Borough of Sitka has elected to issue each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that request, we hereby issue the comprehensive annual financial report of the City and Borough of Sitka, Alaska for the fiscal year ended June 30, 2017.

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

The City and Borough of Sitka's financial statements have been audited by BDO USA, LLP, a global accounting network of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City and Borough of Sitka for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that they will render an unqualified opinion on the City and Borough of Sitka's financial statements for the fiscal year ended June 30, 2017. The independent auditor's report is presented as the first component of the financial section of this report.

Providing for today ... preparing for tomorrow

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

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

Profile of Government

The City and Borough of Sitka, incorporated in 1971, is located on Baranof and Chicagof Islands which are located along the Inside Passage in Southeast Alaska. Sitka is situated on the west coast of Baranof Island, contained within the largest temperate rain forest in the world. Most of this rain forest is part of the Tongass National Forest. The City and Borough of Sitka currently occupies a land area of 2,894 square miles, a water area of 1,816 square miles and serves a population of 8,952. The City and Borough of Sitka is empowered to levy a property tax on both real and personal properties located within its boundaries. The City and Borough of Sitka also levies a sales tax on sales within the City and Borough, a transient room tax, and an excise tax on tobacco product sales within the City and Borough.

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

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

The annual budget serves as the foundation for the City and Borough of Sitka's financial planning and control. All departments of the City and Borough of Sitka are required to submit requests for appropriation to the Budget Officer on or before the end of each calendar year. The Budget Officer compiles and presents the draft budget to the Administrator on or before the 15th of March. The Administrator then presents this proposed budget to the Assembly for review on or before the 15th of April. As set forth in the Home Rule Charter of the City and Borough of Sitka for budget performance, the following dates outline the Charter's requirements: (1) not later than 60 days before the end of the current fiscal year, the Administrator shall submit to the Assembly a budget for the following fiscal year, a capital improvements program and an accompanying explanatory message of both; (2) not later than 15 days before the end of the current fiscal year, a public hearing shall be held on the budget and capital improvements program; (3) the Assembly by ordinance shall adopt a budget (for the next fiscal year) not later than 10 days before the end of the current fiscal year. The appropriated budget is prepared by fund and department (e.g., police). The Administrator may make transfers of appropriations within a department, with the exception of line items for salary and benefits, travel and training, and capital assets. Assembly approval is needed for the above three line items within each department's budget. Transfers of appropriations between departments and/or funds, however, require the approval of the Assembly. Budget-to-actual comparisons are provided in this report for the General Fund for which an appropriated annual budget has been adopted. The General Fund's comparison is presented starting on page 74 as part of the basic financial statements for the governmental funds.

Factors Affecting Financial Condition

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

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

The estimated population for the City and Borough is 8,830. Sales tax collections have increased by 5.3% over last fiscal year, transient room taxes have increased by 6.5%, and excise taxes on tobacco have increased by 79%. Increases in tax receipts have allowed the Municipality to continue to offer the same level of services to its citizens and keep pace with inflation.

Long-term financial planning. The City and Borough engages in comprehensive long-range fiscal planning for general governmental activities as well as business-type enterprises. The Municipality annually updates a fiscal plan for each business-type enterprise which models cash flows from operations, working capital, long-term debt, and capital expenditures for a minimum 10-year period. These fiscal plans are the basis for recommendations to the Assembly for user fee increases in the various business-type enterprises.

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

The City and Borough of Sitka utilizes professional investment management services in the management of its investment portfolios. The external investment manager adheres to a codified investment policy which sets forth authorized investment types, restrictions on investment credit quality, and other standard safeguards in order to achieve a reasonable rate of return with minimal risk of loss. The City and Borough also has an independent Investment Advisory Committee which reviews the investment portfolios and investment return on a quarterly basis.

Risk management. During FY2017, the Municipality continued a limited risk management program for workers' compensation. Various controls techniques, including employee accident prevention training, have been implemented during the year to minimize accident-related losses. Third-party coverage is currently maintained for individual workers' compensation claims and other potential losses.

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

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

Additional information on pension arrangements and postemployment benefits can be found starting on page 61 in the notes to the financial statements.

Acknowledgments

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

Respectfully submitted,



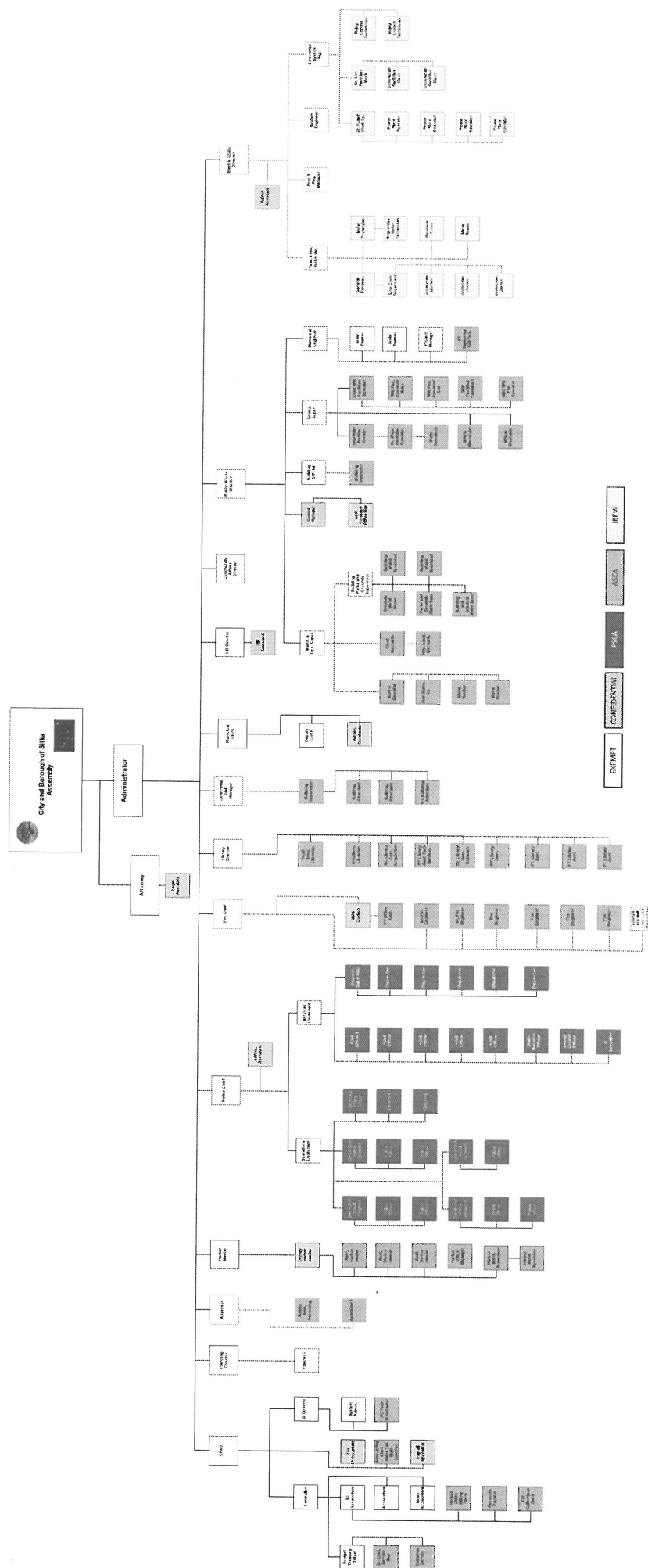
John P "Jay" Sweeney III
Finance Director

City and Borough of Sitka, Alaska

Elected Officials

June 30, 2017

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
Phillip Messina	Interim Municipal Administrator





Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

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, 2017, and the related notes to the financial statements, which collectively comprise the City and 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 67 percent of the assets and deferred outflows of resources, and 53 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 16, the budgetary comparison information on pages 69 through 73, and the Schedules of the Borough's information of Net Pension Liability and Pension Contributions on pages 74 and 75 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 February 27, 2018 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 the effectiveness of the City and Borough of Sitka's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City and Borough of Sitka's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
February 27, 2018

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Management's Discussion and Analysis

City and Borough of Sitka, Alaska
Management's Discussion and Analysis
June 30, 2017

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, 2017. 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 page II of this report.

Financial Highlights

- The assets and deferred outflows of resources of the Municipality exceeded its liabilities and deferred inflows of resources at the close of the most recent year by **\$367.7** million. Of this amount, **\$44.6** 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 **\$4.0** million. Committed funds of **\$9.2** 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 **17%** of General Fund expenditures. This increases to **55%** when 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, increases 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

City and Borough of Sitka, Alaska
Management's Discussion and Analysis
June 30, 2017

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.

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 **18 - 19** 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 19 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, and Capital Projects Fund. The other 16 governmental funds are combined and shown as Nonmajor Governmental Funds on the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. Individual fund information for the 16 nonmajor funds is presented in the Combining Balance Sheet, Nonmajor Governmental Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balance, Nonmajor Governmental 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 to account for commercial activity within its harbors, airport terminal building, marine service center (for cold storage), and 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 the activities of its management information

City and Borough of Sitka, Alaska
Management's Discussion and Analysis
June 30, 2017

systems (MIS), central garage, and building maintenance services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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, Solid Waste Disposal, and Gary Paxton Industrial Park Funds, which are considered to be major funds of the Municipality. The remaining five enterprise funds are combined and shown as Nonmajor Enterprise Funds on the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for Proprietary Funds. The basic proprietary fund financial statements can be found on pages **24 - 28**.

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 **29 - 30** 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 **31 - 66** 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 **84**.

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 **\$367.7** million at June 30, 2017 compared to **\$370.6** million at June 30, 2016. By far the largest portion of the Municipality's net position of **\$367.7** million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, etc.) less any related debt used to acquire those assets that is still outstanding. The Municipality uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Municipality's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

City and Borough of Sitka, Alaska
Management's Discussion and Analysis
June 30, 2017

Net Position						
June 30, 2017 and 2016						
(in millions)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 60.0	\$ 63.2	\$ 50.6	\$ 50.0	\$ 110.6	\$ 113.2
Capital Assets	137.2	135.6	320.3	323.1	457.5	458.7
Total assets	197.2	198.8	370.9	373.1	568.1	571.9
Deferred outflows	4.4	2.8	3.9	3.2	8.3	6.0
Total assets and deferred outflows	\$ 201.6	\$ 201.6	\$ 374.8	\$ 376.3	\$ 576.4	\$ 577.9
Long-term debt outstanding	\$ 39.1	\$ 37.4	\$ 161.8	\$ 160.9	\$ 200.9	\$ 198.3
Other liabilities	3.2	4.1	4.3	4.6	7.5	8.7
Total liabilities	42.3	41.5	166.1	165.5	208.4	207.0
Deferred inflows	0.2	0.2	0.1	0.1	0.3	0.3
Total liabilities and deferred inflows	\$ 42.5	\$ 41.7	\$ 166.2	\$ 165.6	\$ 208.7	\$ 207.3
Net position:						
Net investment in capital assets	\$ 115.4	\$ 111.1	\$ 170.0	\$ 171.2	\$ 285.4	\$ 282.3
Restricted	27.1	27.5	10.6	10.5	37.7	38.0
Unrestricted	16.6	21.3	28.0	29.0	44.6	50.3
Total net position	\$ 159.1	\$ 159.9	\$ 208.6	\$ 210.7	\$ 367.7	\$ 370.6

Governmental Activities

Governmental activities decreased the Municipality's net position by \$0.8 million. Key elements of this decrease are listed below:

- Net pension liability increased by \$4.5 million, due to an increase in unfunded pension liability.
- General governmental debt declined by \$2.7 million, due to the retirement of debt principal.
- Accounts payable and accrued liabilities decreased by \$0.7 million.

The net position for the Municipality's governmental activities is \$159.1 million, a decrease of \$0.8 million. A substantial portion (73%) of the net position is invested in capital assets – an increase of \$4.3 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 was \$16.6 million as of June 30, 2017. The largest portion of the restricted net position is for the Permanent Fund (\$22.5 million).

Business-type activities

Business-type activities decreased the Municipality's net position by \$2.1 million. This compares to an increase of \$2.3 million for the year ended June 30, 2016. Key elements are listed below:

City and Borough of Sitka, Alaska
Management's Discussion and Analysis
June 30, 2017

- Net capital assets decreased by \$2.8 million due to depreciation expense exceeding the value of new capital assets placed in service
- Long-term debt outstanding increased by \$0.9 due to new loans from the State of Alaska in amounts exceeding the amount of long-term debt principal retired.

The net position for the Municipality's business-type activities is \$208.6 million, a decrease of \$2.1 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 \$28.0 million as of June 30, 2017.

Changes in Net Position
For Fiscal Years Ending June 30, 2017 and 2016
(in millions)

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2.7	\$ 3.5	\$ 28.5	\$ 26.1	\$ 31.2	\$ 29.6
Operating grants and contributions	3.8	5.6	0.7	0.9	4.5	6.5
Capital grants and contributions	6.2	14.4	5.2	6.8	11.4	21.2
General revenues:						
Property tax	6.5	6.2	-	-	6.5	6.2
Sales and other taxes	12.8	11.7	-	-	12.8	11.7
Grants and contributions not restricted to specific programs	-	-	1.0	0.9	1.0	0.9
Unrestricted investment						
Earnings (loss)	2.2	1.1	(0.1)	1.1	2.1	2.2
Other	-	0.1	0.3	0.1	0.3	0.2
Total revenues	34.2	42.6	35.6	35.9	69.8	78.5

City and Borough of Sitka, Alaska
Management's Discussion and Analysis
June 30, 2017

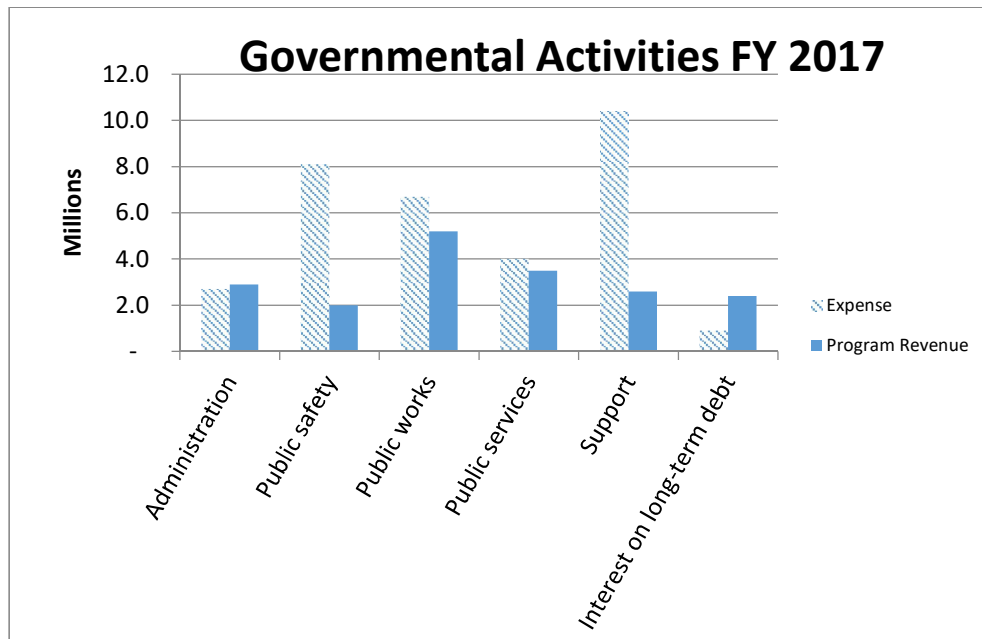
Changes in Net Position, continued
For Fiscal Years Ending June 30, 2017 and 2016
(in millions)

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Expenses:						
Administration	2.7	2.4	-	-	2.7	2.4
Public safety	\$ 8.1	\$ 7.8	\$ -	\$ -	\$ 8.1	\$ 7.8
Public works	6.7	6.3	-	-	6.7	6.3
Public services	4.0	3.2	-	-	4.0	3.2
Support	10.4	10.8	-	-	10.4	10.8
Interest on long-term debt	0.9	1.1	-	-	0.9	1.1
Electric	-	-	24.1	19.5	24.1	19.5
Solid waste disposal	-	-	4.5	3.9	4.5	3.9
Gary Paxton Industrial Park	-	-	0.6	3.3	0.6	3.3
Nonmajor business-type	-	-	10.8	1.4	10.8	1.4
Total expenses	32.8	31.6	40.0	34.2	72.8	59.7
 Increase (decrease) in net position before transfers	 1.4	 11.0	 (4.4)	 1.7	 (3.0)	 12.7
Transfers in (out)	(2.3)	(0.6)	2.3	0.6	-	-
Increase (decrease) in net position	(0.9)	10.4	(2.1)	2.3	(3.0)	12.7
 Net position, beginning of year	 160.0	 149.6	 210.7	 208.4	 370.7	 358.0
 Net position, end of year	 159.1	 160.0	 208.6	 210.7	 367.7	 370.7

Expenses and Program Revenues – Governmental Activities

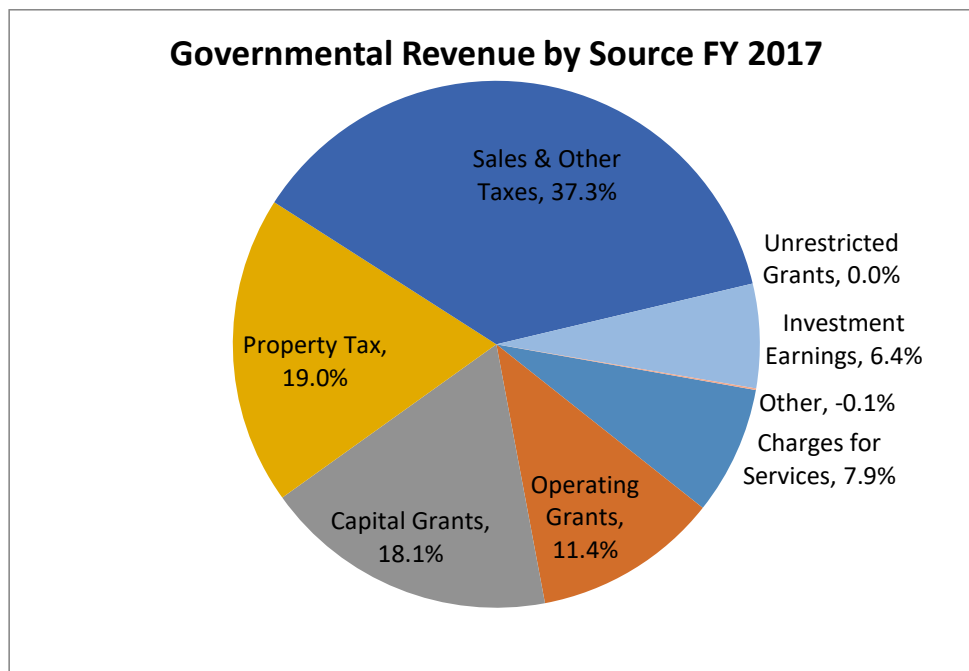
The graph shown below compares program expenses with associated revenues. It should be noted that revenue generated through sales, bed, and property taxes are considered general revenues and are therefore not included on this graph.

City and Borough of Sitka, Alaska
Management's Discussion and Analysis
June 30, 2017



Revenues by Source – Governmental Activities

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



City and Borough of Sitka, Alaska
Management's Discussion and Analysis
June 30, 2017

Financial Analysis of the Government's Funds

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

Governmental funds

The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Municipality's financing requirements. In particular, unassigned 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 \$51.9 million, a decrease of \$2.5 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 (\$1.0, \$25.1, \$18.5, and \$3.3 million respectively). The remainder of fund balance is unassigned (\$4.0 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 \$14.2 million and unassigned fund balance was \$4.0 million. Total fund balance decreased by \$0.4 million from the prior year. Key factors include:

- A decrease of (\$0.4M) in investment income due to mark-to-market adjustments.

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 \$28.4 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 Home Rule Charter, encumbered operating 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. The amount of these encumbered operating appropriations was \$219,205.
- Per the Sitka Home Rule Charter, the Assembly of the City and Borough may make supplemental appropriations by budget ordinance to authorize expenditures of public funds for purposes not anticipated in the original budget, and, may reduce any appropriation except for debt service. During the fiscal year, General Fund appropriations were reduced by the net amount of \$652,432.

City and Borough of Sitka, Alaska
Management's Discussion and Analysis
June 30, 2017

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 \$457.5 million (net of accumulated depreciation), a decrease of \$1.3 million from the prior year. This investment in capital assets includes land, buildings, machinery and equipment, roads and infrastructure.

Capital Assets
June 30, 2017 and 2016
(in millions, net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 16.3	\$ 16.4	\$ 16.3	\$ 15.8	\$ 32.6	\$ 32.2
Buildings	84.7	65.3	14.5	6.6	99.2	71.9
Equipment	5.2	5	2.2	19.	7.4	6.9
Infrastructure	29.7	28.6	-	-	29.7	28.6
Electric plant	-	-	221.5	224.1	221.5	224.1
Water plant	-	-	19.6	19	19.6	19
Wastewater treatment plant	-	-	14.9	15.4	14.9	15.4
Harbors	-	-	23.8	19.8	23.8	19.8
Construction in progress	1.3	20.4	7.5	20.5	8.8	40.9
Total capital assets	\$ 137.2	\$ 135.7	\$ 320.3	\$ 323.1	\$ 457.5	\$ 458.8

Major additions to capital assets during the current fiscal year included the following:

- Partial construction of a new dock at the Gary Paxton Industrial Park
- Partial completion of two wastewater lift stations
- Improvements to Blue Lake Dam and Green Lake Dam

Additional information on the Municipality's capital assets can be found in Note 5 beginning on page 47 of this report.

Long-term debt

At the end of the current fiscal year, the Municipality had total debt outstanding of \$200.9 million. Of this amount \$20.7 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.

City and Borough of Sitka, Alaska
Management's Discussion and Analysis
June 30, 2017

Outstanding Debt
June 30, 2017 and 2016
(in millions)

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 20.7	\$ 23.4	\$ -	\$ -	\$ 20.7	\$ 23.4
Revenue bonds	-	-	118.9	121.1	118.9	121.1
Revenue notes	-	-	7.0	7.4	7.0	7.4
Net pension liability	15.9	11.4	9.0	6.2	24.9	17.6
Other debt	2.5	2.6	26.9	26.2	29.4	28.8
Total outstanding debt	\$ 39.1	\$ 37.4	\$ 161.8	\$ 160.9	\$ 200.9	\$ 198.3

Additional information on the Municipality's long-term debt can be found in Note 7 beginning on page 51 of this report.

Economic Factors and the Next Year's Budget and Rates

In setting the budgets for FY2018, 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 FY2018.

City and Borough of Sitka, Alaska
Management's Discussion and Analysis
June 30, 2017

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, 2017

	Primary Government			Sitka School District	Sitka Community Hospital
	Governmental Activities	Business-Type Activities	Total		
Assets and Deferred Outflows of Resources					
Assets					
Equity in central treasury	\$ 22,862,570	\$ 33,216,861	\$ 56,079,431	\$ -	\$ -
Cash and Investments	-	-	-	3,038,066	3,425,560
Receivables (net of allowance):	5,235,445	6,217,321	11,452,766	1,106,282	2,957,230
Internal balances	1,882,402	(1,882,402)	-	-	-
Inventories	-	1,660,966	1,660,966	-	392,419
Prepaid items	2,218	26,084	28,302	5,696	98,052
Notes receivable (net of allowance)	1,570,066	105,196	1,675,262	-	-
Special assessments receivable	29,606	67,736	97,342	-	-
Water rights	-	46,966	46,966	-	-
Restricted assets:					
Equity in central treasury	4,408,077	565,741	4,973,818	-	-
Bond covenant accounts	-	10,583,555	10,583,555	-	-
Cash and investments	23,863,638	-	23,863,638	-	137,135
Interest receivable	89,798	-	89,798	-	-
Capital assets not being depreciated	12,565,098	12,120,238	24,685,336	-	4,112,492
Other capital assets, net of depreciation	124,656,787	308,172,142	432,828,929	345,646	-
Total Assets	197,165,705	370,900,404	568,066,109	4,495,690	11,122,888
Deferred Outflows of Resources					
Deferred charge on refunding	729,488	1,784,104	2,513,592	-	-
Deferred outflows related to pensions	3,712,327	2,102,204	5,814,531	4,136,759	6,189,360
Total Deferred Outflows of Resources	4,441,815	3,886,308	8,328,123	4,136,759	6,189,360
Total Assets and Deferred Outflows of Resources	\$ 201,607,520	\$ 374,786,712	\$ 576,394,232	\$ 8,632,449	\$ 17,312,248
Liabilities, Deferred Inflows of Resources and Net Position					
Liabilities					
Accounts payable and accrued liabilities	\$ 3,026,609	\$ 1,668,308	\$ 4,694,917	\$ 993,226	\$ 1,922,334
Unearned revenue	1,789	-	1,789	49,875	-
Accrued interest payable	217,003	2,453,195	2,670,198	-	-
Liabilities payable from restricted assets	-	138,644	138,644	-	-
Noncurrent liabilities					
Due within one year:					
Bonds and notes	2,802,310	3,439,251	6,241,561	-	624,414
Lease	-	-	-	23,222	78,889
Compensated absences	606,874	358,015	964,889	7,000	801,445
Due in more than one year:					
Bonds and notes	18,269,055	139,952,137	158,221,192	-	273,328
Unamortized bond premium	1,474,467	8,633,243	10,107,710	-	-
Compensated absences	-	-	-	148,997	-
Net pension liability	15,939,132	9,025,958	24,965,090	18,842,744	24,266,482
Landfill post-closure liability	-	427,197	427,197	-	-
Total Liabilities	42,337,239	166,095,948	208,433,187	20,065,064	27,966,892
Deferred Inflows of Resources					
Property taxes paid in advance	22,545	-	22,545	-	-
Deferred inflows related to pensions	177,668	100,610	278,278	230,817	270,491
Total Deferred Inflows of Resources	200,213	100,610	300,823	230,817	270,491
Net Position					
Net investment in capital assets	115,405,541	170,051,853	285,457,394	345,646	3,760,275
Restricted for:					
Permanent Fund	22,544,701	-	22,544,701	-	-
Capital projects	4,522,754	-	4,522,754	-	-
Debt service	5	10,583,555	10,583,560	-	-
Sitka School District	-	-	-	89,693	-
Medical services	-	-	-	-	82,899
Unrestricted (deficit)	16,597,069	27,954,746	44,551,815	(12,098,771)	(14,768,309)
Total Net Position (Deficit)	159,070,070	208,590,154	367,660,224	(11,663,432)	(10,925,135)
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)					
	\$ 201,607,522	\$ 374,786,712	\$ 576,394,234	\$ 8,632,449	\$ 17,312,248

City and Borough of Sitka, Alaska

Statement of Activities

Year Ended June 30, 2017	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 & Contributions	Governmental Activities	Business-type Activities	Total	Sitka School District Sitka Community Hospital
Primary Government								
Governmental Activities								
Administration	\$ 2,715,895	\$ 595,703	\$ 1,441,411	\$ -	\$ (678,781)	\$ -	\$ (678,781)	
Public safety	8,094,840	1,052,231	355,623	-	(6,686,986)	-	(6,686,986)	
Public works	6,722,139	908,526	67,889	1,585,304	(4,160,420)	-	(4,160,420)	
Public services	3,996,515	104,567	34,949	4,418,471	561,472	-	561,472	
Support	10,392,966	3,240	-	212,458	(10,177,268)	-	(10,177,268)	
Interest on long-term debt	809,906	-	1,953,494	-	1,143,588	-	1,143,588	
Total Governmental Activities	32,732,261	2,664,267	3,853,366	6,216,233	(19,998,395)	-	(19,998,395)	
Business-type Activities								
Electric	24,097,768	15,846,375	674,467	140,674	-	(7,436,252)	(7,436,252)	
Water	2,577,678	2,279,025	8,354	962,092	-	671,793	671,793	
Wastewater treatment	3,754,464	3,093,130	27,155	118,807	-	(515,372)	(515,372)	
Solid waste disposal	4,519,678	4,013,653	-	-	-	(506,025)	(506,025)	
Harbor	3,829,041	2,474,704	17,519	19,418	-	(1,317,400)	(1,317,400)	
Airport	517,761	418,148	-	-	-	(99,613)	(99,613)	
Marine Service Center	103,917	242,855	-	-	-	138,938	138,938	
Gary Paxton Industrial Park	599,704	169,843	-	3,943,529	-	3,513,668	3,513,668	
Total Business-type Activities	40,000,011	28,537,733	727,495	5,184,520	-	(5,550,263)	(5,550,263)	
Total Primary Government	\$ 72,732,272	\$ 31,202,000	\$ 4,580,861	\$ 11,400,753	\$ (19,998,395)	\$ (5,550,263)	\$ (25,548,658)	
Component Units								
Sitka School District	\$ 29,874,819	\$ 519,550	\$ 5,707,638	\$ -			\$ (23,647,631)	\$ -
Sitka Community Hospital	34,324,865	26,796,400	1,791,914	-			-	(5,736,551)
Total Component Units	\$ 64,199,684	\$ 27,315,950	\$ 7,499,552	\$ -			(23,647,631)	(5,736,551)
General Revenues								
Taxes:								
Property					6,454,150	-	6,454,150	-
Sales					11,590,934	-	11,590,934	-
Commercial passenger excise tax					309,510	-	309,510	-
Tobacco tax					879,157	-	879,157	-
Contributions from primary government					-	-	-	6,183,762
Grants and entitlements not restricted to specific purpose					-	953,324	953,324	13,476,749
Investment income					2,186,968	(120,678)	2,066,290	-
Other					14	330,561	330,575	195,021
Transfers					(2,260,336)	2,260,336	-	-
Total General Revenues and Transfers					19,160,397	3,423,543	22,583,940	19,855,532
Change in Net Position					(837,998)	(2,126,720)	(2,964,718)	(3,792,099)
Net Position (Deficit), beginning					159,908,068	210,716,874	370,624,942	(7,871,333)
Net Position (Deficit), ending					\$ 159,070,070	\$ 208,590,154	\$ 367,660,224	\$ (11,663,432)

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, 2017</i>					
Assets					
Equity in central treasury	\$ 10,287,559	\$ -	\$ -	\$ 7,441,152	\$ 17,728,711
Receivables:					
Accounts	1,236,419	-	-	-	1,236,419
Taxes	2,947,740	-	-	288,449	3,236,189
Allowance for uncollectables	(909,027)	-	-	-	(909,027)
Interest	268,705	-	-	-	268,705
Special assessments	-	-	-	29,606	29,606
Federal and State of Alaska	160,283	-	893,004	347,915	1,401,202
Other	-	-	-	1,957	1,957
Due from other funds	1,339,602	-	-	-	1,339,602
Advances to other funds	200,000	-	-	451,057	651,057
Prepaid items	1,134	-	-	5	1,139
Notes receivable	624,414	-	-	1,583,162	2,207,576
Allowance for uncollectable notes	-	-	-	(637,510)	(637,510)
Restricted assets:					
Equity in central treasury	-	-	4,408,077	-	4,408,077
Cash and investments	-	23,863,638	-	-	23,863,638
Interest receivable	-	89,798	-	-	89,798
Total Assets	\$ 16,156,829	\$ 23,953,436	\$ 5,301,081	\$ 9,505,793	\$ 54,917,139
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 590,321	\$ 4,188	\$ 778,327	\$ 68,980	\$ 1,441,816
Accrued payroll	1,138,623	-	-	-	1,138,623
Deposits payable	29,827	-	-	-	29,827
Due to other funds	-	28,647	-	119,372	148,019
Advances from other funds	200,575	-	-	-	200,575
Unearned revenue	1,789	-	-	-	1,789
Total Liabilities	1,961,135	32,835	778,327	188,352	2,960,649
Deferred Inflows of Resources					
Deferred assessments	-	-	-	29,606	29,606
Property taxes paid in advance	22,545	-	-	-	22,545
Total Deferred Inflows of Resources	22,545	-	-	29,606	52,151
Fund Balances					
Nonspendable	988,403	-	-	5	988,408
Restricted	-	22,544,701	-	2,596,861	25,141,562
Committed	9,206,808	1,375,900	4,522,754	3,351,331	18,456,793
Assigned	-	-	-	3,344,825	3,344,825
Unassigned (deficit)	3,977,938	-	-	(5,187)	3,972,751
Total Fund Balances	14,173,149	23,920,601	4,522,754	9,287,835	51,904,339
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 16,156,829	\$ 23,953,436	\$ 5,301,081	\$ 9,505,793	\$ 54,917,139

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, 2017

	Governmental Funds	Internal Service Funds	
Total fund balances for governmental funds			\$ 51,904,339
Total net position reported for governmental activities in the Statement of Net Position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of:			
Land	\$ 11,230,911	\$ -	
Construction in progress	1,334,187	-	
Total capital assets not being depreciated	<u>12,565,098</u>	<u>-</u>	
Buildings	139,170,264	1,375,398	
Land improvements	6,524,109	24,275	
Infrastructure	48,612,063	32,459	
Equipment	5,818,395	10,153,788	
Accumulated depreciation	<u>(80,184,506)</u>	<u>(6,869,458)</u>	
Total depreciable capital assets, net of depreciation	<u>119,940,325</u>	<u>4,716,462</u>	137,221,885
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.			29,606
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.			729,488
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	(21,071,365)	-	
Unamortized bond premium	(1,474,467)	-	
Net pension liability	(14,690,616)	(1,248,515)	
Accrued interest payable	(217,003)	-	
Compensated absences	<u>(568,920)</u>	<u>(37,954)</u>	
Total long term liabilities	<u>(38,022,371)</u>	<u>(1,286,469)</u>	(39,308,840)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.			
Deferred inflows related to pensions	(163,751)	(13,917)	
Deferred outflows related to pensions	<u>3,421,539</u>	<u>290,788</u>	
Total deferred pension items	<u>3,257,788</u>	<u>276,871</u>	3,534,659
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.			4,958,933
Total Net Position of Governmental Activities			\$ 159,070,070

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

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
Year Ended June 30, 2017	General Fund	Permanent Fund	Capital Projects Fund		
Revenues					
Taxes:					
Real and personal property	\$ 6,454,150	\$ -	\$ -	\$ -	\$ 6,454,150
Sales and bed	11,087,495	-	-	503,439	11,590,934
Tobacco	-	-	-	879,157	879,157
State sources	981,266	-	5,566,539	2,263,004	8,810,809
Federal sources	1,293,620	-	97,920	133,642	1,525,182
Charges for services	1,641,295	-	-	2,076	1,643,371
Interfund services	2,750,429	-	-	-	2,750,429
Fines, forfeitures and penalties	71,293	-	-	-	71,293
Investment income (loss)	59,133	2,152,879	13,077	(16,220)	2,208,869
Uses of property	265,557	-	-	-	265,557
Licenses and permits	264,815	-	-	3,210	268,025
Other	406,477	-	-	12,777	419,254
Total Revenues	25,275,530	2,152,879	5,677,536	3,781,085	36,887,030
Expenditures					
Current:					
Administration	4,814,752	49,213	-	-	4,863,965
Public safety	6,375,470	-	-	140,180	6,515,650
Public works	3,554,361	-	-	768,050	4,322,411
Public services	2,103,912	-	-	1,187,932	3,291,844
Support	7,177,703	-	-	-	7,177,703
Debt service:					
Principal	22,310	-	-	2,695,000	2,717,310
Interest	12,626	-	-	950,774	963,400
Debt administration	-	-	-	7,000	7,000
Refunding bond issuance costs	-	-	-	8,704	8,704
Capital outlay	-	-	7,287,549	-	7,287,549
Total Expenditures	24,061,134	49,213	7,287,549	5,757,640	37,155,536
Excess of Revenues Over (Under) Expenditures	1,214,396	2,103,666	(1,610,013)	(1,976,555)	(268,506)
Other Financing Sources (Uses)					
Transfers in	3,755,908	-	2,692,660	1,241,970	7,690,538
Transfers out	(5,336,017)	(1,298,821)	(2,433,997)	(920,080)	(9,988,915)
Premium on refunding bonds issued	-	-	-	52,463	52,463
Refunding bonds issued	-	-	-	1,630,000	1,630,000
Payment to refunded bond escrow agent	-	-	-	(1,662,944)	(1,662,944)
Net Other Financing Sources (Uses)	(1,580,109)	(1,298,821)	258,663	341,409	(2,278,858)
Net Change in Fund Balances	(365,713)	804,845	(1,351,350)	(1,635,146)	(2,547,364)
Fund Balances, beginning	14,538,862	23,115,756	5,874,104	10,922,981	54,451,703
Fund Balances, ending	\$ 14,173,149	\$ 23,920,601	\$ 4,522,754	\$ 9,287,835	\$ 51,904,339

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, 2017

Net change in fund balances - total governmental funds	\$	(2,547,364)
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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	\$	7,106,264	
Miscellaneous capital asset activities (disposals, etc.)		157,633	
Depreciation		(6,146,423)	
			1,117,474

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			(2,076)
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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.

(37,655)

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	2,717,310		
Issuance of new principal in conjunction with refunding		(5,000)	
Decrease in unamortized bond premium		121,251	
			2,833,561

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

Decrease in accrued interest payable	55,379		
Decrease in accrued leave		37,495	
Increase in net pension liability and related accounts		(2,424,589)	
			(2,331,715)

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.

129,777

Change in Net Position of Governmental Activities

\$ (837,998)

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Proprietary Funds
Statement of Net Position

Year Ended June 30, 2017	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Solid Waste Disposal	Gary Paxton Industrial Park			
Assets and Deferred Outflows of Resources						
Current Assets						
Equity in central treasury	\$ 15,991,050	\$ -	\$ -	\$ 17,225,811	\$ 33,216,861	\$ 5,133,859
Receivables:						
Accounts	762,166	202,814	324,641	552,653	1,842,274	-
Allowance for uncollectables	(79,049)	(19,382)	-	(167,542)	(265,973)	-
Federal and State of Alaska	270,658	-	2,184,436	2,185,926	4,641,020	-
Current portion of notes receivable	-	-	8,065	-	8,065	-
Inventories	1,359,372	-	-	301,594	1,660,966	-
Prepaid expenses	18,034	-	-	8,050	26,084	1,079
Total Current Assets	18,322,231	183,432	2,517,142	20,106,492	41,129,297	5,134,938
Noncurrent Assets						
Restricted Assets:						
Equity in central treasury:						
Landfill postclosure	-	427,197	-	-	427,197	-
Deposits	124,277	14,267	-	-	138,544	-
Bond covenant accounts	10,256,124	-	-	327,431	10,583,555	-
Notes receivable	-	-	45,654	51,477	97,131	-
Special assessments receivable	-	-	-	67,736	67,736	-
Water rights	23,483	-	-	23,483	46,966	-
Capital assets:						
Property, plant and equipment	296,637,603	7,702,807	15,167,580	144,866,957	464,374,947	11,585,920
Construction in progress	654	-	4,581,885	2,907,460	7,489,999	-
Less accumulated depreciation	(71,742,738)	(2,551,693)	(3,333,072)	(73,945,063)	(151,572,566)	(6,869,458)
Total Capital Assets, Net of Accumulated Depreciation	224,895,519	5,151,114	16,416,393	73,829,354	320,292,380	4,716,462
Total Noncurrent Assets	235,299,403	5,592,578	16,462,047	74,299,481	331,653,509	4,716,462
Total Assets	253,621,634	5,776,010	18,979,189	94,405,973	372,782,806	9,851,400
Deferred Outflows of Resources						
Deferred charge on refunding	1,784,104	-	-	-	1,784,104	-
Deferred outflows related to pension	1,375,866	-	-	726,338	2,102,204	290,788
Total Deferred Outflows of Resources	3,159,970	-	-	726,338	3,886,308	290,788
Total Assets and Deferred Outflows of Resources	\$ 256,781,604	\$ 5,776,010	\$ 18,979,189	\$ 95,132,311	\$ 376,669,114	\$ 10,142,188

City and Borough of Sitka, Alaska

Proprietary Funds

Statement of Net Position, continued

Year Ended June 30, 2017	Major Enterprise Funds				Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Solid Waste Disposal	Gary Paxton Industrial Park				
Liabilities, Deferred Inflows of Resources and Net Position							
Current Liabilities							
Accounts payable and accrued liabilities	\$ 281,332	\$ 404,744	\$ 543,940	\$ 438,292	\$ 1,668,308	\$ 416,343	
Interest payable	2,312,975	-	-	140,220	2,453,195	-	
Due to other funds	-	-	928,728	100,000	1,028,728	-	
Current portion:							
Revenue bonds	2,115,000	-	-	150,000	2,265,000	-	
Notes payable	335,690	115,798	-	722,763	1,174,251	-	
Compensated absences	242,625	-	-	115,390	358,015	37,954	
Payable from restricted assets - deposits	124,277	14,267	-	100	138,644	-	
Total Current Liabilities	5,411,899	534,809	1,472,668	1,666,765	9,086,141	454,297	
Noncurrent Liabilities							
Advances from other funds	-	361,984	-	-	361,984	251,353	
Revenue bonds	113,405,000	-	-	3,270,000	116,675,000	-	
Unamortized bond premiums	8,141,657	-	-	491,586	8,633,243	-	
Notes payable	9,082,147	1,273,773	-	12,921,217	23,277,137	-	
Net pension liability	5,907,378	-	-	3,118,580	9,025,958	1,248,515	
Landfill post-closure liability	-	427,197	-	-	427,197	-	
Total Noncurrent Liabilities	136,536,182	2,062,954	-	19,801,383	158,400,519	1,499,868	
Total Liabilities	141,948,081	2,597,763	1,472,668	21,468,148	167,486,660	1,954,165	
Deferred Inflows of Resources related to pensions	65,848	-	-	34,762	100,610	13,917	
Net Position							
Net investment in capital assets	93,600,129	3,761,543	16,416,393	56,273,788	170,051,853	4,716,462	
Restricted for debt service	10,256,124	-	-	327,431	10,583,555	-	
Unrestricted (deficit)	10,911,422	(583,296)	1,090,128	17,028,182	28,446,436	3,457,644	
Total Net Position	114,767,675	3,178,247	17,506,521	73,629,401	209,081,844	8,174,106	
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 256,781,604	\$ 5,776,010	\$ 18,979,189	\$ 95,132,311		\$ 10,142,188	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(491,690)	
Net Position of Business-Type Activities					\$ 208,590,154		

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2017	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Solid Waste Disposal	Gary Paxton Industrial Park			
Operating Revenues						
Charges for service	\$ 15,462,970	\$ 4,010,467	\$ 169,843	\$ 8,031,537	\$ 27,674,817	\$ 3,117,739
Other operating revenues	383,405	3,186	-	476,325	862,916	34,196
Total Operating Revenues	15,846,375	4,013,653	169,843	8,507,862	28,537,733	3,151,935
Operating Expenses						
Wages and benefits	5,770,410	-	-	2,862,273	8,632,683	1,253,948
Travel and training	25,078	1,931	-	22,498	49,507	16,642
Utilities	406,198	32,120	39,547	980,548	1,458,413	206,526
Repair and maintenance	367,241	3,331	9,883	304,761	685,216	211,370
Contracted/purchased services	1,759,996	3,568,874	157,892	601,838	6,088,600	749,422
Interdepartmental services	1,421,271	579,344	42,188	1,730,819	3,773,622	233,658
Other	329,247	58,833	1,194	184,090	573,364	3,422
Depreciation and amortization	7,713,353	205,554	340,245	3,762,202	12,021,354	624,764
Total Operating Expenses	17,792,794	4,449,987	590,949	10,449,029	33,282,759	3,299,752
Loss from Operations	(1,946,419)	(436,334)	(421,106)	(1,941,167)	(4,745,026)	(147,817)
Nonoperating Revenues (Expenses)						
Investment income (loss)	(114,230)	(5,281)	(5,218)	4,051	(120,678)	(21,901)
Interest expense	(6,137,170)	(22,609)	(8,090)	(307,574)	(6,475,443)	(16,034)
Raw fish tax	-	-	-	953,324	953,324	-
State PERS relief	100,448	-	-	53,028	153,476	21,230
Other federal sources	574,019	-	-	-	574,019	-
Gain (Loss) on sale of capital assets	-	(2,323)	-	-	(2,323)	14,447
Other	-	-	278,247	54,637	332,884	-
Net Nonoperating Revenues (Expenses)	(5,576,933)	(30,213)	264,939	757,466	(4,584,741)	(2,258)
Income (Loss) Before Contributions and Transfers	\$ (7,523,352)	\$ (466,547)	\$ (156,167)	\$ (1,183,701)	\$ (9,329,767)	\$ (150,075)
Capital contributions	140,674	-	3,943,529	1,100,317	5,184,520	-
Transfers in	1,650,000	-	391,205	219,131	2,260,336	38,042
Change in Net Position	(5,732,678)	(466,547)	4,178,567	135,747	(1,884,911)	(112,033)
Net Position, beginning	120,500,353	3,644,794	13,327,954	73,493,654		8,286,139
Net Position, ending	\$ 114,767,675	\$ 3,178,247	\$ 17,506,521	\$ 73,629,401		\$ 8,174,106
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(241,809)	
Change in Net Position of Business-type Activities					\$ (2,126,720)	

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2017	Major Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Utility	Solid Waste Disposal	Gary Paxton Industrial Park	Nonmajor Enterprise Funds		
Cash Flows from (for) Operating Activities						
Receipts from customers and users	\$ 15,837,198	4,025,641	\$ 157,521	\$ 8,423,309	\$ 28,443,669	\$ 3,151,935
Payments to suppliers	(2,833,580)	(3,759,469)	(211,041)	(2,124,251)	(8,928,341)	(930,971)
Payments for interfund services used	(1,421,271)	(579,344)	(42,188)	(1,730,819)	(3,773,622)	(233,658)
Payments to employees	(4,311,368)	-	-	(2,337,116)	(6,648,484)	(912,674)
Net cash flows from (for) operating activities	7,270,979	(313,172)	(95,708)	2,231,123	9,093,222	1,074,632
Cash Flows from (for) Noncapital Financing Activities						
Other federal sources	574,019	-	-	54,637	628,656	-
Raw fish tax received	-	-	-	953,324	953,324	-
Receipts (repayment) of advances	-	361,984	679,817	-	1,041,801	(99,626)
Transfers from other funds	1,650,000	-	391,205	-	2,041,205	38,042
Notes receivable payments	-	-	7,786	9,557	17,343	-
Net cash flows from (for) noncapital financing activities	2,224,019	361,984	1,078,808	1,017,518	4,682,329	(61,584)
Cash Flows from (for) Capital and Related Financing Activities						
Capital expenditures	(2,535,604)	-	(3,622,906)	(3,204,472)	(9,362,982)	(1,035,344)
Proceed from sale of capital assets	-	650	-	-	650	-
Interest paid	(6,176,616)	(22,610)	(8,090)	(323,930)	(6,531,246)	(16,033)
Payments on bonds and notes payable	(2,357,654)	(115,797)	-	(867,678)	(3,341,129)	-
Government grants and loans for construction received	371,912	-	1,784,744	2,710,891	4,867,547	-
Special assessments received	-	-	-	8,299	8,299	-
Transfers from other funds	-	-	-	219,131	219,131	-
Increase in bond covenant accounts	(108,014)	-	-	(5,132)	(113,146)	-
Net cash flows from (for) capital and related financing activities	(10,805,976)	(137,757)	(1,846,252)	(1,462,891)	(14,252,876)	(1,051,377)
Cash Flows From Investing Activities						
Interest received	(114,230)	(5,281)	(5,218)	4,051	(120,678)	(21,901)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,425,208)	(94,226)	(868,370)	1,789,801	(598,003)	(60,230)
Cash and Cash Equivalents, beginning	17,540,535	535,690	868,370	15,436,010	34,380,605	5,194,089
Cash and Cash Equivalents, ending	\$ 16,115,327	\$ 441,464	\$ -	\$ 17,225,811	\$ 33,782,602	\$ 5,133,859

City and Borough of Sitka, Alaska

Proprietary Funds
Statement of Cash Flows, continued

Year Ended June 30, 2017	Major Enterprise Funds						Internal Service Funds
	Electric Utility	Solid Waste Disposal	Gary Paxton Industrial Park	Nonmajor Enterprise Funds	Total Enterprise Funds		
Reconciliation of Loss from Operations to Net Cash Flows from (for) Operating Activities							
Loss from operations	\$ (1,946,419)	\$ (436,334)	\$ (421,106)	\$ (1,941,167)	\$ (4,745,026)		\$ (147,817)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:							
Depreciation and amortization	7,713,353	205,555	340,245	3,762,202	12,021,355		624,764
State PERS relief	100,448	-	-	53,028	153,476		21,230
Other	-	-	278,247	(1,099)	277,148		-
(Increase) decrease in assets and deferred outflows:							
Accounts receivable (net)	(23,017)	8,929	(290,569)	(51,419)	(356,076)		-
Inventory	56,107	-	-	(9,649)	46,458		-
Prepaid expenses	(14,082)	-	-	-	(14,082)		1,680
Deferred outflows of resources related to pensions	(695,173)	-	-	(319,461)	(1,014,634)		(152,474)
Increase (decrease) in liabilities and deferred inflows:							
Accounts payable and accrued liabilities	12,155	(82,861)	(2,525)	(20,867)	(94,098)		254,731
Compensated absences	10,060	-	-	(12,920)	(2,860)		8,558
Net pension liability	2,046,216	-	-	810,608	2,856,824		463,933
Deferred inflows of resources related to pensions	(2,509)	-	-	(6,098)	(8,607)		27
Unearned revenue	-	-	-	(32,035)	(32,035)		-
Deposits	13,840	3,059	-	-	16,899		-
Landfill post-closure liability	-	(11,520)	-	-	(11,520)		-
Net Cash Flows from (for) Operating Activities	\$ 7,270,979	\$ (313,172)	\$ (95,708)	\$ 2,231,123	\$ 9,093,222		\$ 1,074,632
Cash on Statement of Net Position							
Equity in central treasury	\$ 15,991,050	\$ -	\$ -	\$ 17,225,811	\$ 33,216,861		\$ 5,133,859
Landfill post closure	-	427,197	-	-	427,197		-
Deposits	124,277	14,267	-	-	138,544		-
Cash and Cash Equivalents, ending	\$ 16,115,327	\$ 441,464	\$ -	\$ 17,225,811	\$ 33,782,602		\$ 5,133,859
Capital expenditures included in accounts payable	\$ 159,610	\$ -	\$ 540,710	\$ 400,170	\$ 1,100,490		\$ -

City and Borough of Sitka, Alaska

Fiduciary Funds

Statement of Fiduciary Net Position

<i>Year Ended June 30, 2017</i>	Rowe Trust Fund	Sitka Cemetery Agency Fund	Totals
Assets			
Restricted equity in central treasury	\$ 208,090	\$ 102,165	\$ 310,255
Liabilities and Net Position			
Liabilities			
Due to Sitka Cemetery Association	\$ -	\$ 102,165	\$ 102,165
Net Position - held in trust for library acquisitions	208,090	-	208,090
Total Liabilities and Net Position	\$ 208,090	\$ 102,165	\$ 310,255

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, 2017</i>	Rowe Trust Fund
Additions - investment loss	\$ (822)
Net Position, beginning	208,912
Net Position, ending	\$ 208,090

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

June 30, 2017

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 Basic 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 Basic 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 *Solid Waste Disposal Enterprise Fund* records the activities of the City and Borough's solid waste collection and disposal activities.

The *Gary Paxton Industrial Park Enterprise Fund* provides for the operation of a commercial industrial park which leases land and structures to tenants, and, which is constructing a commercial dock.

Additionally, the government reports the following fund types:

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the various proprietary funds and the General Fund for administrative services. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods and services provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes and investment income.

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City and Borough's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Position or Equity

Deposits and Investments

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

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

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

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

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

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

City and Borough of Sitka, Alaska

Notes to Basic 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 Basic 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 2017.

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 Basic 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 Basic 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 and Borough’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.

Net Position

In government-wide and proprietary fund statements of net position, equity is classified as net position and is displayed in three components:

Net investment in capital assets - This consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, retainage, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position - This consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or, (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - This consists of other elements of net position that do not meet the definition of “restricted net position” or “net investment in capital assets”.

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 many 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, or if the project is abandoned. Special revenue fund appropriations lapse when the terms of the grant have been met and all authorized expenditures have been made; otherwise, special revenue fund appropriations lapse at the end of the fiscal year. There are fifteen special revenue funds that adopt annual budgets.

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

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 fund 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 level.

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 as required by the City and Borough Assembly through the passage of supplemental appropriation ordinances.

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 Hospital budget is then submitted to the Assembly for approval; the District budget is not approved by the Assembly. The Assembly determines the amount of funding to be made available from local sources for school and hospital purposes during its budget approval process.

3. Deposits and Investments

As of June 30, 2017, the City and Borough had the following investments:

<i>Investment Type</i>	<i>Credit Rating</i>	<i>Fair Value</i>
Investments subject to custodial credit risk:		
Corporate securities	A1 to AAA	\$ 9,795,102
Municipal securities	AA3 or AAA	610,159
Certificates of deposit	unrated	12,330,473
U.S. Treasury securities	AAA	6,518,746
External investment pool	unrated	2,634,094
Exchange traded funds	unrated	16,880,675
U.S. Agency securities	unrated or AAA	28,173,044
Money market funds	unrated	13,283,818
Total Fair Value of Investments Subject to Custodial Credit Risk		\$ 90,226,111

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

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.

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 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, 2017.

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, 2017, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$5,121,833 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 benchmark percentage of 35% to be invested in fixed income securities and cash, and, must fall within a range of 25% to 45% of the market value of the portfolio. The investment mix also has a benchmark percentage of 65% to be invested in equity securities, and, must fall within a range of 55% to 75% of the market value of the portfolio. At June 30, 2017, the Permanent Fund's portfolio contained 67% equity securities and 33% cash and fixed income securities.

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

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

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.

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, 2017:

- U.S. government agency securities of \$28,173,044 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 securities of \$6,518,746 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 securities of \$9,795,102 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 \$610,159 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 \$16,880,675 are valued using quoted market prices (Level 1 inputs)

The Borough has investments in money market funds and certificates of deposits totaling \$25,614,291 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2017. The Borough's investment in AMLIP of \$2,634,094 is measured at net asset value, as of June 30, 2017. 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	\$ 2,150
Carrying amount of deposits	5,371,831
Carrying Amount of credit card clearing deposits	210,605
Carrying amount of investments	90,226,111

Total Cash and Investments	\$ 95,810,697
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Reported in the Statement of Net Position

Equity in central treasury	\$ 56,079,431
Equity in central treasury - restricted	4,973,818
Bond covenant accounts	10,583,555
Cash and investments - restricted	23,863,638
Reported in the Fiduciary Funds	310,255

Total Cash and Investments	\$ 95,810,697
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City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

At June 30, 2017, the Sitka School District's cash and investments included operating bank accounts and sweep accounts. The carrying amount of deposits was \$3,038,066. 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, 2017, 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, 2017, the Hospital had bank deposits of \$3,425,560 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	Non-Major Governmental
Taxes	\$ 2,947,740	\$ -	\$ -	\$ 288,449
Special assessments	-	-	-	29,606
Federal & State	160,283	-	893,004	347,915
Accounts	1,236,419	-	-	1,957
Interest	268,705	-	-	-
Notes	624,414	-	-	1,583,162
Total receivables	5,237,561	-	893,004	2,251,089
Less allowance for doubtful accounts	(909,027)	-	-	(637,510)
Net Total Receivables	\$ 4,328,534	\$ -	\$ 893,004	\$ 1,613,579

	Electric Utility	Solid Waste Disposal	Gary Paxton Industrial Park	Non-Major Enterprise	Total
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,236,189
Special assessments	-	-	-	67,736	97,342
Federal & State	270,658	-	2,184,436	2,185,926	6,042,222
Accounts	762,166	202,814	324,641	552,653	3,080,650
Interest	-	-	-	-	268,705
Notes	-	-	53,719	51,477	2,312,772
Total receivables	1,032,824	202,814	2,562,796	2,857,792	15,037,880
Less allowance for doubtful accounts	(79,049)	(19,382)	-	(167,542)	(1,812,510)
Net Total Receivables	\$ 953,775	\$ 183,432	\$ 2,562,796	\$ 2,690,250	\$ 13,225,370

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

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

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	\$	29,606	\$ -
Grant drawdowns prior to meeting all requirements		-	1,789
Property taxes received in advance		22,545	-
Totals for Governmental Funds	\$	52,151	\$ 1,789

5. Capital Assets

Governmental Activities	Beginning Balance	Additions	Deletions and Adjustments	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,230,912	\$ -	\$ (1)	\$ 11,230,911
Construction in progress	20,374,852	7,656,898	(26,697,563)	1,334,187
Total capital assets not being depreciated	31,605,764	7,656,898	(26,697,564)	12,565,098
<i>Capital assets being depreciated:</i>				
Buildings	117,426,696	23,126,430	(7,464)	140,545,662
Land improvements	6,548,382	-	2	6,548,384
Infrastructure	45,724,688	2,919,834	-	48,644,522
Equipment	14,984,215	1,343,581	(355,613)	15,972,183
Total capital assets being depreciated	184,683,981	27,389,845	(363,075)	211,710,751
<i>Less accumulated depreciation for:</i>				
Buildings	(52,161,583)	(3,833,676)	133,969	(55,861,290)
Land improvements	(1,407,300)	(342,486)	269,500	(1,480,286)
Infrastructure	(17,123,006)	(1,603,498)	(200,295)	(18,926,799)
Equipment	(9,918,471)	(1,005,022)	137,904	(10,785,589)
Total accumulated depreciation	(80,610,360)	(6,784,682)	341,078	(87,053,964)
Total capital assets being depreciated, net	104,073,621	20,605,163	(21,997)	124,656,787
Governmental Activities				
Capital Assets, net	\$ 135,679,385	\$ 28,262,061	\$ (26,719,561)	\$ 137,221,885

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,221,911	\$ -	\$ (591,672)	\$ 4,630,239
Construction in progress	20,549,736	10,332,731	(23,392,468)	7,489,999
Total capital assets not being depreciated	25,771,647	10,332,731	(23,984,140)	12,120,238
<i>Capital assets being depreciated:</i>				
Buildings	16,222,514	8,336,591	-	24,559,105
Land improvements	12,697,575	20,000	2,113,535	14,831,110
Equipment	5,716,454	699,790	(42,677)	6,373,567
Harbors	31,756,452	5,979,760	(1,265,341)	36,470,871
Electric plant	286,432,713	5,168,706	(246,855)	291,354,564
Water plant	32,585,854	1,471,471	8	34,057,333
Wastewater treatment plant	51,442,136	656,022	-	52,098,158
Total capital assets being depreciated	436,853,698	22,332,340	558,670	459,744,708
<i>Less accumulated depreciation for:</i>				
Buildings	(9,576,791)	(546,936)	107,913	(10,015,814)
Land improvements	(2,133,327)	(234,859)	(788,559)	(3,156,745)
Equipment	(3,817,754)	(546,847)	136,125	(4,228,476)
Harbors	(11,962,356)	(1,185,445)	489,255	(12,658,546)
Electric plant	(62,362,955)	(7,523,801)	1,719	(69,885,037)
Water plant	(13,563,016)	(905,438)	-	(14,468,454)
Wastewater treatment plant	(36,081,468)	(1,078,028)	2	(37,159,494)
Total accumulated depreciation	(139,497,667)	(12,021,354)	(53,545)	(151,572,566)
Total capital assets being depreciated, net	297,356,031	10,310,986	505,125	308,172,142
Business-type Activities Capital Assets, net	\$ 323,127,678	\$ 20,643,717	\$ (23,479,015)	\$ 320,292,380

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City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

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

Governmental Activities:

Administration	\$	72,430
Public safety		265,886
Public works		1,535,244
Public services		883,588
Support		3,402,770
Capital assets held by internal service funds		624,764

Total Depreciation Expense - Governmental Activities	\$	6,784,682
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Business-type Activities:

Electric	\$	7,713,353
Water		1,113,157
Wastewater treatment		1,214,307
Solid waste disposal		205,554
Harbor		1,231,974
Airport terminal building		170,300
Marine service center		32,464
Gary Paxton Industrial Park		340,245

Total Depreciation Expense - Business-type Activities	\$	12,021,354
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6. Interfund Receivables, Payables and Transfers

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
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Due to/from other funds:

General Fund	Nonmajor governmental funds	\$	119,372
General Fund	Permanent Fund		28,647
General Fund	Solid Waste Disposal		361,984
General Fund	Gary Paxton Industrial Park		729,599
General Fund	Nonmajor enterprise funds		100,000

Total Due To/From Other Funds	\$	1,339,602
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Advances from/to other funds:

General Fund	Internal service fund	\$	200,000
Nonmajor governmental fund	Internal service fund		51,353
Nonmajor governmental fund	Gary Paxton Industrial Park		199,129
Nonmajor governmental fund	General Fund		200,575

Total Advances From/To Other Funds	\$	651,057
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City and Borough of Sitka, Alaska

Notes to Basic 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.

	Transfers From				
	General Fund	Permanent Fund	Capital Projects Fund	Non-major Governmental Funds	Total Transfers in
Transfers to:					
General Fund	\$ -	\$ 1,298,821	\$ 2,433,997	\$ 23,090	\$ 3,755,908
Capital Projects Fund	2,410,360	-	-	282,300	2,692,660
Non-major Governmental Funds	1,236,639	-	-	5,331	1,241,970
Electric Fund	1,650,000	-	-	-	1,650,000
Gary Paxton Industrial Park Fund	-	-	-	391,205	391,205
Non-major Enterprise Funds	36,945	-	-	182,185	219,131
Internal Service Funds	2,073	-	-	35,970	38,042
Total Transfers Out	\$ 5,336,017	\$ 1,298,821	2,433,997	\$ 920,081	\$ 9,988,916

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

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.

General obligation bonds currently outstanding are as follows:

Governmental Activities	Interest Rates	Outstanding Amount
School renovation and additions:		
\$7,150,000, 2008 Series Two School bonds, final payment due June 1, 2028	4.000% to 6.000%	\$ 335,000
\$5,690,000, 2011 Series Two School bonds, final payment due June 1, 2031	2.000% to 4.325%	4,315,000
\$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%	9,085,000
\$6,095,000 2015 Series One bonds refinancing portion of 2005 Series A and 2008 Series Two School bonds, final payment due October 1, 2027	2.000% to 5.000%	5,410,000
\$1,630,000 2016 Series Three and Four bonds refinancing balance of 2007 Series A School bonds, final payment due December 1, 2018	2.000% to 4.000%	1,600,000
Total General Obligation Bonds		\$ 20,745,000

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

Year Ending June 30.	Principal	Interest
2018	\$ 2,780,000	\$ 871,759
2019	2,880,000	750,440
2020	2,155,000	641,115
2021	1,850,000	547,540
2022	1,940,000	462,115
2023-2027	7,140,000	1,124,538
2028-2031	2,000,000	175,010
	\$ 20,745,000	\$ 4,572,517

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

In addition, governmental activities report 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%	\$ 107,250
\$69,622, note payable for stormwater improvements, #783401	1.5%	55,698
\$740,000, note payable for Baranof Street Sewer Replacement, governmental portion of \$183,097, #783091	1.5%	163,417
Total State of Alaska, Department of Environmental Conservation Loans		\$ 326,365

Annual debt service requirements to maturity are as follows:

<i>Year Ending June 30,</i>	Principal	Interest
2018	\$ 22,310	\$ 4,895
2019	22,310	4,561
2020	22,310	4,226
2021	22,310	3,892
2022	22,310	3,560
2023-2027	111,550	12,769
2028-2032	72,550	5,276
2033-2035	30,715	869
	\$ 326,365	\$ 40,048

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City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

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%	\$ 3,420,000
\$25,880,000, 2010 Series B Four Refunding Electric Serial bonds, final payment due July 1, 2031	2.000% to 5.000%	15,230,000
\$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		\$ 118,940,000

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

Year Ending June 30,	Principal	Interest
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	2,650,000	5,560,983
2023-2027	14,820,000	25,812,546
2028-2032	17,385,000	21,092,530
2033-2037	19,100,000	16,479,398
2038-2042	23,995,000	11,251,500
2043-2047	27,325,000	4,688,625
2048-2049	4,100,000	207,500
	\$ 118,940,000	\$ 108,401,784

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

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

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, 2017.

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%	\$ 7,042,745

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

Year Ending June 30,	Principal	Interest
2018	\$ 335,690	\$ 278,386
2019	349,252	264,824
2020	363,361	250,714
2021	378,041	236,035
2022	393,314	220,762
2023-2027	2,218,153	852,226
2028-2032	2,703,917	366,463
2033	301,017	6,020
	\$ 7,042,745	\$ 2,475,430

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, 2017.

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City and Borough of Sitka, Alaska

Notes to Basic 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%	\$ 62,048
\$565,000, note payable for water system upgrades on Sawmill Creek Road #783061	1.5%	282,779
\$1,000,000, note payable for harbor water distribution system upgrades #783071	1.5%	544,178
\$1,310,000, note payable for waste water treatment plant upgrades #783051	1.5%	628,412
\$987,157, note payable for I and I #783011	1.5%	542,936
\$2,400,000, note payable for Kimsham landfill closure #783081	1.5%	1,389,571
\$3,170,000, note payable for Whitcomb Heights Subdivision water tank #783211	1.5%	1,901,836
\$1,000,000, note payable for Japonski Island water distribution main #783151	1.5%	457,481
\$1,400,000, note payable for sewer system upgrades #783101	1.5%	719,191
\$483,000, note payable for SMC Road/HPR Intersection water line replacement #783311	1.5%	233,963
\$308,000, note payable for HPR/SMC Road Intersection Sewer Replacement #783241	1.5%	204,131
\$617,000, note payable for water tank protection, #783341	1.5%	49,360
\$859,103, note payable for Monastery Street Sewer Main replacement, #783401	1.5%	372,744
\$782,000, note payable for Monastery Street Water Main replacement, #783441	1.5%	533,929
\$1,455,081, note payable for SMC Road Sewer Upgrade, Phase III - ARRA Funding #783281	1.5%	128,672
\$740,000, project for Baranof Street Sewer Replacement - #783091	1.5%	279,525
\$685,000, project for Baranof Street Water System replacement - #783501	1.5%	259,198
\$1,740,000, project for Japonski Island Sewer Liftstations - #783391	1.5%	1,230,191
\$1,520,000 project for UV Disinfection Facility - #783431	1.5%	1,473,400
Total notes payable for completed projects		\$ 11,293,545

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

	Interest Rate	Outstanding Amount
Uncompleted projects in draw down phase:		
\$1,352,100, project for DeGroff Street Water Improvements - #783111	1.5%	\$ 38,262
\$1,352,100, project for DeGroff Street Sewer Improvements - #783121	1.5%	49,974
\$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%	734,968
\$533,000, project for Monastery and Baranof Sewer System - #783411	1.5%	313,984
\$250,000, project for Hollywood Way Water Main Replacement - #783521	1.5%	115,698
\$2,154,170, project for Channel, Lake and Monastery Lift Station Upgrades - #783361	1.5%	1,960,329
\$500,000, project for Hollywood Way and New Archangel Street Sewer - #783511	1.5%	231,098

Total drawn on notes yet to be finalized	6,115,098
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Total State Department of Environmental Conservation Loans	\$ 17,408,643
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Annual debt service requirements to maturity for notes payable on competed projects are as follows:

Year Ending June 30,	Principal	Interest
2018	\$ 838,561	\$ 169,416
2019	839,547	156,838
2020	840,548	144,245
2021	820,881	131,637
2022	821,912	119,323
2023-2027	4,050,413	410,369
2028-2032	2,450,900	140,409
2033-2037	630,783	18,619
	\$ 11,293,545	\$ 1,290,856

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City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

Changes in Long-term Liabilities

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Bonds payable:					
General obligation bonds	\$ 23,435,000	\$ 1,630,000	\$ 4,320,000	\$ 20,745,000	\$ 2,780,000
Issuance premiums	1,595,718	-	121,251	1,474,467	-
Total bonds payable	25,030,718	1,630,000	4,441,251	22,219,467	2,780,000
State of Alaska notes	348,676	-	22,311	326,365	22,310
Compensated absences (net)	635,811	-	28,937	606,874	606,874
Net pension liability	11,394,457	4,544,675	-	15,939,132	-
Governmental Activity Long-term Liabilities	\$ 37,409,662	\$ 6,174,675	\$ 4,492,499	\$ 39,091,838	\$ 3,409,184
Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Bonds payable:					
Revenue bonds	\$ 121,120,000	\$ -	\$ 2,180,000	\$ 118,940,000	\$ 2,265,000
Issuance premiums	8,983,444	-	350,201	8,633,243	-
Total bonds payable	130,103,444	-	2,530,201	127,573,243	2,265,000
Revenue notes	7,365,399	-	322,654	7,042,745	335,690
State of Alaska notes	16,480,953	1,766,164	838,474	17,408,643	838,561
Total notes payable	23,846,352	1,766,164	1,161,128	24,451,388	1,174,251
Compensated absences (net)	360,875	18,387	21,247	358,015	358,015
Landfill post-closure liability	438,717	5,147	16,667	427,197	-
Net pension liability	6,169,133	2,856,825	-	9,025,958	-
Business-type Activity Long-term Liabilities	\$ 160,918,521	\$ 4,646,523	\$ 3,729,243	\$ 161,835,801	\$ 3,797,266
Entity Combined Long-term Liabilities	\$ 198,328,183	\$ 10,821,198	\$ 8,221,742	\$ 200,927,639	\$ 7,206,450

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

8. Authorized, Unissued Bonds

As of June 30, 2017, the City and Borough had no authorized but unissued bonds.

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

9. Refunding Bonds and Defeased Debt Outstanding

In fiscal year ended June 30 2017, the City and Borough issued a general obligation refunding bond in the amount of \$1,630,000 to advance refund \$1,625,000 in prior outstanding general obligation bonds. The proceeds of the new bond 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 2 years by \$60,340 resulting in an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$64,155. Principal in the amount of \$30,000 of the refunding bonds was retired on December 1, 2016). For accounting purposes, the Borough has recognized a deferred charge on refunding associated with these transactions in the amount of \$52,461.

At June 30, 2017, defeased debt outstanding and under payment by the escrow agent is as follows:

Refunding Bond Issue	Original Issue	Maturity or Call Date	Outstanding amount
2016 Series Three and Four	2007 Series One	12/1/2018	\$ 1,600,000

10. Restricted Assets

The balance of the restricted assets accounts in the enterprise funds at June 30, 2017 are as follows:

Landfill post-closure	\$ 427,197
Customer deposits:	
Electric utility	124,277
Solid waste disposal	14,267
Investment with bond trustee pursuant to revenue bond covenants	10,583,555
Total Restricted Assets	\$ 11,149,296

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City and Borough of Sitka, Alaska

Notes to Basic 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	\$ 1,134	\$ -	\$ -	\$ 5	\$ 1,139
Long-term notes receivable	624,414	-	-	-	624,414
Advances receivable	362,855	-	-	-	362,855
Total nonspendable	988,403	-	-	5	988,408
Restricted:					
Library building	-	-	-	255,555	255,555
Commercial passenger tax	-	-	-	419,531	419,531
Home rule charter	-	22,544,701	-	-	22,544,701
Debt service	-	-	-	1,921,775	1,921,775
Total restricted	-	22,544,701	-	2,596,861	25,141,562
Committed:					
Working capital reserve	6,469,515	-	-	-	6,469,515
Emergency reserve	1,775,586	-	-	-	1,775,586
E911 Surcharge	449,044	-	-	-	449,044
SRS Title III	512,663	-	-	-	512,663
Home rule charter	-	1,375,900	-	-	1,375,900
SE economic development	-	-	-	3,351,331	3,351,331
Capital projects	-	-	4,522,754	-	4,522,754
Total committed	9,206,808	1,375,900	4,522,754	3,351,331	18,456,793
Assigned:					
Gary Paxton Park	-	-	-	592,744	592,744
Sitka Tobacco	-	-	-	103,743	103,743
LID revolving	-	-	-	1,114,812	1,114,812
LID guarantee	-	-	-	276,985	276,985
Raw Water Sales	-	-	-	898,410	898,410
Visitor enhancement	-	-	-	304,039	304,039
Other small funds	-	-	-	54,092	54,092
Total assigned	-	-	-	3,344,825	3,344,825
Unassigned (deficit)	3,977,938	-	-	(5,187)	3,972,751
Total Fund Balances	\$ 14,173,149	\$ 23,920,601	\$ 4,522,754	\$ 9,287,835	\$ 51,904,339

City and Borough of Sitka, Alaska

Notes to Basic 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, 2017 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 2017.

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 City and 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 Basic 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 City and 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.

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

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

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY17, the rate uses an 8% pension discount rate and a 4.30% healthcare discount rate.

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

Contribution rates for the year ended June 30, 2017 were determined in the June 30, 2015 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	14.96%	20.34%	4.14 %	24.49%
Postemployment healthcare (see Note 15)	7.04%	5.80%	0.00 %	56.64%
Total Contribution Rates	22.00%	26.14%	4.14 %	81.13%

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

	Measurement Period	
	Borough FY16	Borough FY17
Employer contributions (including DBUL)	\$ 1,142,815	\$ 1,274,776
Nonemployer contributions (on-behalf)	446,487	495,834
Total Contributions	\$ 1,589,302	\$ 1,770,610

In addition, employee contributions to the Plan totaled \$377,518 during the City and Borough fiscal year.

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

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

At June 30, 2017, the City and 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 City and Borough. The amount recognized by the City and Borough for its proportional share, the related State proportion, and the total were as follows:

	2017
Borough proportionate share of NPL	\$ 24,965,096
State's proportionate share of NPL associated with the Borough	3,149,104
Total Net Pension Liability	\$ 28,114,200

The net pension liability was measured as of June 30, 2017, 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, 2017, the Borough's proportion was 0.44663 percent, which was an increase of 0.084500 from its proportion measured as of the prior measurement date.

For the year ended June 30, 2017, the Borough recognized pension expense of \$8,483,688 and on-behalf revenue of \$424,502 for support provided by the State. At June 30, 2017, 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	\$ 2,295	\$ (278,278)
Changes in assumptions	115,145	-
Net difference between projected and actual earnings on pension plan investments	2,453,949	-
Changes in proportion and differences between Borough contributions and proportionate share of contributions	1,968,366	-
Borough contributions subsequent to the measurement date	1,274,776	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ 5,814,531	\$ (278,278)

The \$1,274,776 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

Year Ending June 30,

2018	\$ 2,061,865
2019	548,642
2020	1,003,181
2021	647,789

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2016 (Borough fiscal year 2017) was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2016. The actuarial assumptions used in the June 30, 2015 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 FY17 and FY16 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 Basic Financial Statements

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

	<i>1% Decrease (7.00%)</i>	<i>Current Discount Rate (8.00%)</i>	<i>1% Increase (9.00%)</i>
Borough's proportionate share of the net pension liability	\$ 32,153,779	\$ 24,965,096	\$ 18,901,773

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

Pension Plan Fiduciary Net Position

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

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, 2017, 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, 2017 were \$284,009 and \$454,414, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

City and Borough of Sitka, Alaska

Notes to Basic 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, 2017 were \$1,440,899, based on a payroll of \$11,752,838 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 \$720,449.

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 and 2017 there were no on-behalf contributions to the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2016 were \$191,198.

<i>Year Ended June 30,</i>	<i>Annual OPEB Costs</i>	<i>Borough Contributions</i>	<i>% of Costs Contributed</i>
2017	\$ 599,906	\$ 599,906	100 %
2016	\$ 753,404	\$ 753,404	100 %
2015	\$ 847,935	\$ 847,935	100 %

City and Borough of Sitka, Alaska

Notes to Basic Financial Statements

Defined Contribution OPEB Plan

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and 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, 2017 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.18%	1.18%
Occupational death and disability benefits	0.17%	0.49%
Total Contribution Rates	1.35%	1.67%

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, 2016, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,049 per year for each full-time employee, and \$1.31 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2015, the Borough contributed \$249,523 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 Basic Financial Statements

The City and Borough has recognized a liability for the estimated costs of postclosure care of \$427,197 as of June 30, 2017. 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, 2017 is \$344,850. 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 \$82,347 as of June 30, 2017. 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

The City and Borough has entered into two raw water export sales contracts with private entities. Revenue under these contracts is not guaranteed and is dependent on the amount of raw water exported. Revenue earned under the contracts will be accounted for in the bulk water special revenue fund.

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 Basic Financial Statements

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 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.

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

GASB 85 - *Omnibus* - Effective for year-end June 30, 2018, with earlier application encouraged - This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. Issues covered include blending of component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB 86 - *Certain Debt Extinguishment Issues* - Effective for year-end June 30, 2018, with earlier application encouraged - This statement addresses accounting and financial reporting for in-substance defeasance of debt when only existing resources are used, as well as accounting and financial reporting for prepaid insurance on extinguished debt.

GASB 87 - *Leases* - Effective for year-end June 30, 2021, with earlier application encouraged - This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying 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, 2017</i>	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes:				
Property taxes	\$ 6,578,899	\$ 6,578,899	\$ 6,454,150	\$ (124,749)
Sales taxes	10,854,994	10,854,994	11,087,495	232,501
Total taxes	17,433,893	17,433,893	17,541,645	107,752
State sources:				
State revenue sharing	573,737	573,737	574,270	533
State PERS relief	-	246,972	290,629	43,657
State grants	15,000	210,129	35,326	(174,803)
Other	70,600	70,600	81,041	10,441
Total state sources	659,337	1,101,438	981,266	(120,172)
Federal sources:				
Payment in lieu of taxes	566,200	566,200	684,271	118,071
Federal grants	112,000	112,000	609,349	497,349
Total federal sources	678,200	678,200	1,293,620	615,420
Licenses and permits	183,400	183,400	264,815	81,415
Charges for services:				
State jail contract	300,000	300,000	391,194	91,194
Ambulance fees	330,000	330,000	387,022	57,022
E911 surcharges	201,600	201,600	180,210	(21,390)
Jobbing	735,000	730,000	638,644	(91,356)
Other	84,630	84,630	44,225	(40,405)
Total charges for services	1,651,230	1,646,230	1,641,295	(4,935)
Property and investments:				
Leases and rent	224,200	224,200	265,557	41,357
Investment income	450,000	450,000	59,133	(390,867)
Total property and investments	674,200	674,200	324,690	(349,510)
Interfund services	2,895,203	2,895,203	2,750,429	(144,774)
Fines, forfeitures and penalties	144,200	144,200	71,293	(72,907)
Other	207,300	207,300	406,477	199,177
Total Revenues	\$ 24,526,963	\$ 24,964,064	\$ 25,275,530	\$ 311,466

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, 2017</i>	Original Budget	Final Budget	Actual	Variance
Expenditures				
Administration:				
Administration/Assembly:				
Wages and benefits	\$ 570,504	\$ 585,002	\$ 653,480	\$ (68,478)
Travel and training	22,440	20,270	27,891	(7,621)
Other	212,863	212,863	172,397	40,466
Total administration/assembly	805,807	818,135	853,768	(35,633)
Legal:				
Wages and benefits	267,175	272,999	244,846	28,153
Travel and training	1,500	1,500	1,336	164
Other	37,759	187,759	395,046	(207,287)
Total legal	306,434	462,258	641,228	(178,970)
Municipal clerk:				
Wages and benefits	242,669	298,342	269,623	28,719
Travel and training	7,275	7,275	7,374	(99)
Other	114,529	114,529	102,401	12,128
Total municipal clerk	364,473	420,146	379,398	40,748
Finance:				
Wages and benefits	1,452,567	1,425,322	1,300,878	124,444
Travel and training	22,200	17,090	17,523	(433)
Other	283,289	333,816	325,650	8,166
Total finance	1,758,056	1,776,228	1,644,051	132,177
Assessing:				
Wages and benefits	373,545	346,724	337,478	9,246
Travel and training	4,800	4,800	4,450	350
Other	51,396	36,249	36,675	(426)
Total assessing	429,741	387,773	378,603	9,170

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, 2017</i>	Original Budget	Final Budget	Actual	Variance
Planning:				
Wages and benefits	\$ 306,934	\$ 314,193	\$ 286,041	\$ 28,152
Travel and training	4,000	4,000	4,196	(196)
Other	95,956	90,043	89,689	354
Total planning	406,890	408,236	379,926	28,310
General office - other	422,958	422,958	537,778	(114,820)
Total administration	4,494,359	4,695,734	4,814,752	(119,018)
Public safety:				
Police:				
Wages and benefits	3,598,630	3,690,169	3,518,874	171,295
Travel and training	62,000	62,000	59,736	2,264
Other	833,302	905,640	813,743	91,897
Total police	4,493,932	4,657,809	4,392,353	265,456
Fire:				
Wages and benefits	1,024,960	1,053,186	1,113,187	(60,001)
Travel and training	29,000	29,000	27,186	1,814
Other	548,786	549,989	498,081	51,908
Total fire	1,602,746	1,632,175	1,638,454	(6,279)
Ambulance:				
Wages and benefits	146,369	149,526	149,053	473
Travel and training	15,500	15,500	14,364	1,136
Other	156,800	159,313	154,076	5,237
Total ambulance	318,669	324,339	317,493	6,846
Search and rescue:				
Wages and benefits	5,787	5,787	6,796	(1,009)
Travel and training	5,000	5,000	5,097	(97)
Other	19,450	14,911	15,277	(366)
Total search and rescue	30,237	25,698	27,170	(1,472)
Total public safety	6,445,584	6,640,021	6,375,470	264,551

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, 2017</i>	Original Budget	Final Budget	Actual	Variance
Public works:				
Administration:				
Wages and benefits	\$ 658,939	\$ 669,949	\$ 521,198	\$ 148,751
Travel and training	10,000	10,000	1,824	8,176
Other	105,122	105,122	98,120	7,002
Total administration	774,061	785,071	621,142	163,929
Engineering:				
Wages and benefits	1,116,369	1,135,186	904,860	230,326
Travel and training	10,000	10,000	7,280	2,720
Other	106,550	28,150	19,884	8,266
Total engineering	1,232,919	1,173,336	932,024	241,312
Streets:				
Wages and benefits	558,194	569,924	430,119	139,805
Travel and training	3,000	3,000	845	2,155
Other	775,570	742,162	717,172	24,990
Total streets	1,336,764	1,315,086	1,148,136	166,950
Recreation:				
Wages and benefits	316,850	324,792	354,821	(30,029)
Travel and training	2,100	2,100	850	1,250
Other	313,990	298,562	259,432	39,130
Total Recreation	632,940	625,454	615,103	10,351
Building officials:				
Wages and benefits	190,779	195,884	198,499	(2,615)
Travel and training	14,000	14,000	12,205	1,795
Other	24,654	24,652	27,252	(2,600)
Total building officials	229,433	234,536	237,956	(3,420)
Total public works	4,206,117	4,133,483	3,554,361	579,122
Public services:				
Library:				
Wages and benefits	558,567	576,662	580,617	(3,955)
Travel and training	3,800	3,800	2,366	1,434
Other	307,133	306,928	285,931	20,997
Total library	869,500	887,390	868,914	18,476

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, 2017</i>	Original Budget	Final Budget	Actual	Variance
Harrigan Centennial Hall:				
Wages and benefits	\$ 324,897	\$ 334,060	\$ 323,503	\$ 10,557
Other	184,918	184,918	158,785	26,133
Total Harrigan Centennial Hall	509,815	518,978	482,288	36,690
Senior Citizen Center - other	80,725	86,225	123,694	(37,469)
Contingency	751,999	751,999	629,016	122,983
Total public services	2,212,039	2,244,592	2,103,912	140,680
Support:				
Municipal grants to local organizations	311,000	320,804	300,753	20,051
Sitka School District	6,767,521	6,767,521	6,767,521	-
Sitka Community Hospital	156,192	109,429	109,429	-
Total Support	7,234,713	7,197,754	7,177,703	20,051
Debt service:				
Principal	53,342	53,342	22,310	31,032
Interest	9,864	9,864	12,626	(2,762)
Total debt service	63,206	63,206	34,936	28,270
Total Expenditures	25,408,017	24,974,790	24,061,134	913,656
Excess of Revenues over (Under) Expenditures:	(881,054)	(10,726)	1,214,396	1,225,122
Other Financing Sources (Uses)				
Transfers in	3,761,887	3,761,887	3,755,908	(5,979)
Transfers out	(4,384,833)	(5,174,249)	(5,336,017)	(161,768)
Net Other Financing Sources (Uses)	(622,946)	(1,412,362)	(1,580,109)	(167,747)
Net Change in Fund Balance	\$ (1,504,000)	\$ (1,423,088)	(365,713)	\$ 1,057,375
Fund Balance, beginning			14,538,862	
Fund Balance, ending			\$ 14,173,149	

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
2008	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
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	10,552,272	166.44%	63.96%
2017	0.44663%	24,965,096	3,149,104	28,114,200	11,292,193	221.08%	59.55%

** Data for these years is not available.*

See accompanying notes to Required Supplementary Information.

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
2008	*	*	*	*	*
2009	*	*	*	*	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	\$ 1,123,981	\$ 1,123,981	\$ -	\$ 12,031,717	9.34%
2016	\$ 1,142,815	\$ 1,142,815	\$ -	\$ 10,552,272	10.83%
2017	\$ 1,274,776	\$ 1,274,776	\$ -	\$ 11,292,193	11.29%

** Data for these years is not available.*

See accompanying notes to Required Supplementary Information.

City and Borough of Sitka, Alaska

Notes to Required Supplementary Information June 30, 2017

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.

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, 2017, the Plan measurement date is June 30, 2016.

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

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

There were no changes in the allocation methodology.

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

This table is based on the Borough's contributions for each 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																			Total Nonmajor														
	Police Dept and	State Homeland	Library	Library	SE Economic	Gary Paxton	Park	Sitka Tobacco	Commercial			Raw Water	Fisheries			Student	School Bonds	Total																
	Forfeitures	Security Grant	Building	Donation	Development	Contingency		Tax	Passenger			Sales	Enhancement	Animal	Bed Tax	Travel Fund	Debt Service	Governmental																
June 30, 2017									Excise Tax	LID Revolving	LID Guaranty						Fund	Funds																
Assets																																		
Equity in central treasury	\$	31,943	\$	63,585	\$	16,920	\$	238,635	\$	1,952,665	\$	592,744	\$	82,718	\$	419,531	\$	1,114,812	\$	276,985	\$	898,410	\$	325	\$	46,705	\$	105,589	\$	2,530	\$	1,597,055	\$	7,441,152
Receivables:																																		
Taxes	-	-	-	-	-	-	-	89,999	-	-	-	-	-	-	198,450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	288,449		
Special assessments	-	-	-	-	-	-	-	-	-	29,606	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,606			
Federal and State of Alaska	23,195	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	324,720	-	-	-	-	-	-	-	-	-	-	-	-	-	347,915			
Other	-	-	-	-	1,957	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,957			
Advances to other funds	-	-	-	-	451,057	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	451,057			
Prepaid items	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5			
Notes receivable	-	-	-	-	1,583,162	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,583,162			
Allowance uncollectable notes	-	-	-	-	(637,510)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(637,510)			
Total Assets	\$	55,143	\$	63,585	\$	16,920	\$	238,635	\$	3,351,331	\$	592,744	\$	172,717	\$	419,531	\$	1,144,418	\$	276,985	\$	898,410	\$	325	\$	46,705	\$	304,039	\$	2,530	\$	1,921,775	\$	9,505,793
Liabilities																																		
Accounts payable	\$	6	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	68,980		
Due to other funds	50,600	68,772	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119,372		
Total Liabilities	50,606	68,772	-	-	-	-	-	68,974	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	188,352		
Deferred Inflows of Resources																																		
Deferred assessments	-	-	-	-	-	-	-	-	-	29,606	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,606			
Fund Balances (Deficit)																																		
Nonspendable	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5			
Restricted	-	-	16,920	238,635	-	-	-	-	419,531	-	-	-	-	-	-	-	1,921,775	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,596,861		
Committed	-	-	-	-	3,351,331	-	-	-	-	-	-	-	-	-	-	-	3,351,331	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,351,331		
Assigned	4,532	-	-	-	-	592,744	103,743	-	1,114,812	276,985	898,410	325	46,705	304,039	2,530	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,344,825			
Unassigned (deficit)	-	(5,187)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,187)			
Total Fund Balances (Deficit)	4,537	(5,187)	16,920	238,635	3,351,331	592,744	103,743	419,531	1,114,812	276,985	898,410	325	46,705	304,039	2,530	1,921,775	9,287,835																	
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)	\$	55,143	\$	63,585	\$	16,920	\$	238,635	\$	3,351,331	\$	592,744	\$	172,717	\$	419,531	\$	1,144,418	\$	276,985	\$	898,410	\$	325	\$	46,705	\$	304,039	\$	2,530	\$	1,921,775	\$	9,505,793

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

	Special Revenue Funds																	Total Nonmajor
	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	Student Travel Fund	School Bonds Debt Service Fund	Governmental Funds	
Year Ended June 30, 2017																		
Revenues																		
Tobacco taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 879,157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 879,157	
Bed taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	503,439	-	-	503,439	
State sources	-	-	-	-	-	-	-	309,510	-	-	-	-	-	-	-	1,953,494	2,263,004	
Federal sources	41,674	91,968	-	-	-	-	-	-	-	-	-	-	-	-	-	-	133,642	
Charges for services	-	-	-	-	-	-	-	-	2,076	-	-	-	-	-	-	-	2,076	
Investment income (loss)	(116)	-	(364)	(903)	47,759	(4,855)	(1,062)	(3,566)	(3,357)	(1,175)	(5,054)	152	944	(1,098)	-	(43,525)	(16,220)	
Licenses and permits	-	-	-	-	-	-	710	-	-	-	-	-	-	-	2,500	-	3,210	
Other	9,733	-	-	3,000	-	-	-	-	-	-	-	-	-	14	30	-	12,777	
Total Revenues	51,291	91,968	(364)	2,097	47,759	(4,855)	878,805	305,944	(1,281)	(1,175)	(5,054)	152	944	502,355	2,530	1,909,969	3,781,085	
Expenditures																		
Public safety	48,192	91,988	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140,180	
Public works	-	-	-	-	637,509	2,194	-	89,936	411	-	-	38,000	-	-	-	-	768,050	
Public services	-	-	-	-	-	-	795,793	-	-	-	-	-	-	392,139	-	-	1,187,932	
Debt service:																		
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,695,000	2,695,000	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	950,774	950,774	
Debt administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000	
Refunding bond issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,704	8,704	
Total Expenditures	48,192	91,988	-	-	637,509	2,194	795,793	89,936	411	-	-	38,000	-	392,139	-	3,661,478	5,757,640	
Excess of Revenues Over (Under) Expenditures	3,099	(20)	(364)	2,097	(589,750)	(7,049)	83,012	216,008	(1,692)	(1,175)	(5,054)	(37,848)	944	110,216	2,530	(1,751,509)	(1,976,555)	
Other Financing Sources (Uses)																		
Transfers in	-	-	-	-	-	-	-	-	-	-	-	36,945	-	-	-	1,205,025	1,241,970	
Transfers out	-	-	-	-	(205,969)	(266,205)	-	(294,486)	(22,762)	(5,658)	(125,000)	-	-	-	-	-	(920,080)	
Premium on refunding bonds issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	52,463	52,463	
Refunding bonds issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,630,000	1,630,000	
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,662,944)	(1,662,944)	
Net Other Financing Sources (Uses)	-	-	-	-	(205,969)	(266,205)	-	(294,486)	(22,762)	(5,658)	(125,000)	36,945	-	-	-	1,224,544	341,409	
Net Change in Fund Balances	3,099	(20)	(364)	2,097	(795,719)	(273,254)	83,012	(78,478)	(24,454)	(6,833)	(130,054)	(903)	944	110,216	2,530	(526,965)	(1,635,146)	
Fund Balances (Deficit), beginning	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	
Fund Balances (Deficit), ending	\$ 4,537	\$ (5,187)	\$ 16,920	\$ 238,635	\$ 3,351,331	\$ 592,744	\$ 103,743	\$ 419,531	\$ 1,114,812	\$ 276,985	\$ 898,410	\$ 325	\$ 46,705	\$ 304,039	\$ 2,530	\$ 1,921,775	\$ 9,287,835	

City and Borough of Sitka, Alaska
Nonmajor Enterprise Funds
Combining Statement of Net Position

<i>June 30, 2017</i>	Water	Wastewater	Harbor	Airport	Marine Service Center	Total Nonmajor Enterprise Funds
Assets						
Current Assets						
Equity in central treasury	\$ 1,598,602	\$ 6,225,226	\$ 6,706,460	\$ 902,909	\$ 1,792,614	\$ 17,225,811
Receivables:						
Trade accounts receivable and other	149,927	197,130	201,451	4,145	-	552,653
Allowance for uncollectables	(13,883)	(19,072)	(134,587)	-	-	(167,542)
Federal and State of Alaska	564,962	667,640	953,324	-	-	2,185,926
Inventories	233,178	68,416	-	-	-	301,594
Prepaid expenses	-	-	-	8,050	-	8,050
Total Current Assets	2,532,786	7,139,340	7,726,648	915,104	1,792,614	20,106,492
Noncurrent Assets						
Bond covenant accounts	-	-	327,431	-	-	327,431
Notes receivable	-	51,477	-	-	-	51,477
Special assessments receivable	-	67,736	-	-	-	67,736
Water rights	23,483	-	-	-	-	23,483
Capital assets:						
Property, plant and equipment	43,119,941	54,538,111	38,495,530	5,206,983	3,506,392	144,866,957
Construction in progress	1,273,144	1,451,525	67	182,724	-	2,907,460
Less accumulated depreciation	(15,201,456)	(38,786,154)	(13,876,302)	(2,875,309)	(3,205,842)	(73,945,063)
Total capital assets, net of accumulated depreciation	29,191,629	17,203,482	24,619,295	2,514,398	300,550	73,829,354
Total Noncurrent Assets	29,215,112	17,322,695	24,946,726	2,514,398	300,550	74,299,481
Total Assets	31,747,898	24,462,035	32,673,374	3,429,502	2,093,164	94,405,973
Deferred Outflows of Resources related to pensions	114,426	371,945	239,967	-	-	726,338
Total Assets and Deferred Outflows of Resources	\$ 31,862,324	\$ 24,833,980	\$ 32,913,341	\$ 3,429,502	\$ 2,093,164	\$ 95,132,311
Liabilities and Net Position						
Current Liabilities						
Accounts payable and accrued liabilities	\$ 56,068	\$ 69,373	\$ 303,107	\$ 9,744	\$ -	\$ 438,292
Interest payable	28,392	48,520	63,308	-	-	140,220
Due to other funds	-	-	100,000	-	-	100,000
Current portion:						
Revenue bonds	-	-	150,000	-	-	150,000
Notes payable	393,238	284,177	45,348	-	-	722,763
Compensated absences	19,317	41,026	55,047	-	-	115,390
Payable from restricted assets - deposits	100	-	-	-	-	100
Total Current Liabilities	497,115	443,096	716,810	9,744	-	1,666,765
Noncurrent Liabilities						
Revenue bonds	-	-	3,270,000	-	-	3,270,000
Unamortized bond premiums	-	-	491,586	-	-	491,586
Notes payable	6,123,292	6,299,095	498,830	-	-	12,921,217
Net pension liability	491,296	1,596,970	1,030,314	-	-	3,118,580
Total Noncurrent Liabilities	6,614,588	7,896,065	5,290,730	-	-	19,801,383
Total Liabilities	7,111,703	8,339,161	6,007,540	9,744	-	21,468,148
Deferred Inflows of Resources related to pensions	5,476	17,801	11,485	-	-	34,762
Net Position						
Net investment in capital assets	22,675,099	10,620,210	20,163,531	2,514,398	300,550	56,273,788
Restricted for debt service	-	-	327,431	-	-	327,431
Unrestricted	2,070,046	5,856,808	6,403,354	905,360	1,792,614	17,028,182
Total Net Position	24,745,145	16,477,018	26,894,316	3,419,758	2,093,164	73,629,401
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 31,862,324	\$ 24,833,980	\$ 32,913,341	\$ 3,429,502	\$ 2,093,164	\$ 95,132,311

City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2017</i>	Water	Wastewater	Harbor	Airport	Marine Service Center	Total Nonmajor Enterprise Funds
Operating Revenues						
Charges for service	\$ 2,238,725	\$ 2,822,850	\$ 2,308,959	\$ 418,148	\$ 242,855	\$ 8,031,537
Other operating revenues	40,300	270,280	165,745	-	-	476,325
Total Operating Revenues	2,279,025	3,093,130	2,474,704	418,148	242,855	8,507,862
Operating Expenses						
Wages and benefits	464,625	1,345,332	1,052,316	-	-	2,862,273
Travel and training	6,010	12,758	3,730	-	-	22,498
Utilities	83,000	231,316	559,164	86,997	20,071	980,548
Repair and maintenance	47,327	53,972	77,814	84,951	40,697	304,761
Contracted/purchased services	166,788	163,413	180,718	86,724	4,195	601,838
Interdepartmental services	558,061	576,808	462,066	113,692	20,192	1,730,819
Other	36,275	49,282	96,924	1,609	-	184,090
Depreciation and amortization	1,113,157	1,214,307	1,231,974	170,300	32,464	3,762,202
Total Operating Expenses	2,475,243	3,647,188	3,664,706	544,273	117,619	10,449,029
Income (Loss) from Operations	(196,218)	(554,058)	(1,190,002)	(126,125)	125,236	(1,941,167)
Nonoperating Revenues (Expenses)						
Investment income (loss)	(1,336)	(6,123)	18,186	(2,096)	(4,580)	4,051
Interest expense	(95,079)	(73,994)	(138,501)	-	-	(307,574)
Raw fish tax	-	-	953,324	-	-	953,324
State PERS relief	8,354	27,155	17,519	-	-	53,028
Other	-	-	-	54,637	-	54,637
Net Nonoperating Revenues (Expenses)	(88,061)	(52,962)	850,528	52,541	(4,580)	757,466
Income (Loss) Before Contributions and Transfers	(284,279)	(607,020)	(339,474)	(73,584)	120,656	(1,183,701)
Capital contributions	962,092	118,807	19,418	-	-	1,100,317
Transfers in	-	-	219,131	-	-	219,131
Change in Net Position	677,813	(488,213)	(100,925)	(73,584)	120,656	135,747
Net Position, beginning	24,067,332	16,965,231	26,995,241	3,493,342	1,972,508	73,493,654
Net Position, ending	\$ 24,745,145	\$ 16,477,018	\$ 26,894,316	\$ 3,419,758	\$ 2,093,164	\$ 73,629,401

City and Borough of Sitka, Alaska
Nonmajor Enterprise Funds
Combining Statement of Cash Flows

					Marine Service Center	Total Nonmajor Enterprise Funds
<i>Year Ended June 30, 2017</i>	Water	Wastewater	Harbor	Airport		
Cash Flows from (for) Operating Activities						
Receipts from customers and users	\$ 2,276,484	\$ 3,092,933	\$ 2,422,414	\$ 398,166	\$ 233,312	\$ 8,423,309
Payments to suppliers	(339,027)	(509,251)	(944,028)	(266,982)	(64,963)	(2,124,251)
Payments for interfund services used	(558,061)	(576,808)	(462,066)	(113,692)	(20,192)	(1,730,819)
Payments to employees	(362,018)	(1,126,671)	(848,427)	-	-	(2,337,116)
Net cash flows from (for) operating activities	1,017,378	880,203	167,893	17,492	148,157	2,231,123
Cash Flows from (for) Noncapital Financing Activities						
Other federal sources	-	-	-	54,637	-	54,637
Raw fish tax received	-	-	953,324	-	-	953,324
Notes receivable payments	-	9,557	-	-	-	9,557
Net cash flows from (for) noncapital financing activities	-	9,557	953,324	54,637	-	1,017,518
Cash Flows from (for) Capital and Related Financing Activities						
Capital expenditures	(2,387,874)	(303,452)	(468,867)	(44,279)	-	(3,204,472)
Interest paid	(85,335)	(64,052)	(174,543)	-	-	(323,930)
Payments on bonds and notes payable	(393,118)	(284,212)	(190,348)	-	-	(867,678)
Government grants and loans for construction received	1,391,229	544,615	775,047	-	-	2,710,891
Special assessments received	-	8,299	-	-	-	8,299
Transfers from other funds	-	-	219,131	-	-	219,131
Increase in bond covenant accounts	-	-	(5,132)	-	-	(5,132)
Net cash flows from (for) capital and related financing activities	(1,475,098)	(98,802)	155,288	(44,279)	-	(1,462,891)
Cash Flows From Investing Activities						
Interest received (loss)	(1,336)	(6,123)	18,186	(2,096)	(4,580)	4,051
Net Increase (Decrease) in Cash and Cash Equivalents	(459,056)	784,835	1,294,691	25,754	143,577	1,789,801
Cash and Cash Equivalents, beginning	2,057,658	5,440,391	5,411,769	877,155	1,649,037	15,436,010
Cash and Cash Equivalents, ending	\$ 1,598,602	\$ 6,225,226	\$ 6,706,460	\$ 902,909	\$ 1,792,614	\$ 17,225,811
Reconciliation of Income (Loss) from Operations to Net Cash Flows from (for) Operating Activities						
Income (loss) from operations	\$ (196,218)	\$ (554,058)	\$ (1,190,002)	\$ (126,125)	\$ 125,236	\$ (1,941,167)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:						
Depreciation and amortization	1,113,157	1,214,307	1,231,974	170,300	32,464	3,762,202
State PERS relief	8,354	27,155	17,519	-	-	53,028
Other	(1,099)	-	-	-	-	(1,099)
(Increase) decrease in assets and deferred outflows:						
Accounts receivable (net)	(1,442)	(197)	(52,290)	2,510	-	(51,419)
Inventory	(639)	(9,010)	-	-	-	(9,649)
Deferred outflows of resources related to pensions	(54,037)	(156,125)	(109,299)	-	-	(319,461)
Increase (decrease) in liabilities and deferred inflows:						
Accounts payable and accrued liabilities	1,012	10,500	(25,678)	(6,701)	-	(20,867)
Compensated absences	132	(21,247)	8,195	-	-	(12,920)
Net pension liability	148,747	372,750	289,111	-	-	810,608
Deferred inflows related to pensions	(589)	(3,872)	(1,637)	-	-	(6,098)
Unearned revenue	-	-	-	(22,492)	(9,543)	(32,035)
Net Cash Flows from (for) Operating Activities	\$ 1,017,378	\$ 880,203	\$ 167,893	\$ 17,492	\$ 148,157	\$ 2,231,123

City and Borough of Sitka, Alaska

Internal Service Funds

Combining Statement of Net Position

	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
<i>June 30, 2017</i>				
Assets and Deferred Outflows of Resources				
Current Assets				
Equity in central treasury	\$ (101,787)	\$ 3,444,732	\$ 1,790,914	\$ 5,133,859
Prepaid expenses	1,079	-	-	1,079
Total Current Assets	(100,708)	3,444,732	1,790,914	5,134,938
Noncurrent Assets				
Capital assets:				
Property, plant and equipment	2,455,140	9,098,321	32,459	11,585,920
Less accumulated depreciation	(1,580,063)	(5,264,417)	(24,978)	(6,869,458)
Total capital assets, net of Accumulated depreciation	875,077	3,833,904	7,481	4,716,462
Total Noncurrent Assets	875,077	3,833,904	7,481	4,716,462
Total Assets	774,369	7,278,636	1,798,395	9,851,400
Deferred Outflows of Resources related to pensions	141,823	53,332	95,633	290,788
Total Assets and Deferred Outflows of Resources	\$ 916,192	\$ 7,331,968	\$ 1,894,028	\$ 10,142,188
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 5,357	\$ 385,285	\$ 25,701	\$ 416,343
Compensated absences	14,993	9,468	13,493	37,954
Total Current Liabilities	\$ 20,350	\$ 394,753	\$ 39,194	\$ 454,297
Noncurrent Liabilities				
Advances from other funds	51,353	200,000	-	251,353
Net pension liability	608,924	228,984	410,607	1,248,515
Total Noncurrent Liabilities	660,277	428,984	410,607	1,499,868
Total Liabilities	680,627	823,737	449,801	1,954,165
Deferred Inflows of Resources related to pensions	6,788	2,552	4,577	13,917
Net Position				
Net investment in capital assets	875,077	3,833,904	7,481	4,716,462
Unrestricted (deficit)	(646,300)	2,671,775	1,432,169	3,457,644
Total Net Position	228,777	6,505,679	1,439,650	8,174,106
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 916,192	\$ 7,331,968	\$ 1,894,028	\$ 10,142,188

City and Borough of Sitka, Alaska

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2017</i>	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Operating Revenues				
Charges for service	\$ 1,135,022	1,565,462	\$ 417,255	\$ 3,117,739
Other operating revenues	762	5,555	27,879	34,196
Total Operating Revenues	1,135,784	1,571,017	445,134	3,151,935
Operating Expenses				
Wages and benefits	621,294	214,565	418,089	1,253,948
Travel and training	14,917	-	1,725	16,642
Utilities	175,268	30,978	280	206,526
Repair and maintenance	144,346	56,603	10,421	211,370
Contracted/purchased services	276,745	270,235	202,442	749,422
Interdepartmental services	111,502	101,842	20,314	233,658
Other	240	2,721	461	3,422
Depreciation and amortization	177,167	446,717	880	624,764
Total Operating Expenses	1,521,479	1,123,661	654,612	3,299,752
Income (Loss) from Operations	(385,695)	447,356	(209,478)	(147,817)
Nonoperating Revenues (Expenses)				
Investment income (loss)	(4,571)	(7,826)	(9,504)	(21,901)
Interest expense	(3,534)	(12,500)	-	(16,034)
State PERS relief	10,354	3,894	6,982	21,230
Gain on sale of capital assets	-	14,447	-	14,447
Net Nonoperating Revenues (Expenses)	2,249	(1,985)	(2,522)	(2,258)
Income (Loss) Before Transfers	(383,446)	445,371	(212,000)	(150,075)
Transfers in	2,073	-	35,969	38,042
Change in Net Position	(381,373)	445,371	(176,031)	(112,033)
Net Position, beginning	610,150	6,060,308	1,615,681	8,286,139
Net Position, ending	\$ 228,777	\$ 6,505,679	\$ 1,439,650	\$ 8,174,106

City and Borough of Sitka, Alaska

Internal Service Funds
Combining Statement of Cash Flows

<i>Year Ended June 30, 2017</i>	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Cash Flows from (for) Operating Activities				
Receipts from customers and users	\$ 1,135,784	\$ 1,571,017	\$ 445,134	\$ 3,151,935
Payments to suppliers	(723,588)	8,702	(216,085)	(930,971)
Payments for interfund services used	(111,502)	(101,842)	(20,314)	(233,658)
Payments to employees	(414,207)	(166,670)	(331,797)	(912,674)
Net cash flows from (for) operating activities	(113,513)	1,311,207	(123,062)	1,074,632
Cash Flows from (for) Noncapital Financing Activities				
Repayment of advances	(49,626)	(50,000)	-	(99,626)
Transfers from other funds	2,073	-	35,969	38,042
Net cash flows from (for) noncapital financing activities	(47,553)	(50,000)	35,969	(61,584)
Cash Flows for Capital and Related Financing Activities				
Capital expenditures	(98,773)	(936,571)	-	(1,035,344)
Interest paid	(3,533)	(12,500)	-	(16,033)
Net cash flows for capital and related financing activities	(102,306)	(949,071)	-	(1,051,377)
Cash Flows from Investing Activities				
Interest received (loss)	(4,571)	(7,826)	(9,504)	(21,901)
Net Increase (Decrease) in Cash and Cash Equivalents	(267,943)	304,310	(96,597)	(60,230)
Cash and Cash Equivalents, beginning	166,156	3,140,422	1,887,511	5,194,089
Cash and Cash Equivalents, ending	\$ (101,787)	\$ 3,444,732	\$ 1,790,914	\$ 5,133,859
Reconciliation of Income (Loss) from Operations to Net Cash Flows from (for) Operating Activities				
Income (loss) from operations	\$ (385,695)	\$ 447,356	\$ (209,478)	\$ (147,817)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:				
Depreciation and amortization	177,167	446,717	880	624,764
State PERS relief	10,354	3,894	6,982	21,230
(Increase) decrease in assets and deferred outflows:				
Prepaid expenses	1,680	-	-	1,680
Deferred outflows of resources related to pensions	(82,367)	(24,631)	(45,476)	(152,474)
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	(113,752)	369,239	(756)	254,731
Compensated absences	6,620	2,783	(845)	8,558
Net pension liability	271,663	66,179	126,091	463,933
Deferred inflows of resources related to pensions	817	(330)	(460)	27
Net Cash Flows from (for) Operating Activities	\$ (113,513)	\$ 1,311,207	\$ (123,062)	\$ 1,074,632

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Statistical Section

City and Borough of Sitka, Alaska

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2013	2014	2015	2016	2017
Governmental activities:					
Invested in capital assets, net of related debt	\$ 81,140,841	\$ 86,125,410	\$ 94,765,479	\$ 111,067,134	\$ 115,405,541
Restricted	28,969,693	25,924,835	32,149,739	27,567,141	27,067,460
Unrestricted	28,940,773	37,352,229	22,669,294	21,354,757	16,597,067
Total governmental activities net assets	139,051,307	149,402,474	149,584,512	159,989,032	159,070,068
Business-type activities:					
Invested in capital assets, net of related debt	103,467,052	156,196,702	164,836,448	171,259,337	170,051,853
Restricted	7,359,839	8,992,528	10,445,096	10,470,409	10,583,555
Unrestricted	50,906,747	25,943,451	33,109,400	28,987,128	27,954,746
Total business-type activities net assets	161,733,638	191,132,681	208,390,944	210,716,874	208,590,154
Primary government:					
Invested in capital assets, net of related debt	184,607,893	242,322,112	259,601,927	282,326,471	285,457,394
Restricted	36,329,532	34,917,363	42,594,835	38,037,550	37,651,015
Unrestricted	79,847,520	63,295,680	55,778,694	50,341,885	44,551,813
Total Primary Government Net Assets	\$ 300,784,945	\$ 340,535,155	\$ 357,975,456	\$ 370,705,906	\$ 367,660,222
	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental activities:					
Invested in capital assets, net of related debt	\$ 69,697,438	\$ 74,535,296	\$ 77,625,556	\$ 84,221,307	\$ 69,758,706
Restricted	23,079,443	25,807,768	24,564,026	33,185,178	28,065,049
Unrestricted	24,517,713	20,598,517	25,166,380	31,105,881	31,751,885
Total governmental activities net assets	117,294,594	120,941,581	127,355,962	148,512,366	129,575,640
Business-type activities:					
Invested in capital assets, net of related debt	91,260,956	92,657,290	96,906,077	89,514,065	89,725,575
Restricted	6,929,086	7,280,721	7,047,685	7,917,319	3,495,431
Unrestricted	21,864,845	21,170,279	22,938,329	47,488,067	48,724,671
Total business-type activities net assets	120,054,887	121,108,290	126,892,091	144,919,451	141,945,677
Primary government:					
Invested in capital assets, net of related debt	160,958,394	167,192,586	174,531,633	173,735,372	159,484,281
Restricted	30,008,529	33,088,489	31,611,711	41,102,497	31,560,480
Unrestricted	46,382,558	41,768,796	48,104,709	78,593,948	80,476,556
Total Primary Government Net Assets	\$ 237,349,481	\$ 242,049,871	\$ 254,248,053	\$ 293,431,817	\$ 271,521,317

Table 2

City and Borough of Sitka, Alaska

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2013	2014	2015	2016	2017
General Fund:					
Nonspendable	\$ 49,486	\$ 394,229	\$ 1,825,359	\$ 1,657,883	\$ 988,403
Restricted	520,742	-	-	-	-
Committed	7,904,460	7,762,442	8,295,203	8,460,152	9,206,808
Assigned	-	-	-	-	-
Unassigned	5,843,192	8,234,138	4,889,171	4,420,827	3,977,938
Total General Fund	\$ 14,317,880	\$ 16,390,809	\$ 15,009,733	\$ 14,538,862	\$ 14,173,149
All Other Governmental Funds:					
Nonspendable	2,743,313	2,883,234	56,681	69,015	5
Restricted	28,343,985	25,924,835	26,207,854	24,863,608	25,141,562
Committed	6,727,368	11,544,459	15,111,535	11,404,858	9,249,985
Assigned	2,391,820	2,434,379	2,387,729	3,580,527	3,344,825
Unassigned	(8,870)	(4,686)	(4,785)	(5,167)	(5,187)
Total all other governmental funds	\$ 40,197,616	\$ 42,782,221	\$ 43,759,014	\$ 39,912,841	\$ 37,731,190
	Fiscal Year				
	2008	2009	2010	2011	2012
General Fund:					
Nonspendable	\$ 5,090,933	\$ 3,903,247	\$ 4,288,190	\$ 3,935,798	\$ 225
Restricted	2,538,050	2,602,648	2,760,462	2,087,478	522,444
Committed	234,876	226,501	229,579	1,205,833	9,987,028
Assigned	-	-	-	-	-
Unassigned	240,185	2,004,500	3,229,470	4,332,784	3,075,401
Total General Fund	\$ 8,104,044	\$ 8,736,896	\$ 10,507,701	\$ 11,561,893	\$ 13,585,098
All other governmental funds:					
Nonspendable	4,382,568	14,160,361	2,721,071	1,758,633	1,855,781
Restricted	24,195,980	20,814,274	24,561,265	43,700,167	29,036,455
Committed	4,527	4,119	784	312,039	8,933,726
Assigned	8,034,057	6,297,154	13,734,819	2,584,104	3,016,000
Unassigned	-	-	-	(52,986)	(35,725)
Total all other governmental funds	\$ 36,617,132	\$ 41,275,908	\$ 41,017,939	\$ 48,301,957	\$ 42,806,237

City and Borough of Sitka, Alaska

Changes in Net Position
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
Administration	\$ 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	\$ 2,715,896
Public safety	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	8,094,841
Public works	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	6,722,139
Public services	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	3,996,515
Support	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	10,392,966
Interest on long-term debt	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	809,906
Total governmental activities	25,054,554	25,756,802	26,181,010	25,568,224	26,188,437	26,708,665	26,213,547	27,892,518	31,579,513	32,732,263
Business-type Activities										
Electric Utility	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	24,097,768
Water Utility	*	*	*	*	1,873,635	2,092,017	2,182,462	2,370,055	2,274,676	2,577,678
Waste water treatment	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	3,754,464
Solid waste disposal	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	4,519,678
Harbor	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	3,829,041
Other nonmajor business-type activities	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	1,221,382
Total business-type Activities	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	40,000,011
Total Primary Government Expenses	\$ 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	\$ 72,732,274
Program Revenues										
Governmental activities										
Charges for services										
Administration	\$ 359,330	\$ 836,056	\$ 505,174	\$ 420,194	\$ 713,129	\$ 327,245	\$ 302,118	\$ 377,681	\$ 330,066	\$ 595,703
Public safety	544,296	717,543	745,265	737,414	763,278	729,406	1,343,299	1,409,655	1,112,805	1,052,231
Public works	872,070	838,119	925,240	730,766	855,816	988,231	842,466	1,052,273	1,928,131	908,526
Public services	102,327	112,414	108,340	178,638	248,229	200,883	213,219	252,980	161,542	107,807
Operating grants and contributions	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	3,853,366
Capital grants and contributions	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	6,216,233
Total Governmental Activities	11,981,692	10,385,565	11,455,331	9,824,412	9,449,474	12,993,199	14,685,686	18,574,352	23,468,299	12,733,866
Business-type Activities										
Charges for services:										
Electric Utility	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	15,846,375
Water Utility	*	*	*	*	1,383,411	1,561,830	1,890,385	2,093,200	2,237,501	2,279,025
Waste water treatment	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	3,093,130
Solid waste disposal	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	4,013,653
Harbor	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	2,474,704
Other nonmajor business-type activities	1,324,881	1,178,091	958,986	973,501	934,857	1,259,824	1,389,285	973,890	879,756	830,846
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	727,495
Capital grants and contributions	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	5,184,520
Total Business-type Activities	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	34,449,748
Total Primary Government	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	47,183,614
Net Revenue (Expense)										
Governmental activities	(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)	(19,998,397)
Business-type activities	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)	(5,550,263)
Total Primary Government Net Expense	\$ (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)	\$ (25,548,660)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes										
Property taxes	\$ 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	\$ 6,454,150
Sales and other taxes	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	12,779,601
Unrestricted grants and contributions	1,446,242	1,891,506	427,908	443,682	470,436	480,478	489,792	-	-	-
Investment earnings (loss)	577,934	(1,969,320)	3,649,352	4,348,650	2,266,133	2,564,594	3,453,061	116,824	(153,969)	815,593
Debt principal reimbursement	-	1,193,500	1,252,000	1,252,000	1,252,000	1,252,000	1,252,000	1,252,000	1,252,000	1,371,375
Other	-	2,330,615	1,078,480	17,274	-	1,280,350	15,796	1,557,740	113,329	14
Transfers	(96,939)	(160,766)	(143,969)	(2,998,672)	(1,316,642)	84,587	14,299	(2,727,192)	(611,438)	(2,260,336)
Total Governmental Activities	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	19,160,397
Business-type Activities										
Unrestricted grants and contributions	1,381,806	-	-	-	-	-	1,227,772	1,009,033	879,793	953,324
Investment earnings	1,839,653	1,297,612	1,139,012	799,620	1,413,015	469,791	504,428	559,400	1,115,858	(120,678)
Other	-	457,566	94,457	(169,100)	-	3,672	-	43,664	142,013	330,561
Transfers	96,939	160,766	143,969	2,998,672	1,316,642	(84,587)	(14,299)	2,727,192	611,438	2,260,336
Total Business-type Activities	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	3,423,543
Total Primary Government	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	22,583,940
Change in Net Position										
Governmental activities	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	(838,000)
Business-type activities	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	(2,126,720)
Total Primary Government	\$ 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	\$ (2,964,720)

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

Table 4

City and Borough of Sitka, Alaska
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 15,661,777	\$ 15,732,689	\$ 14,876,289	\$ 15,019,382	\$ 15,199,048	\$ 15,543,311	\$ 16,351,095	\$ 17,071,383	\$ 17,697,462	\$ 18,924,241
State sources	6,147,853	7,828,757	6,700,449	5,095,182	5,807,654	9,207,616	9,384,209	15,088,635	17,218,068	8,810,809
Federal sources	2,292,664	3,241,857	4,313,422	2,505,769	2,251,970	2,132,222	2,560,281	3,057,734	2,813,097	1,525,182
Charges for services	1,454,532	1,546,658	1,682,329	1,633,186	1,711,974	1,839,516	2,029,484	2,150,939	2,748,192	1,643,371
Interfund services	2,174,717	2,393,157	2,219,501	2,380,298	2,659,323	2,693,860	3,584,990	2,807,749	2,870,628	2,750,429
Fines and forfeitures	139,114	139,373	122,422	138,697	125,112	103,541	97,102	118,679	85,245	71,293
Investment income	442,652	(1,601,383)	3,507,550	4,624,136	2,166,885	2,262,808	4,630,602	1,291,529	953,584	2,208,869
Uses of property	429,154	936,532	600,545	579,670	834,309	788,961	408,565	329,537	226,643	265,557
Licenses and permits	171,572	140,879	131,963	140,371	223,422	177,221	130,901	195,824	203,736	268,025
Other	2,837,459	1,042,588	691,865	514,866	645,879	1,023,994	971,084	827,062	387,895	419,254
Total Revenues	31,751,494	31,401,107	34,846,335	32,631,557	31,625,576	35,773,050	40,148,313	42,939,071	45,204,550	36,887,030
Expenditures										
Administration	3,892,275	3,890,049	3,771,014	3,871,834	4,082,610	4,632,192	5,202,321	5,439,736	4,750,036	4,863,965
Public safety	6,410,146	6,329,311	6,412,581	6,427,515	6,402,097	6,552,240	6,688,198	7,773,703	6,969,696	6,515,650
Public works	3,528,597	3,774,964	3,891,905	3,835,904	4,194,363	3,746,518	3,635,207	4,259,577	4,605,859	4,322,411
Public services	1,894,344	1,938,102	1,854,978	1,876,970	2,026,506	1,792,692	1,890,050	2,391,723	2,219,095	3,291,844
Support	7,237,991	7,564,011	7,809,145	7,121,245	6,893,481	6,402,944	7,067,034	6,896,830	7,650,465	7,177,703
Capital outlay	10,380,742	6,244,449	5,807,256	2,845,124	7,710,853	10,112,520	7,086,919	11,168,536	19,139,373	7,287,549
Debt service:										
Principal	1,634,030	1,920,626	1,921,186	1,949,750	2,269,750	2,449,860	2,398,231	2,483,231	2,578,831	2,717,310
Interest and fiscal charges	1,341,498	1,675,888	1,530,218	1,450,183	1,375,318	1,317,335	1,353,487	1,209,446	1,126,007	979,104
Total Expenditures	36,319,623	33,337,400	32,998,283	29,378,525	34,954,978	37,006,301	35,321,447	41,622,782	49,039,362	37,155,536
Excess (Deficit) of Revenues Over (Under) Expenditures	(4,568,129)	(1,936,293)	1,848,052	3,253,032	(3,329,402)	(1,233,251)	4,826,866	1,316,289	(3,834,812)	(268,506)
Other Financing Sources (Uses)										
Proceeds from sale of assets	-	-	-	-	-	-	-	1,052,256	22,334	-
Issuance of bonds - par	195,000	7,150,000	-	5,690,000	12,755,000	-	-	6,095,000	-	1,630,000
Issuance of bonds - premium	-	121,482	-	30,239	2,074,582	-	-	836,234	-	52,463
Payment to refund bonds	-	-	-	-	(14,829,582)	-	-	(6,876,762)	-	(1,662,944)
Transfers in	7,053,257	10,510,579	3,083,574	4,232,927	4,037,358	6,021,580	3,165,070	8,509,199	7,685,336	7,690,538
Transfers out	(7,223,972)	(10,554,140)	(3,418,790)	(4,867,988)	(4,180,470)	(6,184,461)	(3,333,862)	(11,336,499)	(8,189,902)	(9,988,915)
Net Other Financing Sources (Uses)	24,285	7,227,921	(335,216)	5,085,178	(143,112)	(162,881)	(168,792)	(1,720,572)	(482,232)	(2,278,858)
Net change in fund balances	\$ (4,543,844)	\$ 5,291,628	\$ 1,512,836	\$ 8,338,210	\$ (3,472,514)	\$ (1,396,132)	\$ 4,658,074	\$ (404,283)	\$ (4,317,044)	\$ (2,547,364)
Debt service as a percentage of noncapital expenditures	11.5%	13.3%	12.7%	12.8%	13.4%	14.0%	13.3%	9.7%	9.6%	12.3%

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
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	953,574,785	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	958,938,900	0.006	1,245,005,400	77.02%
2017	751,808,201	322,203,499	57,307,441	81,338,900	1,049,980,241	0.006	1,318,435,400	79.64%

Property values are assessed at full and true value as of January 1st of the assessment year. On average (excluding tax exemptions), the City and Borough of Sitka assesses property at about 90% of its estimated full and true value, as demonstrated by the use of standardized ratio study results.

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)
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
2017	6.00

Property tax rates are set in the charter and may not be changed except by affirmative vote of a majority of voters

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
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
2017		6,454,150		11,087,495		503,439		18,045,084

Table 8

City and Borough of Sitka, Alaska

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2017			2008		
	Taxable	Rank	Percentage of	Taxable	Rank	Percentage of
	Assessed Value		Total Taxable Assessed Value	Assessed Value		Total Taxable Assessed Value
SCOJO, LLC	\$ 10,270,300	1	0.98%			
Harbor Enterprises Inc. (dba Petro Marine)	7,702,700	2	0.73%	\$ 7,503,000	2	0.80%
Silver Bay Seafoods	6,681,900	3	0.64%	2,746,000	10	0.29%
Seafood Producers Cooperative	6,454,000	4	0.61%	6,043,500	4	0.65%
Halibut Point Marine Services, LLC	6,310,100	5	0.60%			
The North West Company (INTL), Inc	6,148,900	6	0.59%	4,454,000	8	0.48%
North Pacific Seafoods	5,781,300	7	0.55%	5,273,000	5	0.56%
Hames Corporation	5,762,200	8	0.55%	6,341,000	3	0.68%
AK Preservation Sawmill Ltd	4,948,600	9	0.47%			
Martin Trust	4,061,500	10	0.39%	4,528,500	7	0.48%
Sheldon Jackson College				18,625,000	1	1.99%
EMMI				5,140,000	6	0.55%
Shee Atika Holdings				4,329,000	9	0.46%
Totals	<u>\$ 64,121,500</u>		<u>6.11%</u>	<u>\$ 64,983,000</u>		<u>6.94%</u>

Table 9

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	Total Amount	Percentage of Levy
		Amount Collected	Percentage of Levy			
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	100.01%
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%	32,806	6,177,938	99.73%
2017	6,337,187	6,300,105	99%	19,566	6,319,671	99.72%

City and Borough of Sitka, Alaska

Sales Tax Receipts by Industry
Last Ten Fiscal Years

Industry	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture, Forestry and Fishing	\$ 33,824	\$ 32,933	\$ 28,445	\$ 23,758	\$ 23,626	\$ 23,634	\$ 20,094	\$ 18,137	\$ 19,297	\$ 17,100
Construction	136,086	109,853	109,913	112,806	130,943	166,960	221,446	201,145	205,887	234,360
Manufacturing	259,072	288,990	264,131	332,598	318,827	346,702	213,104	233,094	249,378	267,635
Transportation & Public Utilities	908,367	923,834	773,276	747,953	681,166	692,582	675,327	680,790	657,369	625,344
Wholesale Trade	63,264	64,048	62,336	68,586	61,743	57,666	53,877	54,145	70,273	80,346
Retail Trade	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	5,656,974
Finance, Insurance & Real Estate	327,109	325,422	318,426	247,223	252,158	297,556	307,149	325,567	378,274	420,778
Services	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	2,623,270
Government - Local	659,584	591,821	595,154	543,385	722,471	762,558	895,003	789,630	930,599	892,001
Total Sales Tax Receipts	\$ 9,624,854	\$ 9,290,756	\$ 8,493,744	\$ 8,503,838	\$ 8,804,619	\$ 9,093,596	\$ 9,785,839	\$ 9,678,727	\$ 10,223,354	\$ 10,817,807

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture, Forestry and Fishing	\$ 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	\$ 2,324,843
Construction	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	75,389,002
Manufacturing	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	14,185,850
Transportation & Public Utilities	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	17,803,360
Wholesale Trade	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	21,127,561
Retail Trade	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	147,468,118
Finance, Insurance & Real Estate	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	17,511,353
Services	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	75,071,067
Government - Local	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	31,186,998
Total Gross Sales	\$ 381,924,285	\$ 392,514,630	\$ 363,796,338	\$ 366,459,195	\$ 390,377,278	\$ 395,118,816	\$ 486,808,429	\$ 477,479,277	\$ 428,084,160	\$ 402,068,152

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 Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable	Capital Leases			
2008	\$ 29,035,000	\$ 195,000	\$ 187,312	\$ 32,550,000	\$ 17,697,039	\$ 12,457	\$ 79,676,808	20.47%	\$ 9,198
2009	34,410,000	185,250	51,436	30,395,000	20,132,064	2,553	85,176,303	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	-	105,283,151	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	30.75%	19,724
2016	23,435,000	347,676	-	121,120,000	23,846,352	-	168,749,028	28.97%	19,081
2017	20,745,000	326,365	-	118,940,000	24,451,388	-	164,462,753	29.78%	18,625

Table 12

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
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%	2,641
2016	23,435,000	2,448,740	20,986,260	1.88%	2,353
2017	20,745,000	1,921,775	18,823,225	1.43%	2,132

City and Borough of Sitka, Alaska
Direct and Overlapping Governmental Activities Debt
Legal Debt Margin Information
As of June 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping debt	\$ -	0%	\$ -
City and Borough of Sitka, Alaska	20,745,000	100%	20,745,000
Total direct and overlapping debt	\$ 20,745,000		\$ 20,745,000

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
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
2017	-	16,336,780	1,582,681	8,747,944	9,171,517	2,035,000	5,878,517	(574,020)	7,339,497	1.25

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		
2017	3,780,767	2,257,502	1,523,265	145,000	164,700	-	309,700	4.92		

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
2008	8,851	\$ 389,297	\$ 43,983	1,378	5.8%
2009	8,835	423,385	47,921	1,316	6.5%
2010	8,844	423,051	47,835	1,315	6.6%
2011	8,898	461,009	51,810	1,299	6.6%
2012	8,907	513,521	57,654	1,312	6.2%
2013	9,048	544,138	60,139	1,313	6.2%
2014	9,001	562,568	62,501	1,338	6.2%
2015	8,883	569,807	64,146	1,342	5.5%
2016	8,844	582,407	65,853	1,276	3.9%
2017	8,830	552,206	62,537	1,315	4.3%

source: BEA.gov; *Sitka Trends*; data for prior calendar year

Table 16

City and Borough of Sitka, Alaska

Full-Time Equivalent City and Borough Government Employees By Function Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	41	41	43	29	29	28	42	37	36	37
Public Safety:										
Police	36	36	32	33	33	33	28	33	32	31
Fire and Ambulance	10	10	10	10	10	10	10	10	10	9
Public Works	11	11	13	25	25	25	19	20	20	20
Public Services:										
Library	7	7	7	7	7	7	12	7	7	7
Centennial Building	4	4	4	4	4	4	4	4	4	4
Electric	23	23	24	25	25	27	28	26	26	25
Water	4	4	4	5	5	5	3	3	3	3
Waste Water Treatment	7	7	7	6	6	6	8	10	10	10
Solid Waste Disposal	2	2	2	2	2	2	2	2	-	-
Harbor	8	9	9	9	9	9	10	9	9	8
Sawmill Cove Industrial Park	1	-	-	1	1	-	1	-	-	-
Totals	154	154	155	156	156	156	167	161	157	154

City and Borough of Sitka, Alaska

Active Electrical Customers Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Harbor	Public Authority	Other	Total
2008	1,441	373	197	175	12	2,198
2009	1,556	391	222	179	12	2,360
2010	1,671	403	235	186	12	2,507
2011	1,757	430	261	190	12	2,650
2012	1,893	448	284	191	12	2,828
2013	2,060	473	314	199	12	3,058
2014	2,258	504	377	204	12	3,355
2015	2,479	560	441	212	14	3,706
2016	2,795	609	546	216	14	4,180
2017	3,242	702	693	219	15	4,871

KwH Sold by Class Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Harbor	Public Authority	Other	Total
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	\$ 111,795,344
2012	47,583,037	32,013,255	3,214,648	22,778,544	5,460,139	\$ 111,049,623
2013	47,628,760	32,043,016	3,217,737	22,800,432	5,465,385	\$ 111,155,330
2014	45,078,244	35,544,622	2,543,603	24,265,723	307,163	\$ 107,739,355
2015	44,212,841	34,167,788	2,763,428	24,607,071	316,260	\$ 106,067,388
2016	42,197,620	33,626,191	2,539,114	25,004,771	305,889	\$ 103,673,585
2017	43,416,551	33,432,913	3,051,624	25,059,205	299,759	\$ 105,260,052

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

Table 18

City and Borough of Sitka, Alaska

Principal Employers Current Year* and Nine Years Ago

Industry*	2015 (most current data available)			2006		
	Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
Health care and social assistance	803	1	28%	878	1	27.5%
Retail trade	407	2	14%	527	2	16.5%
Manufacturing	380	3	13%	194	5	6.1%
Accommodation and food services	356	4	12%	463	3	14.5%
Construction	198	5	7%	267	4	8.4%
Transportation and warehousing	178	6	6%	167	6	5.2%
Other services (except public administration)	113	7	4%	109	7	3.4%
Finance and insurance	66	8	2%	81	8	2.5%
Professional, scientific, and technical services	55	9	2%	20-99	n/a	n/a
Real estate and rental and leasing	51	10	2%	37	10	1.2%
Wholesale trade	41	11	1%	77	9	2.4%

*Data is no longer available for individual employers for the City and Borough of Sitka, for this reason employment by industry is shown using the most recent data available.

Data is derived from US Census Bureau, County Business Patterns dataset.