# City and Borough of Sitka, Alaska

## Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

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

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# City and Borough of Sitka, Alaska

## Table of Contents


| | Page |
|---|---|
| **INTRODUCTORY SECTION** | |
| Table of Contents | A-1 |
| Letter of Transmittal | A-3 |
| Elected Officials | A-7 |
| **FINANCIAL SECTION** | |
| **Independent Auditor's Report** | B-1 |
| **Management's Discussion and Analysis** | C-1 |
| **Basic Financial Statements** | |
| Government-wide Financial Statements: | |
| Statement of Net Position | D-2 |
| Statement of Activities | D-3 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet | D-4 |
| Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position | D-5 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | D-6 |
| Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities | D-7 |
| Proprietary Funds: | |
| Statement of Net Position | D-8 |
| Statement of Revenues, Expenses and Changes in Net Position | D-10 |
| Statement of Cash Flows | D-12 |
| Fiduciary Funds: | |
| Statement of Fiduciary Net Position | D-14 |
| Statement of Changes in Fiduciary Net Position | D-15 |
| Notes to Basic Financial Statements | E-1 |
| **Required Supplementary Information** | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | F-2 |
| Public Employees Retirement System: | |
| Schedule of the Borough's Information on the Net Pension Liability | F-7 |
| Schedule of Borough Contributions | F-8 |
| Notes to Required Supplementary Information | F-9 |

| | Page |
|---|---|
| **Supplementary Information** | |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet | G-2 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | G-3 |
| Nonmajor Enterprise Funds: | |
| Combining Statement of Net Position | G-4 |
| Combining Statement of Revenues, Expenses and Changes in Net Position | G-5 |
| Combining Statement of Cash Flows | G-6 |
| Internal Service Funds: | |
| Combining Statement of Net Position | G-7 |
| Combining Statement of Revenues, Expenses and Changes in Net Position | G-8 |
| Combining Statement of Cash Flows | G-9 |

| STATISTICAL SECTION | Table | Page |
|---|---|---|
| Net Position by Component | 1 | H-1 |
| Fund Balances of Governmental Funds | 2 | H-2 |
| Changes in Net Position | 3 | H-3 |
| Changes in Fund Balances of Governmental Funds | 4 | H-4 |
| Assessed Value and Estimated Actual Value of Taxable Property | 5 | H-5 |
| Property Tax Rates | 6 | H-6 |
| Governmental Activities Tax Revenues by Source | 7 | H-7 |
| Principal Property Taxpayers | 8 | H-8 |
| Property Tax Levies and Collections | 9 | H-9 |
| Sales Tax Receipts by Industry & Gross Sales by Industry | 10 | H-10 |
| Ratios of Outstanding Debt by Type | 11 | H-11 |
| Ratios of General Bonded Debt Outstanding | 12 | H-12 |
| Direct and Overlapping Governmental Activities Debt | 13 | H-13 |
| Pledged Revenue Coverage | 14 | H-14 |
| Demographic and Economic Statistics | 15 | H-15 |
| Principal Employers | 16 | H-16 |
| Full-Time Equivalent City and Borough Government Employees by Function | 17 | H-17 |
| Average Number of Electrical Customers and KwH Sold by Class | 18 | H-18 |

City and Borough of Sitka
100 Lincoln Street Sitka, Alaska 99835
*Coast Guard City, USA*

March 21, 2016

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

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

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

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

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

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

**Profile of Government**

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

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

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

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

**Factors Affecting Financial Condition**

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

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

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

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

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

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

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

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

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

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

**Acknowledgments**

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

Respectfully submitted,

John P "Jay" Sweeney III
Finance Director

# City and Borough of Sitka, Alaska

## Elected Officials

*June 30, 2015*

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

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and Borough of Sitka, Alaska, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sitka Community Hospital, which represent 72 percent, and 46 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sitka Community Hospital, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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### *Opinions*

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and Borough of Sitka, Alaska, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Change in Accounting Principle*

As discussed in Note 17 to the financial statements, in 2015 the Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages C-1 through C-10, the budgetary comparison information on pages F-2 through F-6, and the Schedules of Net Pension Liability and Pension Contributions on pages F-7 and F-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Supplementary Information*

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

The combining fund financial statements listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

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

BDO USA, LLP

Anchorage, Alaska
March 21, 2016

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# Management Discussion and Analysis

# City and Borough of Sitka, Alaska

## Management Discussion and Analysis
## June 30, 2015

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

### Financial Highlights

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

### Overview of the Financial Statements

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

### Government-wide financial statements

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

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

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

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

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

**Fund financial statements**

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

**Governmental funds**

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

**Proprietary funds**

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

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

**Fiduciary funds**

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

**Notes to the financial statements**

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

**Other information**

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

**Government-wide Financial Analysis**

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

Net Position
June 30, 2015 and 2014
(in millions)

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

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

- Revenue exceeded expense for the Permanent Fund by $2. 6 million
- General Fund revenues exceeded the budget by $1.8 million
  - The biggest gains were in:
    - State Jail Contract - $276 thousand, Investment income - $210 thousand and sales tax $349 thousand.

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

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

- Capital grants and contributions increased $6.4 million

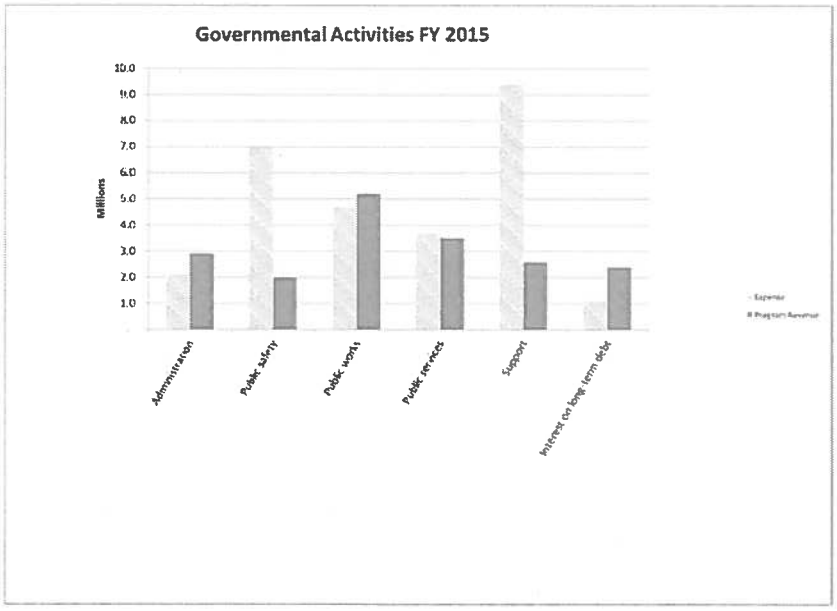
The net position for the Municipality's business-type activities are $191.2 million, an increase of $29.5 million. As with government-wide activities, a substantial portion (82%) of the net position is invested in capital assets. The Municipality uses these assets to provide services to the citizens.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

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

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

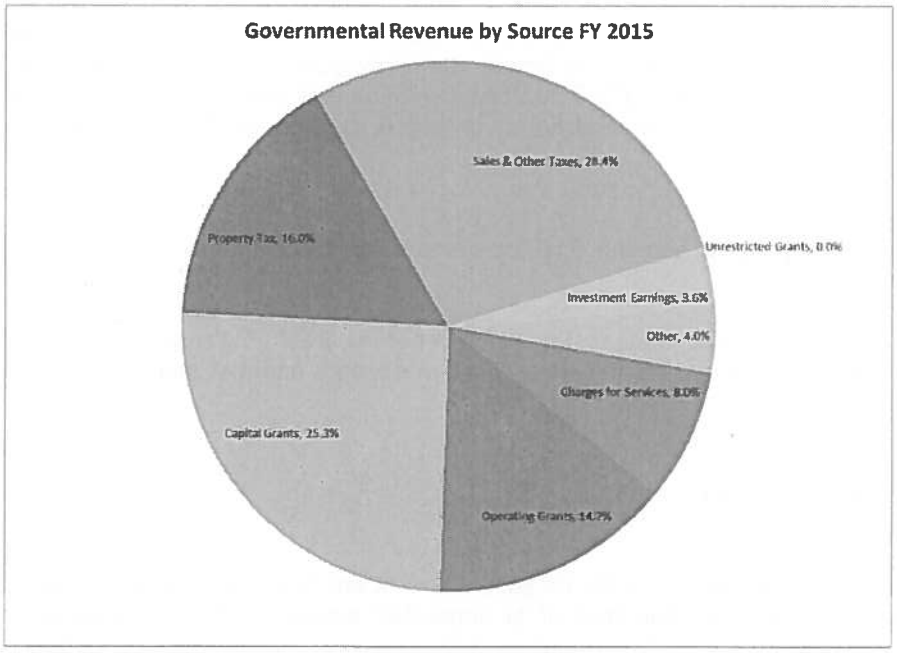
### Expenses and Program Revenues - Governmental Activities

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




### Revenues by Source - Governmental Activities

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



## Financial Analysis of the Government's Funds

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

### Governmental funds

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

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

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

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

### Proprietary funds

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

### General Fund Budgetary Highlights

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

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

## Capital Assets and Debt Administration

### Capital assets

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

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

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

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

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

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

**Long-term debt**

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

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

| | Governmental | | Business-type | | Total | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2013 |
| General obligation bonds | $ 27.8 | $ 29.7 | $ - | $ - | $ 27.8 | $ 29.7 |
| Revenue bonds | - | - | 132.5 | 116.3 | 132.5 | 116.3 |
| Revenue notes | - | - | 7.7 | 7.9 | 7.7 | 7.9 |
| Net pension liability | 8.2 | - | 4.4 | - | 12.6 | - |
| Other debt | 0.8 | 0.8 | 19.0 | 13.5 | 19.8 | 14.3 |
| Total outstanding debt | $ 36.8 | $ 30.5 | $ 163.6 | $ 137.7 | $ 200.4 | $ 168.2 |

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

**Economic Factors and the Next Year's Budget and Rates**

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

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

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

**Request for information**

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

# Basic Financial Statements

## City and Borough of Sitka, Alaska

### Statement of Net Position

*June 30, 2015*

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

See accompanying notes to the basic financial statements.

## City and Borough of Sitka, Alaska

### Statement of Activities

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

See accompanying notes to the basic financial statements.

# City and Borough of Sitka, Alaska

## Governmental Funds
## Balance Sheet

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

See accompanying notes to the basic financial statements.

## City and Borough of Sitka, Alaska

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

| | Governmental Funds | Internal Service Funds | |
|---|---|---|---|
| Total fund balances for governmental funds | | | $ 58,768,747 |
| Total net position reported for governmental activities in the Statement of Net Position is different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of: | | | |
| Land | $ 11,230,912 | $ - | |
| Construction in progress | 8,482,798 | - | |
| Total capital assets not being depreciated | 19,713,710 | - | |
| Buildings | 115,126,680 | 1,396,652 | |
| Land improvements | 12,032,532 | 24,275 | |
| Infrastructure | 33,891,372 | - | |
| Equipment | 5,803,831 | 8,555,934 | |
| Accumulated depreciation | (68,394,631) | (6,278,776) | |
| Total depreciable capital assets, net of depreciation | 98,459,784 | 3,698,085 | |
| | | | 121,871,579 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of special assessments receivable. | 37,520 | - | |
| | | | 37,520 |
| Bond refundings may result in deferred charges. These items are expensed in the funds but deferred on the statement of net position and amortized in the Statement of Activities. | | | 842,742 |
| Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of: | | | |
| Bonds and State of Alaska note | $ (26,179,410) | $ - | |
| Unamortized bond premium | (1,769,432) | - | |
| Net pension liability | (7,606,450) | (565,769) | |
| Accrued interest payable | (245,456) | - | |
| Compensated absences | (631,825) | (43,711) | |
| Total long term liabilities | (36,432,573) | (609,480) | |
| | | | (37,042,053) |
| Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time. | | | |
| Deferred inflows related to pensions | $ (878,804) | $ (65,365) | |
| Deferred outflows related to pensions | 996,248 | 74,102 | |
| Total deferred pension items | 117,444 | 8,737 | |
| | | | 126,181 |
| An internal service fund is used by the Borough to charge the cost of certain activities, such as insurance, to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. This is the residual equity not reported above. | | | 4,979,796 |
| **Total Net Position of Governmental Activities** | | | $ 149,584,512 |

See accompanying notes to the basic financial statements.

# City and Borough of Sitka, Alaska

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances

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

See accompanying notes to the basic financial statements.

# City and Borough of Sitka, Alaska

## Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities

Year Ended June 30, 2015

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

See accompanying notes to the basic financial statements.

## City and Borough of Sitka, Alaska

### Proprietary Funds
### Statement of Net Position

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

See accompanying notes to the basic financial statements.

## City and Borough of Sitka, Alaska

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

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

See accompanying notes to the basic financial statements.

# City and Borough of Sitka, Alaska

## Proprietary Funds

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

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

## City and Borough of Sitka, Alaska

### Proprietary Funds
### Statement of Revenues, Expenses and Changes in Net Position, continued

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

See accompanying notes to the basic financial statements.

## City and Borough of Sitka, Alaska

### Proprietary Funds
### Statement of Cash Flows

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

See accompanying notes to the basic financial statements.

## City and Borough of Sitka, Alaska

### Proprietary Funds
### Statement of Cash Flows, continued

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

See accompanying notes to the basic financial statements.

# City and Borough of Sitka, Alaska

## Fiduciary Funds
## Statement of Fiduciary Net Positon

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

See accompanying notes to the basic financial statements.

## City and Borough of Sitka, Alaska

### Fiduciary Funds
### Statement of Changes in Fiduciary Net Position

| *Year Ended June 30, 2015* | | Rowe Trust Fund |
|---|---|---|
| Additions - investment income | $ | 2,994 |
| **Net Position**, beginning | | 200,215 |
| **Net Position**, ending | $ | 203,209 |

See accompanying notes to the basic financial statements.

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## 1. Summary of Significant Accounting Policies

### *Reporting Entity*

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

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

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

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

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

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

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 bee n met.

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

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

The City and Borough reports the following major governmental funds:

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

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

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

The City and Borough reports the following major proprietary funds:

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

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses form 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 no t 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.

*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.

### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 or in the case of infrastructure, $10,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City and Borough capitalized interest in the amounts of $5,731,625 in the Electric Fund and $173,450 in the Harbor Fund during 2015.

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

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

| *Assets* | Years |
|---|---|
| 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.

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

*Deferred Outflows/Inflows*

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

*Pensions*

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

*Fund Balance*

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

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

*Restricted fund balance* includes resources with constraints imposed by either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

## 2. Stewardship, Compliance, and Accountability

### *Budgetary Information*

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

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

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

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

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

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

## 3. Deposits and investments

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

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

*Interest Rate Risk*

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

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

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

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

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

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

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

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

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

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

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

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

*Remainder of this page left blank intentionally.*

## 4. Receivables

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

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

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

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

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

## 5. Capital Assets

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

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

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

| | | |
|---|---|---|
| Governmental activities: | | |
| Administration | $ | 78,742 |
| Public safety | | 251,261 |
| Public works | | 1,059,982 |
| Public services | | 736,949 |
| Support | | 2,487,357 |
| Capital assets held by internal service funds | | 487,725 |
| **Total Depreciation Expense - Governmental Activities** | $ | 5,102,016 |
| Business-type activities: | | |
| Electric | $ | 1,817,628 |
| Water | | 846,874 |
| Wastewater treatment | | 1,288,600 |
| Solid waste disposal | | 217,548 |
| Harbor | | 687,501 |
| Airport terminal building | | 166,954 |
| Marine service center | | 140,066 |
| Gary Paxton Industrial Park | | 307,263 |
| **Total Depreciation Expense - Business-type Activities** | $ | 5,472,434 |

## 6. Interfund Receivables, Payables and Transfers

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

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

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

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

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

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

**Interfund Transfers**

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

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

## 7. Capital Leases

The City and Borough has no leases currently outstanding.

## 8. Long-Term Debt

### General Obligation Bonds

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

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

General obligation bonds currently outstanding are as follows:

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

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

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

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

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

Annual debt service requirements to maturity are as follows:

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

**Business-type Activities:**

**Revenue Bonds**

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

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

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

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

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

**Revenue Note**

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

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

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

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

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

**State of Alaska, Department of Environmental Conservation Loan Program**

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

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

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

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

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

### Changes in Long-term Liabilities

| Governmental Activities | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One year |
|---|---|---|---|---|---|
| Bonds payable: | | | | | |
| General obligation bonds | $ 28,635,000 | $ 6,095,000 | $ 8,740,000 | $ 25,990,000 | $ 2,555,000 |
| Issuance premiums | 1,026,518 | 836,234 | 93,320 | 1,769,432 | - |
| Total bonds payable | 29,661,518 | 6,931,234 | 8,833,320 | 27,759,432 | 2,555,000 |
| State of Alaska notes | 202,641 | - | 13,231 | 189,410 | 13,231 |
| Compensated absences (net) | 718,572 | 158,995 | 202,031 | 675,536 | 675,536 |
| Net pension liability | 8,600,061 | - | 427,842 | 8,172,219 | - |
| **Governmental Activity Long-term Liabilities** | $ 39,182,792 | $ 7,090,229 | $ 9,476,424 | $ 36,796,597 | $ 3,243,767 |

| Business-type Activities | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One year |
|---|---|---|---|---|---|
| Bonds payable: | | | | | |
| Revenue bonds | $ 108,940,000 | $ 16,325,000 | $ 2,050,000 | $ 123,215,000 | $ 2,095,000 |
| Issuance premiums | 7,326,054 | 2,281,741 | 274,150 | 9,333,645 | - |
| Total bonds payable | 116,266,054 | 18,606,741 | 2,324,150 | 132,548,645 | 2,095,000 |
| Revenue notes | 7,973,608 | - | 298,084 | 7,675,524 | 310,125 |
| State of Alaska notes | 12,651,780 | 6,168,031 | 683,252 | 18,136,559 | 684,242 |
| Total notes payable | 20,625,388 | 6,168,031 | 981,336 | 25,812,083 | 994,367 |
| Compensated absences (net) | 379,510 | 66,939 | 74,025 | 372,424 | 372,424 |
| Landfill post-closure liability | 450,237 | - | 11,520 | 438,717 | - |
| Net pension liability | 4,630,804 | - | 230,376 | 4,400,428 | - |
| **Business-type Activity Long-term Liabilities** | $ 142,351,993 | $ 24,841,711 | $ 3,621,407 | $ 163,572,297 | $ 3,461,791 |
| **Entity Combined Long-term Liabilities** | $ 181,534,785 | $ 31,931,940 | $13,097,831 | $ 200,368,894 | $ 6,705,558 |

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

## 9. Authorized, Unissued Bonds

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

## 10. Refunding Bonds and Defeased Debt Outstanding

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

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

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

## 11. Restricted Assets

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

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

## 12. Fund Balances

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

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

## 13. Risk Management

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

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

## 14. Defined Benefit (DB) Pension Plan

### General Information About the Plan

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

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

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

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

### *Historical Context and Special Funding Situation*

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

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 th e Alaska Retirement Management Board.

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

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

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

***Employee Contribution Rates***

Regular employees are required to contribute 6.75% of their annual covered salary (Police and firefighters are required to contribute 7.5% of their annual covered salary. Non-Teacher School District employees are required to contribute 9.6% of their annual covered salary.

***Employer and Other Contribution Rates***

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

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

*ARM Board Adopted Rate:* This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

*On-behalf Contribution Rate:* This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. However, in 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of $1 billion. As a result, the On-behalf Contribution Rate for 2015 significantly exceeds the statutory amount. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the enterprise fund and government-wide financial statements, the on-behalf amounts are included in revenue, but are recorded as deferred outflows, rather than pension expense.

*GASB Rate:* This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY15, the rate uses an 8.00% pension discount rate and a 4.90% healthcare discount rate.

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

Contribution rates for the year ended June 30, 2015 were determined in the June 30, 2012 actuarial valuation.

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

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

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

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

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

At June 30, 2015, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

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

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014 to calculate the net pension liability as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2014, the Borough's proportion was 0.269559910 percent, which was an increase of 0.017610530 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Borough recognized pension expense of $2,188,528 and on-behalf revenue of $884,479 for support provided by the State. At June 30, 2015, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings on pension plan investments | $ - | $ (1,452,569) |
| Changes in proportion and differences between Borough contributions and proportionate share of contributions | 522,712 | - |
| Borough contributions subsequent to the measurement date | 1,123,981 | - |
| **Total Deferred Outflows and Deferred Inflows Related to Pensions** | $ 1,646,693 | $ (1,452,569) |

The $1,123,981 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| *Year Ending June 30,* | |
|---|---|
| 2016 | $ 38,943 |
| 2017 | (242,516) |
| 2018 | (363,142) |
| 2019 | (363,142) |

***Actuarial Assumptions***

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

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

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

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

***Discount Rate***

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

***Discount Rate Sensitivity***

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

| | Proportional Share | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|---|---|---|---|
| Borough's proportionate share of the net pension liability | 0.269559910% | $ 16,485,157 | $ 12,572,647 | $ 9,277,952 |

***Pension Plan Fiduciary Net Position***

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

## 15. Defined Contribution (DC) Pension Plan

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

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

### *Benefit Terms*

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

### *Employee Contribution Rate*

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

### *Employer Contribution Rate*

For the year ended June 30, 2015, the Borough was required to contribute 5% of covered salary into the Plan.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2015 were $220,425 and $352,675, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

### *Supplemental Benefit System*

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

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

## 16. Other Post-Employment Benefit (OPEB) Plans

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

### *Employer Contribution Rate*

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

### *Annual Postemployment Healthcare Cost*

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

| *Year Ended June 30,* | Annual OPEB Costs | Borough Contributions | % of Costs Contributed |
|---|---|---|---|
| 2015 | $847,935 | $847,935 | 100 % |
| 2014 | $1,087,226 | $1,087,226 | 100 % |
| 2013 | $1,109,270 | $1,109,270 | 100 % |

### *Defined Contribution OPEB*

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

*Employer Contribution Rates*

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

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

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of ***all employees of all employers*** in the plan". As of July 1, 2014, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates $1,961 per year for each full-time employee, and $1.26 per hour for part-time employees.

*Annual Postemployment Healthcare Cost*

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

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## 17. Change in Accounting Principle

As discussed in Note 14 to the financial statements, the Borough participates in the Alaska Public Employees Retirement System (PERS) plan. In 2015, the Borough adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the Borough's fiscal year. As a result of the implementation of this statement, the Borough has recorded an opening balance adjustment to reflect opening balance pension liabilities and related accounts and to decrease opening net position as follows:

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

## 18. Landfill Closure and Postclosure Care Cost

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

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

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

## 19. Contingencies

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

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

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

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

## 20. Subsequent Events

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

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

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

## 21. New Accounting Pronouncements

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

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

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

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

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

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

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

# Required Supplementary Information

# City and Borough of Sitka, Alaska

## General Fund

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

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

# City and Borough of Sitka, Alaska

## General Fund

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

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

## City and Borough of Sitka, Alaska

### General Fund

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

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

## City and Borough of Sitka, Alaska

### General Fund

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

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

## City and Borough of Sitka, Alaska

### General Fund

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

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

*See accompanying notes to Required Supplementary Information.*

## City and Borough of Sitka, Alaska

## Public Employees Retirement System
## Schedule of the Borough's Information on the Net Pension Liability

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

*See accompanying notes to Required Supplementary Information.*

## City and Borough of Sitka, Alaska

## Public Employees Retirement System
## Schedule of Borough Contributions

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

*See accompanying notes to Required Supplementary Information.*

## 1. Budgetary Comparison Schedule - General Fund

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

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

This table is presented based on the Plan measurement date. For June 30, 2015, the Plan measurement date is June 30, 2014. There were no changes in benefit terms from the prior measurement period. There were no changes in assumptions from the prior measurement period.

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

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

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

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# Supplementary Information

## City and Borough of Sitka, Alaska

### Nonmajor Governmental Funds
### Combing Balance Sheet

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

## City and Borough of Sitka, Alaska

### Nonmajor Governmental Funds
### Combining Statement of Revenues, Expenditures and Changes in Fund Balance

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

# City and Borough of Sitka, Alaska

## Nonmajor Enterprise Funds
## Combining Statement of Net Position

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

# City and Borough of Sitka, Alaska

## Nonmajor Enterprise Funds

## Combining Statement of Revenues, Expenses and Changes in Net Position

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

# City and Borough of Sitka, Alaska

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

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

## City and Borough of Sitka, Alaska

### Internal Service Funds
### Combining Statement of Net Position

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

# City and Borough of Sitka, Alaska

## Internal Service Funds

## Combining Statement of Revenues, Expenses and Changes in Net Position

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

## City and Borough of Sitka, Alaska

### Internal Service Funds
### Combining Statement of Cash Flows

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

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# Statistical Section

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Table 1

# CITY AND BOROUGH OF SITKA, ALASKA

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

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

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

Table 2

# CITY AND BOROUGH OF SITKA, ALASKA

## Fund Balances of Governmental Funds
## Last Ten Fiscal Years
*(modified accrual basis of accounting)*

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Fund: | | | | | |
| Nonspendable | $ 3,935,798 | $ 225 | $ 49,486 | $ 394,229 | $ 1,825,359 |
| Restricted | 2,087,478 | 522,444 | 520,742 | - | - |
| Committed | 1,205,833 | 9,987,028 | 7,904,460 | 7,762,442 | 8,295,203 |
| Assigned | - | - | - | - | - |
| Unassigned | 4,332,784 | 3,075,401 | 5,843,192 | 8,234,138 | 4,889,171 |
| Total General Fund | $ 11,561,893 | $ 13,585,098 | $ 14,317,880 | $ 16,390,809 | $ 15,009,733 |
| All Other Governmental Funds: | | | | | |
| Nonspendable | 1,758,633 | 1,855,781 | 2,743,313 | 2,883,234 | 56,681 |
| Restricted | 43,700,167 | 29,036,455 | 28,343,985 | 25,924,835 | 26,207,854 |
| Committed | 312,039 | 8,933,726 | 6,727,368 | 11,544,459 | 15,111,535 |
| Assigned | 2,584,104 | 3,016,000 | 2,391,820 | 2,434,379 | 2,387,729 |
| Unassigned | (52,986) | (35,725) | (8,870) | (4,686) | (4,785) |
| Total all other govermental funds | $ 48,301,957 | $ 42,806,237 | $ 40,197,616 | $ 42,782,221 | $ 43,759,014 |

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| General Fund: | | | | | |
| Nonspendable | $ 5,942,604 | $ 6,588,483 | $ 5,090,933 | $ 3,903,247 | $ 4,288,190 |
| Restricted | 2,082,931 | 2,420,946 | 2,538,050 | 2,602,648 | 2,760,462 |
| Committed | 423,698 | 355,150 | 234,876 | 226,501 | 229,579 |
| Assigned | - | - | - | - | - |
| Unassigned | 1,848,816 | 1,260,240 | 240,185 | 2,004,500 | 3,229,470 |
| Total General Fund | $ 10,298,049 | $ 10,624,819 | $ 8,104,044 | $ 8,736,896 | $ 10,507,701 |
| All other governmental funds: | | | | | |
| Nonspendable | 3,747,246 | 5,104,011 | 4,382,568 | 14,160,361 | 2,721,071 |
| Restricted | 24,058,686 | 26,696,299 | 24,195,980 | 20,814,274 | 24,561,265 |
| Committed | 7,153 | 6,607 | 4,527 | 4,119 | 784 |
| Assigned | 17,492,872 | 6,833,283 | 8,034,057 | 6,297,154 | 13,734,819 |
| Unassigned | - | - | - | - | - |
| Total all other govermental funds | $ 45,305,957 | $ 38,640,200 | $ 36,617,132 | $ 41,275,908 | $ 41,017,939 |

Table 3

# CITY AND BOROUGH OF SITKA, ALASKA

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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **Expenses:** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Administration | $ 4,892,060 | $ 1,815,845 | $ 1,890,573 | $ 1,758,063 | $ 1,709,428 | $ 1,762,495 | $ 1,620,189 | $ 1,962,059 | $ 2,258,018 | $ 2,078,240 |
| Public safety | 6,012,020 | 6,855,710 | 6,663,085 | 6,591,077 | 6,345,657 | 6,625,688 | 6,655,486 | 6,984,741 | 7,044,883 | 6,958,306 |
| Public works | 4,593,023 | 3,211,146 | 4,414,371 | 4,523,661 | 4,692,515 | 4,479,567 | 5,101,445 | 4,955,993 | 4,112,134 | 4,661,945 |
| Public services | 1,632,004 | 2,171,601 | 2,148,526 | 2,194,283 | 2,126,670 | 2,210,011 | 2,340,805 | 2,348,593 | 2,405,686 | 3,727,612 |
| Support | 7,079,752 | 9,688,383 | 8,654,152 | 9,149,431 | 9,830,856 | 9,070,397 | 9,141,153 | 9,179,685 | 9,123,989 | 9,384,188 |
| Interest on long-term debt | 1,491,450 | 1,277,355 | 1,283,847 | 1,540,287 | 1,475,884 | 1,420,066 | 1,329,359 | 1,277,594 | 1,268,837 | 1,082,227 |
| Total governmental activities | 25,700,309 | 25,020,040 | 25,054,554 | 25,756,802 | 26,181,010 | 25,568,214 | 26,188,437 | 26,708,665 | 26,213,547 | 27,892,518 |
| Business-type activities: | | | | | | | | | | |
| Electric Utility | 10,861,738 | 11,134,199 | 11,889,771 | 12,368,552 | 11,872,652 | 15,810,783 | 12,990,060 | 10,414,728 | 10,110,246 | 11,144,214 |
| Water Utility | * | * | * | * | * | * | 1,873,635 | 2,092,017 | 2,182,462 | 2,370,055 |
| Waste water treatment | 2,733,243 | 2,971,538 | 3,038,204 | 3,252,387 | 3,354,495 | 3,679,257 | 3,495,140 | 3,553,613 | 3,793,239 | 3,629,915 |
| Solid waste disposal | 2,659,147 | 2,760,649 | 2,889,416 | 2,938,042 | 3,114,822 | 3,077,032 | 3,131,311 | 3,262,793 | 3,464,859 | 3,344,737 |
| Harbor | 1,793,545 | 2,107,023 | 2,342,593 | 2,378,228 | 2,325,372 | 2,512,984 | 2,569,234 | 2,414,632 | 3,123,702 | 2,682,945 |
| Other nonmajor business-type activities | 1,532,770 | 1,761,423 | 1,888,662 | 3,298,547 | 1,400,040 | 3,156,084 | 1,624,293 | 1,153,598 | 1,404,174 | 1,693,904 |
| Total business-type activities | 19,580,443 | 20,734,832 | 22,048,646 | 24,235,756 | 22,067,381 | 28,236,140 | 25,683,673 | 22,891,381 | 24,078,682 | 24,865,770 |
| Total Primary Government Expenses | 45,280,752 | 45,754,872 | 47,103,200 | 49,992,558 | 48,248,391 | 53,804,354 | 51,872,110 | 49,600,046 | 50,292,229 | 52,758,288 |
| **Program Revenues:** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Administration | 2,041,130 | 388,373 | 359,330 | 836,056 | 505,174 | 420,194 | 713,129 | $ 327,245 | $ 302,118 | $ 377,681 |
| Public safety | 664,808 | 766,622 | 544,296 | 717,543 | 745,265 | 737,414 | 763,278 | 729,406 | 1,343,299 | 1,409,655 |
| Public works | 838,965 | 730,674 | 872,070 | 838,119 | 925,240 | 730,766 | 855,816 | 988,231 | 842,466 | 1,052,273 |
| Public services | 109,252 | 143,906 | 102,327 | 112,414 | 108,340 | 178,638 | 248,229 | 200,883 | 213,219 | 252,980 |
| Operating grants and contributions | 2,896,673 | 4,777,346 | 6,046,603 | 4,563,651 | 5,503,356 | 4,962,723 | 6,012,861 | 5,979,832 | 6,940,816 | 5,673,970 |
| Capital grants and contributions | 654,540 | 1,082,284 | 4,057,066 | 3,317,782 | 3,667,956 | 2,794,677 | 856,161 | 4,767,602 | 5,043,768 | 9,807,793 |
| Total governmental activities Program Revenues | 7,205,368 | 7,889,205 | 11,981,692 | 10,385,565 | 11,455,331 | 9,824,412 | 9,449,474 | 12,993,099 | 14,685,686 | 18,574,352 |
| Business-type Activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Electric Utility | 11,413,574 | 11,627,554 | 11,996,378 | 12,823,113 | 11,947,812 | 12,973,046 | 11,611,319 | 12,077,554 | 14,375,992 | 14,623,321 |
| Water Utility | * | * | * | * | * | * | 1,383,411 | 1,561,830 | 1,890,385 | 2,093,200 |
| Waste water treatment | 1,655,272 | 1,875,149 | 1,784,369 | 1,789,429 | 1,895,122 | 2,070,832 | 2,296,085 | 2,434,969 | 2,874,795 | 2,906,839 |
| Solid waste disposal | 2,990,550 | 3,080,503 | 3,026,943 | 2,926,079 | 2,997,497 | 3,291,086 | 3,101,682 | 2,988,758 | 3,088,777 | 3,067,855 |
| Harbor | 1,409,705 | 1,635,156 | 1,683,250 | 1,698,769 | 1,598,502 | 2,003,013 | 1,529,481 | 1,912,463 | 2,696,840 | 2,256,944 |
| Other nonmajor business-type activities | 1,104,236 | 1,371,782 | 1,324,881 | 1,178,091 | 958,986 | 973,501 | 934,857 | 1,259,824 | 1,389,285 | 973,890 |
| Operating grants and contributions | 681,749 | - | - | 1,660,737 | 1,201,350 | 1,490,571 | 2,322,441 | 2,411,944 | 1,157,936 | 881,120 |
| Capital grants and contributions | 2,426,587 | 6,773,860 | 6,440,790 | 1,296,997 | 5,874,475 | 24,470,807 | 5,237,360 | 18,815,585 | 24,285,814 | 15,250,445 |
| Total Business-type Activities Program Revenues | 21,681,673 | 26,364,004 | 26,256,611 | 23,373,215 | 26,473,744 | 47,272,856 | 28,416,636 | 43,462,927 | 51,759,824 | 42,053,614 |
| Total Primary Government Program Revenues | 28,887,041 | 34,253,209 | 38,238,303 | 33,758,780 | 37,929,075 | 57,097,268 | 37,866,110 | 56,456,026 | 66,445,510 | 60,627,966 |
| Net Revenue (Expense): | | | | | | | | | | |
| Governmental activities | (18,494,941) | (17,130,835) | (13,072,862) | (15,371,237) | (14,725,679) | (15,743,802) | (16,738,963) | (13,715,566) | (11,527,861) | (9,318,166) |
| Business-type activities | 2,101,230 | 5,629,172 | 4,207,965 | (862,541) | 4,406,363 | 19,036,716 | 2,732,963 | 20,571,546 | 27,681,142 | 17,187,844 |
| | | | | | | | | | | - |
| Total Primary Government Net Expense | (16,393,711) | (11,501,663) | (8,864,897) | (16,233,778) | (10,319,316) | 3,292,914 | (14,006,000) | 6,855,980 | 16,153,281 | 7,869,678 |
| **General revenues and other changes in net assets:** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | 4,449,211 | 4,966,216 | 5,437,154 | 5,882,368 | 5,926,046 | 6,003,008 | 6,069,078 | 6,095,558 | 6,187,719 | 6,245,146 |
| Sales and other taxes | 9,838,887 | 10,338,689 | 10,224,623 | 9,850,321 | 8,950,243 | 9,722,879 | 9,544,100 | 9,583,108 | 10,466,361 | 10,983,577 |
| Unrestricted grants and contributions | 808,221 | 603,168 | 1,446,242 | 1,891,506 | 427,908 | 443,682 | 470,436 | 480,478 | 489,792 | - |
| Investment earnings | 1,420,136 | 4,895,110 | 577,934 | (1,969,320) | 3,649,352 | 4,348,650 | 2,266,133 | 2,564,594 | 3,453,061 | 116,824 |
| Debt principal reimbursement | 1,380,000 | 1,011,500 | - | 1,193,500 | 1,252,000 | 1,252,000 | 1,252,000 | 1,252,000 | 1,252,000 | 1,252,000 |
| Other | - | 694,313 | - | 2,330,615 | 1,078,480 | 17,274 | - | 1,280,350 | 15,796 | 1,557,740 |
| Transfers | (102,216) | 679,590 | (96,939) | (160,766) | (143,969) | (2,998,672) | (1,316,642) | 84,587 | 14,299 | (2,727,192) |
| Special item - forgiveness of loan receivable | - | (900,000) | - | - | - | - | - | - | - | - |
| Total Governmental Activities | 17,794,239 | 22,288,586 | 17,589,014 | 19,018,224 | 21,140,060 | 18,788,821 | 18,285,105 | 21,340,675 | 21,879,028 | 17,428,095 |
| Business-type Activities: | | | | | | | | | | |
| Unrestricted grants and contributions | - | 1,047,332 | 1,381,806 | - | - | - | - | - | 1,227,772 | 1,009,033 |
| Investment earnings | 503,815 | 1,416,362 | 1,839,653 | 1,297,612 | 1,139,012 | 799,620 | 1,413,015 | 469,791 | 504,428 | 559,400 |
| Other | - | 317,992 | - | 457,566 | 94,457 | (169,100.00) | - | 3,672 | - | 43,664 |
| Transfers | 102,216 | (679,590) | 96,939 | 160,766 | 143,969 | 2,998,672 | 1,316,642 | (84,587) | (14,299) | 2,727,192 |
| Total Business-type Activities | 606,031 | 2,102,096 | 3,318,398 | 1,915,944 | 1,377,438 | 3,629,192 | 2,729,657 | 388,876 | 1,717,901 | 4,339,289 |
| Total Primary Government | 18,400,270 | 24,390,682 | 20,907,412 | 20,934,168 | 22,517,498 | 22,418,013 | 21,014,762 | 21,729,551 | 23,596,929 | 21,767,384 |
| **Change in net assets:** | | | | | | | | | | |
| Governmental activities | (700,702) | 5,157,751 | 4,516,152 | 3,646,987 | 6,414,381 | 3,045,019 | 1,546,142 | 7,625,109 | 10,351,167 | 8,109,929 |
| Business-type activities | 2,707,261 | 7,731,268 | 7,526,363 | 1,053,403 | 5,783,801 | 22,665,908 | 5,462,620 | 20,960,422 | 29,399,043 | 21,527,133 |
| Total Primary Government | $ 2,007,559 | $ 12,889,019 | $ 12,042,515 | $ 4,700,390 | $ 12,198,182 | $ 25,710,927 | $ 7,008,762 | $ 28,585,531 | $ 39,750,210 | $ 29,637,062 |

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

Table 4

# CITY AND BOROUGH OF SITKA, ALASKA

## Changes in Fund Balances of Governmental Funds
## Last Ten Fiscal Years
*(modified accrual basis of accounting)*

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

Table 5

# CITY AND BOROUGH OF SITKA, ALASKA

## Assessed Value and Estimated Actual Value of Taxable Property
## Last Ten Fiscal Years

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

Table 6

# CITY AND BOROUGH OF SITKA, ALASKA

## Property Tax Rates
## Direct and Overlapping Governments
## Last Ten Fiscal Years

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

There are no overlapping property tax rates.

Table 7

# CITY AND BOROUGH OF SITKA, ALASKA

## Governmental Activities Tax Revenues by Source
## Last Ten Fiscal Years
*(accrual basis of accounting)*

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

Table 8

# CITY AND BOROUGH OF SITKA, ALASKA

## Principal Property Taxpayers
## Current Year and Nine Years Ago

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

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

Table 10

# CITY AND BOROUGH OF SITKA, ALASKA

## Sales Tax Receipts by Industry
## Last Ten Fiscal Years

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

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

## Gross Sales by Industry
## Last Ten Fiscal Years

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

Table 11

# CITY AND BOROUGH OF SITKA, ALASKA

## Ratios of Outstanding Debt by Type
## Last Ten Fiscal Years

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

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 |
|---|---|---|---|---|---|
| 2006 | $ 32,006,000 | $ 1,418,514 | $ 30,586,486 | 4.32% | $ 3,463 |
| 2007 | 30,540,000 | 2,032,412 | 28,507,588 | 3.67% | 3,298 |
| 2008 | 29,035,000 | 2,657,143 | 26,377,857 | 2.75% | 3,062 |
| 2009 | 34,410,000 | 3,148,838 | 31,261,162 | 2.93% | 3,624 |
| 2010 | 32,550,000 | 3,397,347 | 29,152,653 | 2.70% | 3,283 |
| 2011 | 36,300,000 | 2,703,304 | 33,596,696 | 2.44% | 3,830 |
| 2012 | 32,290,000 | 2,990,924 | 29,299,076 | 2.54% | 3,273 |
| 2013 | 31,020,000 | 2,028,544 | 28,991,456 | 2.49% | 3,191 |
| 2014 | 28,635,000 | 1,958,072 | 26,676,928 | 2.23% | 2,932 |
| 2015 | 25,990,000 | 2,527,635 | 23,462,365 | 1.96% | 2,642 |

Table 13

# CITY AND BOROUGH OF SITKA, ALASKA

## Direct and Overlapping Governmental Activities Debt
## Legal Debt Margin Information
## As of June 30, 2015

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

Legal Debt Margin

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

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

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

Revenue includes all operating and nonoperating revenues.
Expenses includes all operating expenses excluding depreciation

Table 15

# CITY AND BOROUGH OF SITKA, ALASKA

## Demographic and Economic Statistics
## Last Ten Fiscal Years

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

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

Table 16

# CITY AND BOROUGH OF SITKA, ALASKA

## Principal Employers
## Current Year and Nine Years Ago

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

Table 17

# CITY AND BOROUGH OF SITKA, ALASKA

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

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

Table 18

# CITY AND BOROUGH OF SITKA, ALASKA

## Average Number of Electrical Customers
## Last Ten Fiscal Years

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

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

## KwH Sold by Class
## Last Ten Fiscal Years

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

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

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

# City and Borough of Sitka, Alaska

## Federal and State Single Audit Reports
Year Ended June 30, 2015

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

BDO

# City and Borough of Sitka, Alaska

Federal and State Single Audit Reports
Year Ended June 30, 2015

# City and Borough of Sitka, Alaska

## Contents


| | Page |
|---|---|
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* | 1-2 |
| Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 | 3-5 |
| Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* | 6-8 |
| Schedule of Expenditures of Federal Awards | 9-10 |
| Schedule of State Financial Assistance | 11-12 |
| Notes to the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance | 13 |
| Schedule of Findings and Questioned Costs | 14-18 |
| Summary Schedule of Prior Audit Findings | 19 |
| Corrective Action Plan | 20-21 |

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Sitka, Alaska, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City and Borough of Sitka's basic financial statements and have issued our report thereon dated March 21, 2016. Our report includes a reference to other auditors who audited the financial statements of Sitka Community Hospital, as described in our report on City and Borough of Sitka's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

## Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be material weaknesses.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City and Borough of Sitka's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**City and Borough of Sitka's Response to Findings**

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

**Purpose of this Report**

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

BDO USA, LLP

Anchorage, Alaska
March 21, 2016

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# Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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

## Report on Compliance for Each Major Federal Program

We have audited City and Borough of Sitka's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City and Borough of Sitka's major federal programs for the year ended June 30, 2015. City and Borough of Sitka's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City and Borough of Sitka's basic financial statements include the operations of its component unit, the Sitka School District which received $2,553,758 of federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2015. Our audit, described below, did not include the operations of Sitka School District because it was subjected to a separate audit in accordance with OMB Circular A-133.

### *Management's Responsibility*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of City and Borough of Sitka's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City and Borough of Sitka's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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### *Opinion on Each Major Federal Program*

In our opinion, City and Borough of Sitka complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### Report on Internal Control Over Compliance

Management of City and Borough of Sitka is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City and Borough of Sitka's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City and Borough of Sitka's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Sitka as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City and Borough of Sitka's basic financial statements. We issued our report thereon dated March 21, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
March 21, 2016

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

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

### Report on Compliance for Each Major State Program

We have audited City and Borough of Sitka's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City and Borough of Sitka's major state programs for the year ended June 30, 2015. City and Borough of Sitka's major state programs are identified in the accompanying Schedule of State Financial Assistance.

City and Borough of Sitka's basic financial statements include the operations of its component unit, the Sitka School District which received $18,179,642 of state awards which is not included in the Schedule of State Financial Assistance for the year ended June 30, 2015. Our audit, described below, did not include the operations of Sitka School District because it was subjected to a separate audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits.*

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

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

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

***Opinion on Each Major State Program***

In our opinion, City and Borough of Sitka complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

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

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

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

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

**Report on Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Sitka as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City and Borough of Sitka's basic financial statements. We issued our report thereon dated March 21, 2016 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Schedule of State Financial Assistance is fairly stated in all material respects, in relation to the basic financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
March 21, 2016

# City and Borough of Sitka, Alaska

## Schedule of Expenditures of Federal Awards

| *Year Ended June 30, 2015* | Grant Number | Catalog of Federal Domestic Assistance Number | Total Grant Award | Expend-itures |
|---|---|---|---|---|
| **Department of Agriculture** | | | | |
| National Forest Receipts | FY14NFR | 10.665 | $ 752,083 | $ 752,083 |
| **Department of the Homeland Security** | | | | |
| Passed through the State of Alaska Department of Military and Veterans Affairs: | | | | |
| 2013 State Homeland Security Program | 13-SHSP-GR34078 | 97.067 | 242,625 | 25,995 |
| 2014 State Homeland Security Program | 14SHSP-GR34094 | 97.067 | 102,213 | 3,297 |
| Total Department of Homeland Security | | | | 29,292 |
| **Department of the Interior** | | | | |
| Payment in Lieu of Taxes 2015 | FY15 | 15.226 | 604,742 | 604,742 |
| Passed through the State of Alaska Department of Commerce, Community and Economic Development - Swan Lake Restoration | 10-CIAP-014 | 15.668 | 771,236 | 670,858 |
| Passed through the State of Alaska Department of Natural Resources: | | | | |
| Lincoln Street Historic District | 13599 | 15.904 | 20,000 | 2,092 |
| North Pacific Hall Façade Restoration | 14608 | 15.904 | 19,995 | 1,227 |
| Japonski Island Marine Ways | 14607 | 15.904 | 11,316 | 11,316 |
| Japonski Island Boathouse Doors and West Wall | 15015 | 15.904 | 15,000 | 185 |
| Total CFDA 15.904 | | | | 14,820 |
| Total Department of the Interior | | | | 1,290,420 |
| **Department of Justice** | | | | |
| COPS Hiring Program | 2011-UMWX-002 | 16.710 | 326,835 | 98,575 |
| COPS Hiring Program | 2014-UMWX0023 | 16.710 | 125,000 | 15,918 |
| Total CFDA 16.710 | | | | 114,493 |
| Bullet Proof Vest Program | 2013 | 16.607 | 1,438 | 1,063 |
| Bullet Proof Vest Program | 2014 | 16.607 | 1,908 | 1,908 |
| Total CFDA 16.607 | | | | 2,971 |
| Passed through the State of Alaska Department of Public Safety | | | | |
| Edward Byrne Memorial Justice Assistance Grant | JAG 15-206 | 16.738 | 202,000 | 178,052 |
| Total Department of Justice | | | | 295,516 |
| **Department of Transportation** | | | | |
| Sitka Seaplane Base, Sitka, AK Planning Study | 3-02-0267-001-2010 | 20.106 | 300,000 | 2,359 |
| Cross Trail Multimodal Pathway Phase | DTFH70-13-E-00017 | 20.205 | 1,670,003 | 681,369 |
| SCIP - Paving FTA | AK-03-0077-00 | 20.500 | 1,941,747 | 3,091 |
| Total Department of Transportation | | | | 686,819 |

## City and Borough of Sitka, Alaska

### Schedule of Expenditures of Federal Awards, continued

| *Year Ended June 30, 2015* | Grant Number | Catalog of Federal Domestic Assistance Number | Total Grant Award | Expend-itures |
|---|---|---|---|---|
| **Department of Commerce** | | | | |
| Passed through State of Alaska Department of Education and Early Development | | | | |
| Broadband Technology - OWL | OWL 14-751-01 | 11.557 | $ 5,642 | $ 5,642 |
| **Environmental Protection Agency** | | | | |
| Passed through State of Alaska Department of Environmental Conservation: | | | | |
| Capitalization Grants for Clean Water State Revolving Funds: | | | | |
| Monastery and Baranoff Sewer - SMC to DeGroff - Loan | 783411 | 66.458 | 533,000 | 1,001 |
| Hollywood Way and New Archangel Street Sewer - Subsidy | 783511 | 66.458 | 500,000 | 44,303 |
| Baranof Street Sewer Main Replacement - Loan | 783091 | 66.458 | 652,000 | 5,617 |
| Baranof Street Sewer Main Replacement - Subsidy | 783091 | 66.458 | 88,000 | 938 |
| Total CFDA 66.458 | | | | 51,859 |
| Capitalization Grants for Drinking Water State Revolving Funds: | | | | |
| Monastery and Baranoff Water - SMC to DeGroff - Loan | 783301 | 66.468 | 497,000 | 25,525 |
| Jeff Davis Water Main Replacement - Loan | 783371 | 66.468 | 812,000 | 6,016 |
| Hollywood Way Water Main Replacement - Loan | 783521 | 66.468 | 112,500 | 37,969 |
| Hollywood Way Water Main Replacement - Subsidy | 783521 | 66.468 | 137,500 | 33,751 |
| UV Disinfection Facility - Loan | 783431 | 66.468 | 2,500,000 | 1,546,565 |
| UV Disinfection Facility - Subsidy | 783431 | 66.468 | 1,500,000 | 1,306,690 |
| Baranof Street Water Main Replacement- Loan | 783501 | 66.468 | 441,140 | 1,584 |
| Baranof Street Water Main Replacement- Subsidy | 783501 | 66.468 | 243,860 | 4,918 |
| Total CFDA 66.468 | | | | 2,963,018 |
| Total Environmental Protection Agency | | | | 3,014,877 |
| **Total Expenditures of Federal Awards** | | | | $ 6,074,649 |

*See accompanying notes to the schedule.*

# City and Borough of Sitka, Alaska

## Schedule of State Financial Assistance

| *Year Ended June 30, 2015* | Grant Number | Total Grant Award | Expend-itures |
|---|---|---|---|
| **Department of Military & Veteran Affairs** | | | |
| 2015 Local Emergency Planning Committee Grant | 15LEPC-GR35602 | $ 13,913 | $ 13,913 |
| **Department of Commerce, Community and Economic Development** | | | |
| Takatz Lake Hydroelectric Project Planning and Analysis | 13-DC-420 | 770,000 | 140,695 |
| * Commercial Passenger Vessel Lightering Facility Improvement | 10-DC-025 | 2,000,000 | 950,104 |
| Commercial Passenger Vessel Facilities and Visitor Improvement | 11-DC-644 | 4,500,000 | 700 |
| * Community Hospital Roof Replacement | 13-DC-467 | 1,200,000 | 34,937 |
| Eagle Way and Old Harbor Mountain Road Upgrade and Ownership Transfer | 13-DC-481 | 1,500,000 | 83,115 |
| Baranof Warm Spring Dock Improvements and Ownership Transfer | 13-DC-497 | 1,900,000 | 160,506 |
| * Sitka High School Vocational Education Facility | 13-DC-534 | 2,900,000 | 2,471,878 |
| * Failed Collector Streets Rehabilitation | 13-DC-533 | 2,900,000 | 2,413,646 |
| * Kettleson Memorial Library Expansion | 13-DC-596 | 5,700,000 | 2,220,331 |
| Nelson Logging Road Upgrade and Ownership Transfer | 13-DC-517 | 2,343,000 | 10,680 |
| * Sawmill Cove Industrial Park Dock | 13-GO-015 | 7,500,000 | 314,150 |
| Shared Fisheries Business Tax | 2015 | 43,235 | 43,235 |
| * State Revenue Sharing | 2015 | 911,318 | 911,318 |
| Total Department of Commerce, Community and Economic Development | | | 9,755,295 |
| **Alaska Energy Authority** | | | |
| * Blue Lake Hydroelectric Expansion Project | 7910013 | 28,450,000 | 5,751,765 |
| * Blue Lake Hydroelectric Expansion Project | 7060917 | 4,000,000 | 4,000,000 |
| Takatz Hydroelectric Feasibility | 2195418 | 2,000,000 | 75,933 |
| Sitka Centennial Hall Air Source Heat Pump | 7071011 | 232,600 | 4,636 |
| Total Alaska Energy Authority | | | 9,832,334 |
| **Department of Environmental Conservation** | | | |
| * UV Disinfection Facility | 78317 | 5,561,000 | 2,794,322 |
| * Hollywood Way and New Archangel Street Water and Sewer | 78321 | 552,300 | 451,705 |
| Jeff Davis Street Water and Sewer Improvements | 78322 | 644,000 | 19,827 |
| Monastery and Baranof Water and Sewer - SMC to DeGroff | 78320 | 763,000 | 174,289 |
| Total Department of Environmental Conservation | | | 3,440,143 |

## City and Borough of Sitka, Alaska

### Schedule of State Financial Assistance, continued

| *Year Ended June 30, 2015* | Grant Number | Total Grant Award | Expend-itures |
|---|---|---|---|
| **Department of Education and Early Development** | | | |
| Public Library Assistance | PLA1575167 | $ 6,650 | $ 6,650 |
| Pacific High School Renovation | GR-10-006 | 1,736,513 | 86,826 |
| * Debt Reimbursement Program | FY15 | 2,417,908 | 2,417,908 |
| Total Department of Education and Early Development | | | 2,511,384 |
| **Department of Administration** | | | |
| * State PERS Relief | 2015 | 5,051,718 | 5,051,718 |
| Auto Tax | 2015 | 94,554 | 94,554 |
| Total Department of Administration | | | 5,146,272 |
| **Department of Transportation and Public Facilities** | | | |
| ANB Harbor Float Replacement | 13-HG-006 | 4,250,000 | 122,108 |
| SCIP Waterfront Development Plan | 69600 | 460,000 | 3,379 |
| Total Department of Transportation and Public Facilities | | | 125,487 |
| **Department of Revenue** | | | |
| Liquor Tax | 2015 | 30,975 | 30,975 |
| * Fisheries Raw Fish Tax | 2015 | 1,009,033 | 1,009,033 |
| Commercial Passenger Vessel Tax | 2015 | 157,340 | 157,340 |
| Total Department of Revenue | | | 1,197,348 |
| **Total State Financial Assistance** | | | $ 32,022,176 |

*See accompanying notes to the schedule.*

* Indicates a State Major Program

## 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance (the "Schedules") includes the federal and state grant activity of City and Borough of Sitka, Alaska under programs of the federal and state government for the year ended June 30, 2015. The information in these schedules is presented in accordance with the requirements of OMB-Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedules presents only a selected portion of the operations of the City and Borough, it is not intended to and does not present the financial position, changes in net position or cash flows of City and Borough of Sitka.

## 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule, if any, represent adjustments or credits made in the normal course of business to amount reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

## 3. Subrecipients

The City and Borough provided subrecipient grants during FY15 as follows:

| *CFDA Number* | *Name of Federal Program or Cluster* | *Amount Provided to Subrecipient* |
|---|---|---|
| 10.665 | National Forest Receipts | $376,041 |

## 3. PERS On-Behalf

The City and Borough has recorded $5,051,718 in PERS On-Behalf payments in the Schedule of State Financial Assistance. This represents the PERS relief payment appropriated and transferred into the plan during FY2015.

In the governmental fund financial statements, on-behalf revenue and expenditures have been recognized in the year appropriated and transferred to the plan. However, in the full accrual financial statements, GASB 68 provisions prescribe that on-behalf pension contributions in a special funding situation may only be recognized during the measurement period in which the plan recognizes the contributions, effectively creating a one-year timing difference between the cash contribution and revenue and expense recognition by the City.

As a result of these perspective and timing differences, amounts reported in the financial statements do not agree to the amounts reported on the Schedule of State Financial Assistance.

# City and Borough of Sitka, Alaska

## Schedule of Findings and Questioned Costs

*Year Ended June 30, 2015*

### Section I - Summary of Auditor's Results

***Financial Statements***

| | | |
|---|---|---|
| Type of auditor's report issued: | Unmodified | |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | X yes | ___ no |
| Significant deficiency(ies) identified? | ___ yes | X (none reported) |
| Noncompliance material to financial statements noted? | ___ yes | X no |

***Federal Awards***

| | | |
|---|---|---|
| Internal control over major federal programs: | | |
| Material weakness(es) identified? | ___ yes | X no |
| Significant deficiency(ies) identified? | ___ yes | X (none reported) |
| Type of auditor's report issued on compliance for major federal programs: | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | ___ yes | X no |

Identification of major federal programs:

| *CFDA Number* | *Name of Federal Program or Cluster* | *Agency* |
|---|---|---|
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds | Environmental Protection Agency |
| 20.205 | Highway Planning - Cross Trail Multi-modal Pathway | Department of Transportation |
| 15.668 | Coastal Impact Assistance - Swan Lake Restoration | Department of the Interior |

| | | | |
|---|---|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | | | $ 300,000 |
| Auditee qualified as low-risk auditee? | ___ yes | X no | |

***State Financial Assistance***

| | | |
|---|---|---|
| Internal control over major state programs: | | |
| Material weakness(es) identified? | ___ yes | X no |
| Significant deficiency(ies) identified? | ___ yes | X (none reported) |
| Type of auditor's report issued on compliance for major state programs: | Unmodified | |
| Dollar threshold used to determine a state major program: | | $ 300,000 |

## Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

**Finding 2015-001 External Financial Reporting - Material Weakness**

*Criteria* Section A1.08 of Government Auditing Standards states that "management is responsible for...ensuring that management and financial information is reliable and properly reported." Internal controls over financial reporting, should allow management to prevent, or detect and correct misstatements on a timely basis.

*Condition* Material adjustments were required to correctly report certain financial statement accounts. Specifically, audit adjustments were made to Equity, Interest Expense, Debt Amortization, Depreciation, Grant Revenue and Grant Receivables.

*Context* We noted that most accounts are being appropriately reconciled monthly or quarterly throughout the course of the year. However, we noted errors in certain year end balances, particularly related to accounts that are accounted for on a budgetary basis for day-to-day purposes, but must be converted to GAAP basis for external financial reporting.

*Effect* Individual accounts were misstated at year end, leading to revenue and expense being misstated. Adjustments were required to correct the general ledger.

*Cause* Internal controls were not in place to ensure that all general ledger accounts were properly reconciled and adjusted for yearend GAAP based reporting. Turnover in the grant accounting position was a contributing factor to the grant related adjustments.

*Recommendation* City and Borough staff should closely review the activity in the General Ledger. In particular, year-end balances should be reviewed for completeness and accuracy accounting for one-time and yearend adjustments needed to correctly report in accordance with GAAP requirements.

Management Response Refer to the corrective action plan.

**Finding 2015-002 Grant Reconciliations - Preparation of the State and Federal Grant Expenditure Schedules - Material Weakness**

*Criteria* During the year the City and Borough recorded transactions affecting multiple State and Federal grants. The accounting for these transactions was not always properly recorded or reported on the required schedules.

*Condition* We noted several errors in the general ledger and in the state and federal award schedules.

*Context* Overall, it appears that the City and Borough is doing a good job of capturing costs related to projects. However, there is a high degree of complexity with regard to revenue and receivables recognition, and proper application of costs to the state and federal schedules. For example, projects funded through the ADEC revolving loan programs may or may not result in revenue recognition and may or may not result in expenditure recognition for single audit reporting, depending on the specific disbursement.

*Effect* Several adjustments were required to properly reconcile grant receivables, expenditures, and cash receipts to the corrected State and Federal Schedules.

*Cause* The allocation of funding to various projects at City and Borough of Sitka makes the grant accounting and reporting extremely complex. Also, the City and Borough experienced turnover in the key position responsible for grant accounting. Both learning curve and level of complexity contributed to errors in the accounting and record keeping.

*Recommendation* We recommend that the City and Borough attempt to simplify their grant activities. For example, the city has one grant that funds multiple projects and each of those projects are funded by multiple grants or loans. Where possible, try to limit the number of projects applied to any individual grant. This would streamline the grant accounting to a single location within the general ledger. In addition, the City and Borough will need to allow for training and additional learning curve (due to additional turnover).

*Management Response* Refer to the corrective action plan.

## Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in section .510(a) of the Circular) that are required to be reported.

## Section IV - State Award Findings and Questioned Costs

There were no findings and questioned costs for State of Alaska awards that are required to be reported.

# City and Borough of Sitka, Alaska

## Summary Schedule of Prior Audit Findings

*Year Ended June 30, 2015*

**Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards***

| | |
|---|---|
| **Finding** | **2014-001 General Ledger Reconciliation & External Financial Reporting - Material Weakness** |
| *Condition* | Significant adjustments were required to the general ledger accounts. |
| *Status* | This item is repeated as finding 2015-001, with certain modifications. There was some improvement noted; however, not all of the external reporting issues were fully resolved. |
| **Finding** | **2014-002 Grant Reconciliation - Preparation of the State and Federal Grant Expenditure Schedules - Material Weakness** |
| *Condition* | Errors were noted in the state and federal grant schedules. |
| *Status* | This item is repeated as finding 2015-002, with minor modifications |
| **Finding** | **2014-003 Interest Capitalization - Significant Deficiency** |
| *Condition* | Interest incurred on construction project debt was not capitalized. |
| *Status* | This item is resolved in 2015. |

**State Award Findings and Questioned Costs**

| | |
|---|---|
| **Finding** | **2014-004 Other Tests and Provision - Procurement - Internal control over Compliance - Material Weakness - Noncompliance** |
| *Condition* | The Borough conducted business with vendors paid in excess of $100,000 for services that did not comply with Borough policy. One contract did not follow the bidding process and two contracts did not receive assembly approval. |
| *Status* | Additional review procedures were established in 2015 and the procurement policy and procedure manual is in process of being reviewed and revised to ensure future compliance. This finding is considered resolved. |

# City and Borough of Sitka, Alaska

## Corrective Action Plan

*Year Ended June 30, 2015*

*Contact*

Michael Middleton
Deputy Finance Director
City and Borough of Sitka, Alaska
(907)747-4050 mikem@cityofsitka.com

### Financial Statement Findings

**Finding 2015-001** **External Financial Reporting - Material Weakness**

*Management Response*

Staff notes that this material weakness involves the recording of unusual and uncommon adjusting journal entries necessary for external financial reporting. Day-to-day accounting processes are consistently recording with accuracy and timeliness. Some unusual entries, made just once a year, or one time only, in order to prepare accounting records for financial reporting, were recorded incorrectly.

An example of such unusual entries which were not properly recorded involved the refunding of bonded debt. The occasions to make such entries are very infrequent, often not occurring for significant periods of time.

Staff's perspective is that improvement has been achieved during the last fiscal year in the preparation of accounting information for external financial reporting, as evidenced by a reduction in audit adjustments.

*Corrective Action*

Staff will address this weakness by implementing three corrective actions:

(1) Greater involvement by the Chief Financial and Administrative Officer in discussion as to the accounting treatment for unusual events and their effect for external reporting, and, subsequent review of accounting treatments after recording
(2) Consideration as to the engagement of professional consulting accountants for review of the final adjusted trial balance in preparation for external financial reporting, in order to ensure completeness and sufficiency of accounting treatments
(3) Discussion by the professional accounting staff of entries that required adjustment, their causes, and the appropriate accounting treatments, in order to increase the level of overall staff education

*Expected Completion*

Corrective actions will be implemented in conjunction with the FY2016 external audit.

**Finding 2015-002** **Grant Reconciliation - Preparation of the State and Federal Grant Expenditure Schedules - Material Weakness**

*Management Response*

The City and Borough again experienced staff turnover in grant accounting in Fiscal Year 2015. The grant accountant is one of the most demanding positions within the accounting staff and highly experienced individuals are very difficult to recruit. Furthermore, the fiscal limitations of the Municipality only allow it to be able to afford one staff member for grant accounting and reporting, not providing great depth.

The incumbent in the position departed in early August 2015 to return to the Eastern US, for personal reasons unrelated to work. The position was not refilled until late September. The new staff member, while highly skilled and possessing advanced education had no previous experience in grant accounting and reporting. Thus, during the critical period of time in which the Schedules of Federal and State Grant Expenditures are prepared for audit, the grant account and position was vacant. Given the challenge of beginning work in a challenging position, without prior experience, during the intense period of audit preparation, the City and Borough feels its grant accountant did an excellent job.

It is critical to note, however, that due to limited personnel resources, grant accounting and reporting capabilities will remain vulnerable during times of staff turnover. Due to the complex technical nature of grant accountant duties, deep technical expertise is difficult to hire and takes some length of time to develop through training. Such expertise is lost during personnel transitions, which are quite often due to personal reasons unrelated to the workplace.

*Corrective Action*

Management feels that the current incumbent in the position has made great strides in mastering the technical demands of the position, simplifying processes, and implementing workflow management systems which will improve consistency and accuracy in grant reporting. Management will continue to assist the current grant accountant in mastering the intricacies of grant accounting and reporting through training and support, whenever possible.

*Expected Completion*

Management expects continuous progress to be made but points out that improvement is highly dependent on its ability to retain skilled employees so that consistency and continuation of effective workflow management process can be obtained.

## Federal Award Findings

**There were no federal findings reported in 2015. No corrective action is required.**

## State of Alaska Findings

**There were no State of Alaska findings reported in 2015. No corrective action is required.**