

# **SPECIAL REPORT**

CBS Comprehensive Annual Financial Report

Jay Sweeney and Mike Middleton



# City and Borough of Sitka


100 Lincoln Street • Sitka, Alaska 99835

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## Memorandum

To: Mayor and Assembly

Via: Jim Dinley

John "Jay" Sweeney 

Date: 2/6/12

Re: Auditors' Report to the City and Borough of Sitka, Comprehensive Annual Financial Report (CAFR), and Federal and State Single Audit Reports

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Mayor and Assembly,

This was the first year end and audit process overseen by the new management of the Finance Department. The important focus is the overall audit is Unqualified with no Findings, Material Weaknesses or Significant Deficiencies.

The Auditors' report to the City and Borough of Sitka (CBS) is a summary of items required by professional standards to be communicated to the CBS Assembly in the role of oversight of the process. This document is a reflection of the audit process, not the final product. The comments are all positive.

The CAFR is the end result of the audit process. Here is where the opinion of the financial statements is contained. The Basic Financial Statements, Notes to the Basic Financial Statements and the Supplementary Information sections are the only sections subjected to full audit procedures. The others sections are reviewed by the auditors for consistency with these three sections. The Management's Discussion and Analysis section is useful for gaining an overview of the CBS. The Statistical Section helps to put the information into perspective and contains demographic information, financial and performance statistics over multiple fiscal years. The report has no Findings, Material Weaknesses or Significant Deficiencies.

The Federal and State Single Audit Reports are required due to the volume of grants the CBS receives. It is a part of the regular audit but is focused on compliance auditing. This report also has no Findings, Material Weaknesses or Significant Deficiencies.

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Providing for today...preparing for tomorrow

CITY AND BOROUGH OF SITKA, ALASKA

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**



**FISCAL YEAR ENDED  
JUNE 30, 2011**

**CITY AND BOROUGH OF SITKA, ALASKA**

Comprehensive Annual Financial Report

Year Ended June 30, 2011

Jay Sweeney, Finance Director

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## **Introductory Section**



# CITY AND BOROUGH OF SITKA, ALASKA

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**CITY AND BOROUGH OF SITKA, ALASKA**

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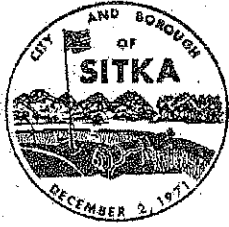
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# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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January 16, 2012

To the Honorable Mayor Cheryl Westover,  
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, 2011

This report consists of management's representations concerning the finances 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 Mikunda, Cottrell & Co., Inc., 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, 2011, 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, 2011. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

### **Profile of Government**

The City and Borough of Sitka, incorporated in 1971, is located on Baranof and Chicagof Islands which are located along the Inside Passage in Southeast Alaska. Sitka is situated on the west coast of Baranof Island, contained within the largest temperate rain forest in the world. Most of this rain forest is part of the Tongass National Forest. The City and Borough of Sitka currently occupies a land area of 2,894 square miles, a water area of 1,816 square miles and serves a population of 8,747. 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 15<sup>th</sup> of January each year. The Budget Officer compiles and presents the draft budget to the Administrator on or before the 15<sup>th</sup> of March. The Administrator then presents this proposed budget to the Assembly for review on or before the 15<sup>th</sup> 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 D-7 as part of the basic financial statements for the governmental funds.

### **Factors Affecting Financial Condition**

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

**Local economy.** The City and Borough of Sitka's principal economic base is fishing, fish processing, government, tourism, and related businesses. The harvesting, processing and sale of timber has steadily declined since the closure of the Alaska Pulp Corporation pulp mill in September of 1993. An increase in fish processing, tourism, educational institutions and healthcare has offset some of the decline in timber, but over the longer term lower paying jobs will not compensate for the loss of high paying timber employment.

Population estimates for the Municipality rose from 8,627 in 2009 to 8,747 in 2011. Sales tax collections have increased by 0.7% over last fiscal year while Bed tax increased 1.4%. The positive is this is a reversal of the large decreases from fiscal years 2008, 2009 and 2010. While the growth is negligible, it indicates perhaps stabilization may be occurring in this economic downturn. Sales tax and bed tax revenues are comparable to revenues in fiscal year 2005 and 2003 respectively.

**Long-term financial planning.** The City and Borough of Sitka engages in long-term financial planning in order to ensure future maintenance and replacement of infrastructure as well as the future provision of essential government services. Included in this planning have been several initiatives to help define future infrastructure requirements and associated funding. These initiatives include the preparation of Cost of Service Studies and Infrastructure Master Plans. In order to determine appropriate rate structures in order to generate working capital for future infrastructure needs. These plans and studies have taken into consideration overall economic trends such as anticipated population declines and declining Federal and State of Alaska support for infrastructure replacement. The desired end result of planning is that stable revenue sources are developed to ensure that key core governmental services, along with their required equipment and infrastructure, are funded in the future.

**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 FY2011, 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 all 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.

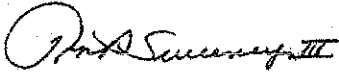
The Sitka School District provides pension benefits for all eligible employees through PERS and Teachers Retirement System (TRS). The School District has no obligations in connection with employee benefits offered through this plan beyond its annual required payments to the pension plans.

Additional information on pension arrangements and postemployment benefits can be found starting on E-24 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 Larry Fitzsimmons, Janet Schwartz, Sally Kimmel, and Lesly Peters. 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. Sweeney III  
Finance Director

## CITY AND BOROUGH OF SITKA, ALASKA

### Principal City Officials

<b>Name</b>	<b>Position</b>
Cheryl Westover	Mayor
Terry Blake	Assembly Member
Thor Christianson	Assembly Member
Larry Crews	Assembly Member
Pete Esquiro	Assembly Member
Phyllis Hackett	Assembly Member
Mim McConnell	Assembly Member
Jim Dinley	Municipal Administrator
Sarah Bell	Library Director
Chris Brewton	Electric Utility Director
Marlene Campbell	Government Relations Director
Mark Danielson, SPHR	Human Resources Director
Stan Eliason	Harbormaster
Michael Harmon	Public Works Director
Theresa Hillhouse	Municipal Attorney
Randy Hughes	Assessor
Colleen Ingman	Municipal Clerk
Gary McCarty	IT Director
Dave Miller	Fire Chief
Sheldon Schmitt	Police Chief
John P. "Jay" Sweeney III	Finance Director
Wells Williams	Planning Director



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## **Independent Auditor's Report**





Independent Auditor's Report

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

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, 2011, which collectively comprise the City and Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City and Borough's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sitka School District or the Sitka Community Hospital, discreet component units of the reporting entity. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sitka School District and the Sitka Community Hospital, is based on the reports 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2012 on our consideration of the City and Borough of Sitka's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City and Borough of Sitka's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
January 16, 2012

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## CITY AND BOROUGH OF SITKA, ALASKA

### Management's Discussion and Analysis

June 30, 2011

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, 2011. 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 IV-VII of this report.

#### **Financial Highlights**

- The assets of the Municipality exceeded its liabilities at the close of the most recent year by \$266 million. Of this amount, \$49 million (unrestricted net assets) 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, fund balance for the General Fund was \$11.5 million. \$10.3 million was unassigned and available for spending. The unassigned fund balance for the General Fund represented 44% of total General Fund expenditures.

#### **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 Assets presents information on all of the Municipality's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the Municipality. Over time, increase or decreases in net assets 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 assets 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.

## CITY AND BOROUGH OF SITKA, ALASKA

### Management's Discussion and Analysis, continued

The Statement of Net Assets 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 seven enterprise funds: Electric and 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 exhibits A-1 and A-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 21 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Permanent Fund and Capital Projects Fund. The other 18 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 18 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.



## CITY AND BOROUGH OF SITKA, ALASKA

### Management's Discussion and Analysis, continued

#### **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 and 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 and 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 Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows for Proprietary Funds. The basic proprietary fund financial statements can be found on exhibits D-1 – D-3 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 exhibits E-1 and E-2 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 34-64 of this report.

#### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information which can be found following the Notes to Financial Statements beginning on page 65.

## CITY AND BOROUGH OF SITKA, ALASKA

### Management's Discussion and Analysis, continued

#### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Municipality, assets exceeded liabilities by \$266 million at June 30, 2011 compared to \$254 million at June 30, 2010. By far the largest portion of the Municipality's net assets (64%) 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 Assets June 30, 2011 and 2010 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 67	58	57	32	124	90
Capital assets	<u>101</u>	<u>105</u>	<u>152</u>	<u>145</u>	<u>253</u>	<u>250</u>
Total assets	<u>168</u>	<u>163</u>	<u>209</u>	<u>177</u>	<u>377</u>	<u>340</u>
Long-term debt outstanding	37	34	68	48	105	82
Other liabilities	<u>3</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>6</u>	<u>4</u>
Total liabilities	<u>40</u>	<u>36</u>	<u>71</u>	<u>50</u>	<u>111</u>	<u>86</u>
Net assets:						
Invested in capital assets, net of related debt	64	78	105	97	169	175
Restricted	44	24	4	7	48	31
Unrestricted	<u>20</u>	<u>25</u>	<u>29</u>	<u>23</u>	<u>49</u>	<u>48</u>
Total net assets	<u>\$ 128</u>	<u>127</u>	<u>138</u>	<u>127</u>	<u>266</u>	<u>254</u>

#### Governmental Activities

Governmental activities increased the Municipality's net assets by \$1 million.

The net assets for the Municipality's governmental activities are \$128.2 million, an increase of \$1 million. A substantial portion (50%) of the net assets is invested in capital assets. The Municipality uses these assets to provide services to the citizens. The unrestricted net assets of the governmental activities are \$20 million as of June 30, 2011.

**CITY AND BOROUGH OF SITKA, ALASKA**

Management's Discussion and Analysis, continued

**Business-type Activities**

Business-type activities increased the Municipality's net assets by \$11 million. This compares to an increase of \$5.8 million for the year ended June 30, 2010. Key elements are listed below:

- The Electric and Water Fund's net assets increased by \$8.6 million. This increase was due to capital grant revenue for infrastructure of \$10.6 million while operating expenses increased by \$1.1 million.

The net assets for the Municipality's business-type activities are \$137.5 million, an increase of \$10.6 million. As with government-wide activities, a substantial portion (76%) of the net assets is invested in capital assets. The Municipality uses these assets to provide services to the citizens. The unrestricted net assets of the business-type activities are \$29 million as of June 30, 2011.

Changes in Net Assets  
For Fiscal Years Ending June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2.1	2.3	20.2	19.4	22.3	21.7
Operating grants and contributions	5.3	5.5	1.9	1.2	7.2	6.7
Capital grants and contributions	0.8	3.7	7.2	5.9	8.0	9.6
General revenues:						
Property tax	6.0	5.9	-	-	6.0	5.9
Sales and other taxes	9.7	9.0	-	-	9.7	9.0
Grants and contributions not restricted to specific programs	0.4	0.4	-	-	0.4	0.4
Unrestricted investment earnings	4.3	3.6	0.8	1.1	5.1	4.7
Other	1.4	2.3	-	0.1	1.4	2.4
<b>Total revenues</b>	<u>30.0</u>	<u>32.7</u>	<u>30.1</u>	<u>27.7</u>	<u>60.1</u>	<u>60.4</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Management's Discussion and Analysis, continued

Changes in Net Assets, continued  
For Fiscal Years Ending June 30, 2011 and 2010

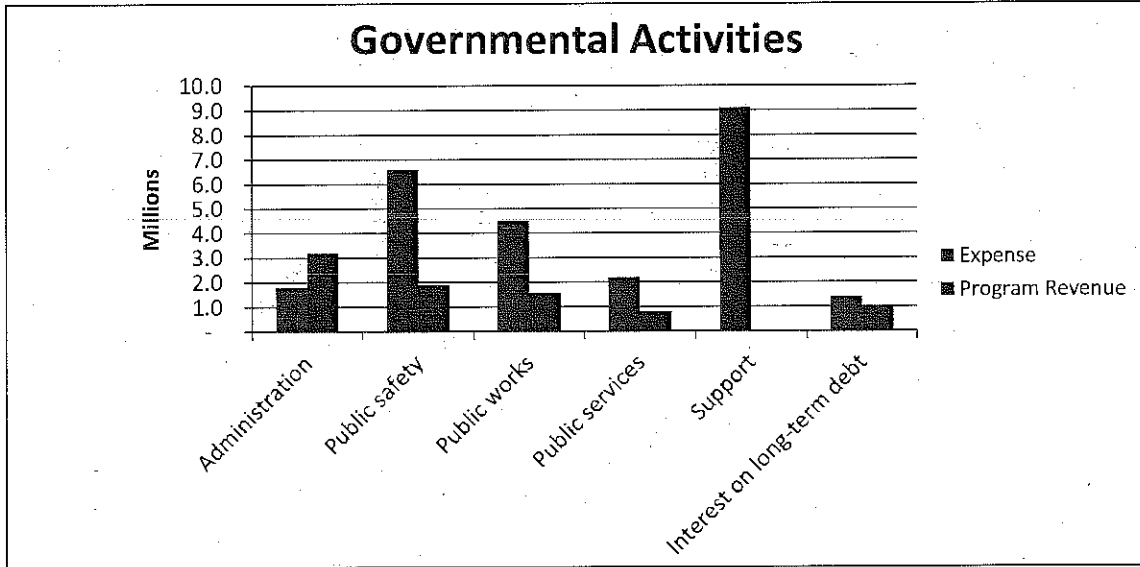
	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Expenses:</b>						
Administration	\$ 1.7	1.7	-	-	1.8	1.7
Public safety	6.7	6.4	-	-	6.6	6.4
Public works	4.7	4.7	-	-	4.5	4.7
Public services	2.2	2.1	-	-	2.2	2.1
Support	9.4	9.8	-	-	9.1	9.8
Interest on long-term debt	1.4	1.5	-	-	1.4	1.5
Electric and water	-	-	12.3	11.9	15.8	11.9
Wastewater treatment	-	-	3.3	3.3	3.7	3.3
Solid waste disposal	-	-	3.1	3.1	3.1	3.1
Harbor	-	-	2.5	2.3	2.5	2.3
Nonmajor business-type	-	-	1.4	1.4	3.2	1.4
<b>Total expenses</b>	<u>26.1</u>	<u>26.2</u>	<u>22.5</u>	<u>22.0</u>	<u>53.9</u>	<u>48.2</u>
Increase in net assets before transfer	3.8	6.5	7.6	5.7	32.0	12.2
Transfers in (out)	<u>(3.0)</u>	<u>(0.1)</u>	<u>3.0</u>	<u>0.1</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>0.8</u>	<u>6.4</u>	<u>10.6</u>	<u>5.8</u>	<u>11.5</u>	<u>12.2</u>
Net assets, beginning of year	<u>127.3</u>	<u>120.9</u>	<u>126.9</u>	<u>121.1</u>	<u>254.2</u>	<u>242.0</u>
Net assets, end of year	\$ <u>128.2</u>	<u>127.3</u>	<u>137.5</u>	<u>126.9</u>	<u>265.7</u>	<u>254.2</u>

**Expenses and Program Revenues – Governmental Activities**

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

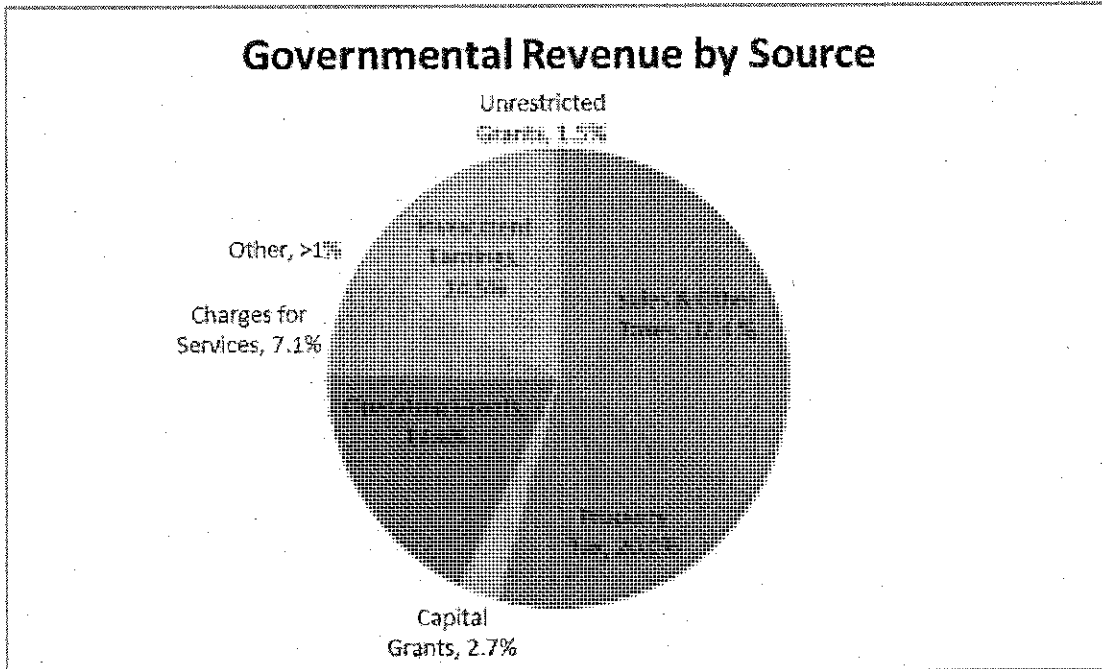
**CITY AND BOROUGH OF SITKA, ALASKA**

Management's Discussion and Analysis, continued



**Revenues by Source – Governmental Activities**

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



## CITY AND BOROUGH OF SITKA, ALASKA

### Management's Discussion and Analysis, continued

#### **Financial Analysis of the Government's Funds**

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

#### **Governmental Funds**

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

At the end of the current fiscal year, the Municipality's governmental funds reported combined ending fund balances of \$59.9 million, an increase of \$8.3 million in comparison with the prior year. A portion of this amount is constrained to indicate it is not available to new spending because it has already been dedicated to other purposes. The remainder of fund balance is unassigned (\$10.3 million).

The General Fund is the chief operating fund of the Municipality. At the end of the current fiscal year, total fund balance was \$11.6 million and unassigned fund balance was \$10.3 million. Total fund balance increased by \$1.1 million from the prior year.

#### **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 assets of the seven enterprise funds at the end of the year were \$29.7 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 receipt from the Federal Government for ARRA Grants of \$0.4 million.
- The authorization for additional support for Sitka Community Hospital of \$0.3 million.

**CITY AND BOROUGH OF SITKA, ALASKA**

Management's Discussion and Analysis, continued

**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, 2011 amounts to \$252.5 million (net of accumulated depreciation), an increase of \$3 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, 2011 and 2010  
(in millions, net of depreciation)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 10.8	11.2	14.7	14.8	25.5	26.0
Buildings	57.7	60.2	9.1	9.7	66.8	69.9
Equipment	4.9	5.3	2.7	2.6	7.6	7.9
Infrastructure	16.3	16.8	-	-	16.3	16.8
Electric and water plant	-	-	77.4	74.4	77.4	74.4
Wastewater treatment plant	-	-	13.3	14.6	13.3	14.6
Harbors	-	-	14.6	15.3	14.6	15.3
Construction in process	<u>11.2</u>	<u>11.4</u>	<u>19.7</u>	<u>13.2</u>	<u>30.9</u>	<u>24.6</u>
Total capital assets	\$ <u>100.9</u>	<u>104.9</u>	<u>151.5</u>	<u>144.6</u>	<u>252.4</u>	<u>249.5</u>

Additional information on the Municipality's capital assets can be found in Note 5 on pages 46 – 48 of this report.

**Long-term Debt**

At the end of the current fiscal year, the Municipality had total debt outstanding of \$105.3 million. Of this amount \$36.3 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, and landfill closure costs.

## CITY AND BOROUGH OF SITKA, ALASKA

### Management's Discussion and Analysis, continued

#### Outstanding Debt For Fiscal Years Ending June 30, 2011 and 2010 (in millions)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 36.3	32.6	-	-	36.3	32.6
Revenue bonds	-	-	48.7	28.1	48.7	28.1
Revenue notes	-	-	8.8	9.1	8.8	9.1
Other debt	<u>1.2</u>	<u>1.1</u>	<u>10.3</u>	<u>11.2</u>	<u>11.5</u>	<u>12.3</u>
Total outstanding debt	\$ <u>37.5</u>	<u>33.7</u>	<u>67.8</u>	<u>48.4</u>	<u>105.3</u>	<u>82.1</u>

Additional information on the Municipality's long-term debt can be found in Note 8 on pages 50 – 57 of this report.

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

In setting the budgets for FY2012, 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 that Municipality residents can reasonable 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 FY2011.

#### **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.



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**BASIC FINANCIAL STATEMENTS**

**CITY AND BOROUGH OF SITKA, ALASKA**  
Statement of Net Assets  
June 30, 2011

Exhibit A-1

	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	Sitka School District	Convention and Visitors Bureau	Sitka Community Hospital
<b>Assets:</b>						
Equity in central treasury	\$ 17,960,059	-	17,960,059	-	-	-
Cash and investments	-	43,773,191	43,773,191	1,700,730	227,468	541,455
Receivables (net of allowance)	3,836,709	5,440,238	9,276,947	883,374	-	2,270,275
Internal balances	1,431,169	(1,431,169)	-	-	-	-
Due from component units	69,084	-	69,084	-	-	-
Inventories	-	2,034,421	2,034,421	-	-	303,343
Prepaid items	59,618	33,950	93,568	-	800	134,762
Notes receivable	1,824,172	201,921	2,026,093	-	-	-
Special assessments receivable	132,189	147,254	279,443	-	-	-
Water rights	-	46,966	46,966	-	-	-
Deferred charges	-	1,694,770	1,694,770	-	-	-
Unamortized bond issuance costs	158,013	1,046,155	1,204,168	-	-	-
<b>Restricted assets:</b>						
Equity in central treasury	22,819,674	499,995	23,319,669	-	-	-
Cash and investments	18,675,548	3,610,158	22,285,706	-	-	-
Interest receivable	91,296	-	91,296	-	-	-
Capital assets not being depreciated	19,237,240	24,856,941	44,094,181	-	-	-
Other capital assets, net of depreciation	81,695,167	126,696,173	208,391,340	325,799	1,147	7,063,920
<b>Total assets</b>	<b>\$ 167,989,938</b>	<b>208,650,964</b>	<b>376,640,902</b>	<b>2,909,903</b>	<b>229,415</b>	<b>10,313,755</b>
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 1,498,318	1,625,682	3,124,000	452,386	21,601	840,179
Unearned revenue	629,880	200,299	830,179	1,000	-	-
Accrued interest payable	191,008	1,370,145	1,561,153	-	-	-
Liabilities payable from restricted assets	-	115,518	115,518	-	-	-
<b>Noncurrent liabilities:</b>						
<b>Due within one year:</b>						
Bonds and notes	2,269,750	1,975,625	4,245,375	-	-	31,366
Compensated absences	22,205	-	22,205	179,550	-	677,675
<b>Due in more than one year:</b>						
Bonds and notes	34,196,000	66,881,651	101,077,651	-	-	718,634
Deferred loss on bonds	(347,265)	(3,273,138)	(3,620,403)	-	-	-
Unamortized bond premium	607,328	1,471,509	2,078,837	-	-	-
Compensated absences	707,354	298,615	1,005,969	136,897	2,926	-
Landfill post-closure liability	-	499,995	499,995	-	-	-
<b>Total liabilities</b>	<b>39,774,578</b>	<b>71,165,901</b>	<b>110,940,479</b>	<b>769,833</b>	<b>24,527</b>	<b>2,267,854</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	64,206,594	104,990,810	169,197,404	325,799	1,147	6,313,920
<b>Restricted for:</b>						
Permanent Fund	19,163,700	-	19,163,700	-	-	-
Capital projects	14,021,478	-	14,021,478	-	-	-
Debt service	-	3,494,640	3,494,640	-	-	-
Other purposes	10,565,417	-	10,565,417	-	-	-
Sitka School District	-	-	-	282,650	-	-
Unrestricted	20,258,171	28,999,613	49,257,784	1,531,621	203,741	1,731,981
<b>Total net assets</b>	<b>128,215,360</b>	<b>137,485,063</b>	<b>265,700,423</b>	<b>2,140,070</b>	<b>204,888</b>	<b>8,045,901</b>
<b>Total liabilities and net assets</b>	<b>\$ 167,989,938</b>	<b>208,650,964</b>	<b>376,640,902</b>	<b>2,909,903</b>	<b>229,415</b>	<b>10,313,755</b>

See accompanying notes to basic financial statements.

CITY AND BOROUGH OF SITKA, ALASKA

Exhibit A-2

Statement of Activities  
Year Ended June 30, 2011

Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units		
	Expenses	Fees, Fines, & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Primary Government			Sitka School District	Convention and Visitors Bureau	Sitka Community Hospital
					Govern- mental Activities	Business- Type Activities	Total			
Primary government:										
Governmental activities:										
Administration	\$ 1,657,545	420,194	2,844,856	46,824	1,654,329		1,654,329			
Public safety	6,732,532	737,414	1,201,803	47,173	(4,746,142)		(4,746,142)			
Public works	4,673,869	779,740	114,231	677,259	(3,102,639)		(3,102,639)			
Public services	2,233,072	178,638	73,508	43,340	(1,937,586)		(1,937,586)			
Support	9,409,981	-	-	-	(9,409,981)		(9,409,981)			
Interest on long-term debt	1,420,056	-	1,032,652	-	(387,404)		(387,404)			
Total governmental activities	26,127,055	2,115,986	5,267,050	814,596	(17,929,423)		(17,929,423)			
Business-type activities:										
Electric and water	12,333,878	12,626,438	577,618	4,781,252		5,651,430	5,651,430			
Waste water treatment	3,282,978	2,035,832	33,291	860,602		(353,253)	(353,253)			
Solid waste disposal	3,077,123	3,126,086	4,659	-		53,622	53,622			
Harbor	2,493,072	1,496,613	1,296,575	-		300,116	300,116			
Nonmajor business-type	1,356,575	963,501	476	1,535,363		1,142,765	1,142,765			
Total business-type activities	22,543,626	20,248,470	1,912,619	7,177,217		6,794,680	6,794,680			
Total primary government	\$ 48,670,681	22,364,456	7,179,669	7,991,813	(17,929,423)	6,794,680	(11,134,743)			
Component units:										
Sitka School District	24,306,337	775,983	6,437,222	173,507				(16,919,625)	-	-
Convention and Visitors Bureau	391,854	89,936	-	-				-	(301,918)	-
Sitka Community Hospital	19,306,477	17,224,083	903,280	-				-	-	(1,179,114)
Total component units	\$ 44,004,668	18,090,002	7,340,502	173,507				(16,919,625)	(301,918)	(1,179,114)
General revenues:										
Taxes:										
Property taxes				\$ 6,003,008	-	-	6,003,008	-	-	-
Sales taxes				9,016,374	-	-	9,016,374	-	-	-
Commercial passenger excise tax				706,505	-	-	706,505	-	-	-
Contributions from primary government				-	-	-	-	5,138,459	250,240	651,403
Grants and entitlements not restricted to a specific purpose				443,682	-	-	443,682	11,820,103	-	599,687
Investment income				4,348,650	799,620	-	5,148,270	-	1,133	17,891
Debt reimbursement principal				1,252,000	-	-	1,252,000	-	-	-
Other				17,274	-	-	17,274	104,900	-	-
Transfers				(2,998,672)	2,998,672	-	-	-	-	-
Total general revenues and transfers				18,788,821	3,798,292	-	22,587,113	17,063,462	251,373	1,268,981
Change in net assets				859,398	10,592,972	-	11,452,370	143,837	(50,545)	89,867
Net assets, beginning of year				127,355,962	126,892,091	-	254,248,053	1,996,233	255,433	7,956,034
Net assets, end of year				\$ 128,215,360	137,485,063	-	265,700,423	2,140,070	204,888	8,045,901

See accompanying notes to basic financial statements.

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit B-1

Governmental Funds  
Balance Sheet  
June 30, 2011

	<u>Major Governmental Funds</u>				
	<u>General</u>	<u>Permanent</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Projects</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>Assets:</b>					
Equity in central treasury	\$ 9,712,503	-	-	3,727,574	13,440,077
<b>Receivables:</b>					
Accounts	658,861	-	-	-	658,861
Taxes	2,246,856	-	-	-	2,246,856
Allowance for uncollectible accounts	(481,734)	-	-	-	(481,734)
Interest	476,296	-	-	-	476,296
Special assessments	-	-	-	132,189	132,189
Federal and State of Alaska	104,567	-	607,243	223,405	935,215
Due from other funds	309,520	-	-	347,785	657,305
Advances to other funds	500,000	-	-	547,286	1,047,286
Advances to component units	69,084	-	-	-	69,084
Prepaid items	53,418	-	-	-	53,418
Notes receivable	-	-	-	1,758,633	1,758,633
<b>Restricted assets:</b>					
Equity in central treasury	-	374,655	13,723,874	8,721,145	22,819,674
Cash and investments	-	18,632,210	-	43,338	18,675,548
Notes receivable	-	65,539	-	-	65,539
Interest receivable	-	91,296	-	-	91,296
<b>Total assets</b>	<b>\$ 13,649,371</b>	<b>19,163,700</b>	<b>14,331,117</b>	<b>15,501,355</b>	<b>62,645,543</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 163,603	-	309,639	42,867	516,109
Accrued payroll	912,389	-	-	-	912,389
Accrued and other liabilities	33,821	-	-	-	33,821
Due to other funds	347,785	-	-	209,520	557,305
Deferred revenue	629,880	-	-	132,189	762,069
<b>Total liabilities</b>	<b>2,087,478</b>	<b>-</b>	<b>309,639</b>	<b>384,576</b>	<b>2,781,693</b>
<b>Fund balances:</b>					
Nonspendable	53,418	-	-	1,653,303	1,706,721
Restricted	-	19,163,700	14,021,478	10,565,417	43,750,595
Committed	1,205,833	-	-	2,400	1,208,233
Assigned	-	-	-	2,936,610	2,936,610
Unassigned (deficit)	10,302,642	-	-	(40,951)	10,261,691
<b>Total fund balances</b>	<b>11,561,893</b>	<b>19,163,700</b>	<b>14,021,478</b>	<b>15,116,779</b>	<b>59,863,850</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,649,371</b>	<b>19,163,700</b>	<b>14,331,117</b>	<b>15,501,355</b>	<b>62,645,543</b>

See accompanying notes to basic financial statements.

**CITY AND BOROUGH OF SITKA, ALASKA**  
 Reconciliation of Governmental Funds Balance Sheet  
 to Statement of Net Assets  
 June 30, 2011

Exhibit B-2

Total fund balances for governmental funds \$ 59,863,850

Total net assets reported for governmental activities in the  
 Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. In addition, capital assets associated with internal service funds are recorded in the Statement of Net Assets. These assets are comprised of:

Land	\$ 8,039,657	
Construction in progress	11,197,583	
Total capital assets not being depreciated		19,237,240

Buildings	95,938,830	
Land improvements	2,982,774	
Infrastructure	28,614,095	
Equipment	11,383,918	
Accumulated depreciation	(57,224,450)	
Total depreciable capital assets, net of depreciation		81,695,167

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. 132,189

Internal service funds are used by the Borough to charge the cost of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets as follows:

Net assets of internal service funds	7,627,886	
Adjusted for:		
Capital assets included above	(8,058,849)	
Accumulated depreciation included above	5,132,043	
Compensated absences included below	51,996	
Total net assets from internal service funds		4,753,076

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	(36,465,750)	
Unamortized bond premium	(607,328)	
Unamortized bond issuance costs	158,013	
Deferred loss on bonds	347,265	
Accrued interest payable	(191,008)	
Compensated absences	(707,354)	
Total long term liabilities		(37,466,162)

Total net assets of governmental activities \$ 128,215,360

See accompanying notes to basic financial statements.

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit B-3

Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2011

	Major Governmental Funds			Nonmajor Govern- mental Funds	Total Govern- mental Funds
	General Fund	Permanent Fund	Capital Projects Fund		
<b>Revenues:</b>					
Taxes:					
Real and personal	\$ 6,003,008	-	-	-	6,003,008
Sales and bed	9,016,374	-	-	-	9,016,374
State sources	2,435,430	-	563,025	2,096,727	5,095,182
Federal sources	1,958,093	-	200,957	346,719	2,505,769
Charges for services	1,633,186	-	-	-	1,633,186
Interfund services	2,380,298	-	-	-	2,380,298
Fines, forfeitures and penalties	138,697	-	-	-	138,697
Investment income	370,792	3,601,418	369,367	282,559	4,624,136
Uses of property	579,670	-	-	-	579,670
Licenses and permits	140,371	-	-	-	140,371
Other	53,997	-	(12,964)	473,833	514,866
Total revenues	<u>24,709,916</u>	<u>3,601,418</u>	<u>1,120,385</u>	<u>3,199,838</u>	<u>32,631,557</u>
<b>Expenditures:</b>					
Current:					
Administration	3,871,834	-	-	-	3,871,834
Public safety	6,011,125	-	-	416,390	6,427,515
Public works	3,343,468	-	-	492,436	3,835,904
Public services	1,480,785	-	-	396,185	1,876,970
Support	7,121,245	-	-	-	7,121,245
Debt service:					
Principal	864,750	-	-	1,085,000	1,949,750
Interest	425,518	-	-	1,024,665	1,450,183
Capital outlay	141,924	-	2,703,200	-	2,845,124
Total expenditures	<u>23,260,649</u>	<u>-</u>	<u>2,703,200</u>	<u>3,414,676</u>	<u>29,378,525</u>
Excess of revenues over (under) expenditures	1,449,267	3,601,418	(1,582,815)	(214,838)	3,253,032
<b>Other financing sources (uses):</b>					
Transfers in	1,261,447	-	1,993,045	978,435	4,232,927
Transfers out	(1,656,522)	(1,113,944)	-	(2,097,522)	(4,867,988)
General obligation bonds issued	-	-	5,690,000	-	5,690,000
Premium on bonds issued	-	-	30,239	-	30,239
Net other financing sources (uses)	<u>(395,075)</u>	<u>(1,113,944)</u>	<u>7,713,284</u>	<u>(1,119,087)</u>	<u>5,085,178</u>
Net change in fund balances	1,054,192	2,487,474	6,130,469	(1,333,925)	8,338,210
Fund balances, beginning of year	<u>10,507,701</u>	<u>16,676,226</u>	<u>7,891,009</u>	<u>16,450,704</u>	<u>51,525,640</u>
Fund balances, end of year	\$ <u>11,561,893</u>	<u>19,163,700</u>	<u>14,021,478</u>	<u>15,116,779</u>	<u>59,863,850</u>

See accompanying notes to basic financial statements.

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit B-4

Reconciliation of Change in Fund Balances of Governmental Funds  
to Statement of Activities  
Year Ended June 30, 2011

Net change in fund balances - total governmental funds	\$	8,338,210
The change in net assets reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays is exceeded by depreciation		
Capital outlays	\$	2,845,124
Depreciation		<u>(3,668,111)</u>
		(822,987)
Capital assets transferred do not provide or consume financial resources and are not reported in the funds.		
Transfers of capital assets to governmental funds from enterprise funds		3,170,000
Transfers of capital assets to enterprise funds from governmental funds		<u>(5,728,103)</u>
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 assessment receivable		(20,887)
Sale of land		<u>(354,268)</u>
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Decrease in deferred loss on bonds		(40,491)
Increase in unamortized bond premium		54,975
Decrease in bond issuance costs		(9,542)
Issuance of bonds and notes		(5,690,000)
Payments on bonds and note		<u>1,949,750</u>
		(3,735,308)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest payable		(15,306)
Increase in accrued leave		<u>(46,745)</u>
		(62,051)
Internal service funds are used by management to charge the costs of health insurance to individual funds. Net income of these activities is reported with governmental activities as follows:		
Net income of governmental activities		<u>74,792</u>
Change in net assets of governmental activities	\$	<u>859,398</u>

See accompanying notes to basic financial statements.



CITY AND BOROUGH OF SITKA, ALASKA

Exhibit C-1

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$ 5,980,410	5,980,410	6,003,008	22,598
Sales taxes	7,996,700	7,996,700	8,708,484	711,784
Bed taxes	272,000	272,000	307,890	35,890
Total taxes	<u>14,249,110</u>	<u>14,249,110</u>	<u>15,019,382</u>	<u>770,272</u>
State sources:				
School debt reimbursement	894,431	894,431	894,430	(1)
State revenue sharing	813,400	813,400	812,658	(742)
State PERS relief	-	354,271	608,722	254,451
State grants	-	30,818	48,759	17,941
Other	67,250	67,250	70,861	3,611
Total State sources	<u>1,775,081</u>	<u>2,160,170</u>	<u>2,435,430</u>	<u>275,260</u>
Federal sources:				
National Forest receipts	1,279,800	1,279,800	1,150,914	(128,886)
Payment in lieu of taxes	586,300	586,300	592,145	5,845
Federal grants	-	-	215,034	215,034
Total Federal sources	<u>1,866,100</u>	<u>1,866,100</u>	<u>1,958,093</u>	<u>91,993</u>
Licenses and permits	<u>133,710</u>	<u>133,710</u>	<u>140,371</u>	<u>6,661</u>
Charges for services:				
State jail contract	419,450	419,450	419,450	-
Ambulance fees	310,000	310,000	323,817	13,817
E911 surcharges	182,200	182,200	185,752	3,552
Jobbing	651,200	651,200	597,329	(53,871)
Other	109,700	113,200	106,838	(6,362)
Total charges for services	<u>1,672,550</u>	<u>1,676,050</u>	<u>1,633,186</u>	<u>(42,864)</u>
Property and investments:				
Leases and rent	272,201	272,201	291,738	19,537
Investment income	410,000	410,000	370,792	(39,208)
Other	101,100	101,100	287,932	186,832
Total property and investments	<u>783,301</u>	<u>783,301</u>	<u>950,462</u>	<u>167,161</u>
Interfund services	<u>2,364,288</u>	<u>2,780,820</u>	<u>2,380,298</u>	<u>(400,522)</u>
Fines, forfeitures and penalties	<u>111,000</u>	<u>111,000</u>	<u>138,697</u>	<u>27,697</u>
Other	<u>36,550</u>	<u>41,580</u>	<u>53,997</u>	<u>12,417</u>
Total revenues	<u>22,991,690</u>	<u>23,801,841</u>	<u>24,709,916</u>	<u>908,075</u>

See accompanying notes to basic financial statements.

CITY AND BOROUGH OF SITKA, ALASKA

Exhibit C-1, continued

General Fund

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

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive Budget - (Negative)
Expenditures:				
Administration:				
Administration/assembly:				
Wages and benefits	\$ 534,473	534,473	559,234	(24,761)
Travel and training	47,850	47,850	26,438	21,412
Other	169,018	169,018	175,267	(6,249)
Total administration/assembly	<u>751,341</u>	<u>751,341</u>	<u>760,939</u>	<u>(9,598)</u>
Legal:				
Wages and benefits	222,662	222,662	240,463	(17,801)
Travel and training	7,358	7,358	7,018	340
Other	68,643	68,643	41,338	27,305
Total legal	<u>298,663</u>	<u>298,663</u>	<u>288,819</u>	<u>9,844</u>
Municipal clerk:				
Wages and benefits	177,245	177,245	225,176	(47,931)
Travel and training	6,350	6,350	6,481	(131)
Other	111,408	111,408	104,972	6,436
Total municipal clerk	<u>295,003</u>	<u>295,003</u>	<u>336,629</u>	<u>(41,626)</u>
Finance:				
Wages and benefits	1,278,271	1,278,271	1,388,936	(110,665)
Travel and training	9,900	9,900	8,667	1,233
Other	199,239	199,239	219,612	(20,373)
Total finance	<u>1,487,410</u>	<u>1,487,410</u>	<u>1,617,215</u>	<u>(129,805)</u>
Assessing:				
Wages and benefits	208,858	208,858	207,736	1,122
Travel and training	3,950	3,950	3,840	110
Other	34,442	34,442	25,705	8,737
Total assessing	<u>247,250</u>	<u>247,250</u>	<u>237,281</u>	<u>9,969</u>
Planning:				
Wages and benefits	212,194	212,194	231,613	(19,419)
Travel and training	3,800	3,800	3,695	105
Other	27,934	21,877	23,158	(1,281)
Total planning	<u>243,928</u>	<u>237,871</u>	<u>258,466</u>	<u>(20,595)</u>

See accompanying notes to basic financial statements.

CITY AND BOROUGH OF SITKA, ALASKA

Exhibit C-1, continued

General Fund

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

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Expenditures, continued:				
General office:				
Other	\$ 381,819	387,072	372,485	14,587
Total general office	<u>381,819</u>	<u>387,072</u>	<u>372,485</u>	<u>14,587</u>
Total administration	<u>3,705,414</u>	<u>3,704,610</u>	<u>3,871,834</u>	<u>(167,224)</u>
Public safety:				
Police:				
Wages and benefits	3,226,605	3,226,605	3,372,669	(146,064)
Travel and training	50,000	53,500	40,344	13,156
Other	<u>722,485</u>	<u>744,830</u>	<u>798,308</u>	<u>(53,478)</u>
Total police	<u>3,999,090</u>	<u>4,024,935</u>	<u>4,211,321</u>	<u>(186,386)</u>
Fire:				
Wages and benefits	1,157,416	1,194,205	1,157,591	36,614
Travel and training	23,500	48,100	36,399	11,701
Other	<u>323,958</u>	<u>325,125</u>	<u>319,891</u>	<u>5,234</u>
Total fire	<u>1,504,874</u>	<u>1,567,430</u>	<u>1,513,881</u>	<u>53,549</u>
Ambulance:				
Wages and benefits	132,494	132,494	116,752	15,742
Travel and training	17,000	17,000	15,057	1,943
Other	<u>130,953</u>	<u>129,688</u>	<u>114,923</u>	<u>14,765</u>
Total ambulance	<u>280,447</u>	<u>279,182</u>	<u>246,732</u>	<u>32,450</u>
Search and rescue:				
Wages and benefits	6,896	6,896	5,784	1,112
Travel and training	9,500	7,000	4,544	2,456
Other	<u>42,538</u>	<u>42,016</u>	<u>28,863</u>	<u>13,153</u>
Total search and rescue	<u>58,934</u>	<u>55,912</u>	<u>39,191</u>	<u>16,721</u>
Total public safety	<u>5,843,345</u>	<u>5,927,459</u>	<u>6,011,125</u>	<u>(83,666)</u>
Public works:				
Administration:				
Wages and benefits	445,777	445,777	578,220	(132,443)
Travel and training	6,000	6,000	2,404	3,596
Other	<u>33,023</u>	<u>33,023</u>	<u>36,826</u>	<u>(3,803)</u>
Total administration	<u>484,800</u>	<u>484,800</u>	<u>617,450</u>	<u>(132,650)</u>

See accompanying notes to basic financial statements.

## CITY AND BOROUGH OF SITKA, ALASKA

Exhibit C-1, continued

## General Fund

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

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Expenditures, continued:				
Engineering:				
Wages and benefits	\$ 694,845	694,845	608,309	86,536
Travel and training	9,295	9,295	8,935	360
Other	64,965	64,965	79,574	(14,609)
Total engineering	<u>769,105</u>	<u>769,105</u>	<u>696,818</u>	<u>72,287</u>
Streets:				
Wages and benefits	524,856	524,856	499,728	25,128
Travel and training	4,000	4,000	687	3,313
Other	766,589	801,519	643,376	158,143
Total streets	<u>1,295,445</u>	<u>1,330,375</u>	<u>1,143,791</u>	<u>186,584</u>
Recreation:				
Wages and benefits	291,624	291,624	280,816	10,808
Travel and training	2,233	2,233	1,890	343
Other	407,433	371,676	383,833	(12,157)
Total recreation	<u>701,290</u>	<u>665,533</u>	<u>666,539</u>	<u>(1,006)</u>
Building officials:				
Wages and benefits	197,084	197,084	194,743	2,341
Travel and training	6,260	6,260	3,724	2,536
Other	22,603	22,603	20,403	2,200
Total building officials	<u>225,947</u>	<u>225,947</u>	<u>218,870</u>	<u>7,077</u>
Total public works	<u>3,476,587</u>	<u>3,475,760</u>	<u>3,343,468</u>	<u>132,292</u>
Public services:				
Library:				
Wages and benefits	526,087	526,087	581,161	(55,074)
Travel and training	1,600	3,100	2,174	926
Other	313,466	339,122	318,807	20,315
Total library	<u>841,153</u>	<u>868,309</u>	<u>902,142</u>	<u>(33,833)</u>
Harrigan Centennial Building:				
Wages and benefits	296,391	296,391	338,158	(41,767)
Other	169,912	168,561	170,295	(1,734)
Total Harrigan Centennial Building	<u>466,303</u>	<u>464,952</u>	<u>508,453</u>	<u>(43,501)</u>
See accompanying notes to basic financial statements.				

CITY AND BOROUGH OF SITKA, ALASKA

Exhibit C-1, continued

General Fund

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

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Expenditures, continued:				
Senior Citizen Center:				
Other	\$ 75,372	82,531	70,190	12,341
Total Senior Citizen Center	<u>75,372</u>	<u>82,531</u>	<u>70,190</u>	<u>12,341</u>
Total public services	<u>1,382,828</u>	<u>1,415,792</u>	<u>1,480,785</u>	<u>(64,993)</u>
Support:				
Municipal grants to local organizations	310,800	335,800	339,584	(3,784)
Sitka Convention and Visitors Bureau	251,240	251,240	251,490	(250)
Sitka Community Hospital	157,700	260,451	213,216	47,235
Sitka School District	6,362,075	6,383,317	6,316,955	66,362
Total support	<u>7,081,815</u>	<u>7,230,808</u>	<u>7,121,245</u>	<u>109,563</u>
Debt service:				
Principal	864,750	864,750	864,750	-
Interest	427,390	427,390	425,518	1,872
Total debt service	<u>1,292,140</u>	<u>1,292,140</u>	<u>1,290,268</u>	<u>1,872</u>
Capital outlay	<u>32,130</u>	<u>178,921</u>	<u>141,924</u>	<u>36,997</u>
Total expenditures	<u>22,814,259</u>	<u>23,225,490</u>	<u>23,260,649</u>	<u>(35,159)</u>
Excess of revenues over (under) expenditures	177,431	576,351	1,449,267	872,916
Other financing sources (uses):				
Transfers in	1,251,145	1,251,145	1,261,447	10,302
Transfers out	(1,428,467)	(1,428,467)	(1,656,522)	(228,055)
Net other financing sources (uses)	<u>(177,322)</u>	<u>(177,322)</u>	<u>(395,075)</u>	<u>(217,753)</u>
Net change in fund balance	\$ <u>109</u>	<u>399,029</u>	1,054,192	<u>655,163</u>
Fund balance, beginning of year			<u>10,507,701</u>	
Fund balance, end of year			\$ <u>11,561,893</u>	

See accompanying notes to basic financial statements.

CITY AND BOROUGH OF SITKA, ALASKA

Exhibit D-1

Proprietary Funds  
Statement of Net Assets  
June 30, 2011

Assets	Major Enterprise Funds				Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Electric and Water Utilities	Waste Water Treatment	Solid Waste Disposal	Harbor			
Current assets:							
Equity in central treasury	\$ 33,386,327	3,612,181	1,046,501	3,727,275	2,000,907	43,773,191	4,519,982
Receivables:							
Accounts	1,014,121	145,413	213,408	205,112	101,802	1,679,856	1,215
Allowance for uncollectible accounts	(221,407)	(41,921)	(58,231)	(133,541)	(9,230)	(464,330)	-
Federal and State of Alaska	2,292,453	421,497	-	1,266,876	243,886	4,224,712	-
Current portion:							
Notes receivable	1,812	6,798	-	-	-	8,610	-
Assessments receivable	-	7,195	-	-	-	7,195	-
Inventories	2,034,421	-	-	-	-	2,034,421	-
Prepaid expenses	15,108	5,369	1,529	4,125	7,819	33,950	6,200
Total current assets	38,522,835	4,156,532	1,203,207	5,069,847	2,345,184	51,297,605	4,527,397
Noncurrent assets:							
Restricted assets:							
Equity in central treasury:							
Landfill postclosure	-	-	499,995	-	-	499,995	-
Deposits	103,386	-	5,941	6,191	-	115,518	-
Bond covenant accounts	3,494,640	-	-	-	-	3,494,640	-
Bond issuance costs	1,046,155	-	-	-	-	1,046,155	-
Notes receivable	45,433	147,878	-	-	-	193,311	-
Special assessments receivable	-	140,059	-	-	-	140,059	-
Water rights	46,966	-	-	-	-	46,966	-
Water master plan	83,570	-	-	-	-	83,570	-
FERC license	1,565,324	-	-	-	-	1,565,324	-
Deferred charges	-	-	-	-	45,876	45,876	-
Capital assets:							
Property, plant and equipment	147,216,474	45,348,496	7,634,299	23,817,549	21,414,991	245,431,809	8,058,849
Construction in progress	13,731,182	3,371,815	276	20,229	2,511,528	19,635,030	-
Less accumulated depreciation	(66,029,618)	(30,757,557)	(1,325,929)	(8,938,250)	(6,462,371)	(113,513,725)	(5,132,043)
Total capital assets, net of accumulated depreciation	94,918,038	17,962,754	6,308,646	14,899,528	17,464,148	151,553,114	2,926,806
Total noncurrent assets	101,303,512	18,250,691	6,814,582	14,905,719	17,510,024	158,784,528	2,926,806
Total assets	\$ 139,826,347	22,407,223	8,017,789	19,975,566	19,855,208	210,082,133	7,454,203
Liabilities							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 1,057,410	77,881	115,796	132,926	241,669	1,625,682	58,204
Deferred revenue	-	-	-	-	200,299	200,299	-
Due to other funds	-	-	-	100,000	-	100,000	-
Interest payable	1,331,570	38,575	-	-	-	1,370,145	-
Current portion of:							
Revenue bonds	1,130,000	-	-	-	-	1,130,000	-
Revenue notes	264,689	-	-	-	-	264,689	-
Notes payable	244,656	175,134	115,798	45,348	-	580,936	-
Payable from restricted assets - deposits payable	103,386	-	5,941	6,191	-	115,518	-
Total current liabilities	4,131,711	291,590	237,535	284,465	441,968	5,387,269	58,204
Noncurrent liabilities:							
Compensated absences	206,086	47,447	4,187	39,842	1,053	298,615	51,996
Advances from other funds	-	-	125,015	310,000	112,271	547,286	500,000
Revenue bonds	47,570,000	-	-	-	-	47,570,000	-
Unamortized bond premium	1,471,509	-	-	-	-	1,471,509	-
Deferred loss on bonds	(3,273,138)	-	-	-	-	(3,273,138)	-
Revenue notes	8,535,499	-	-	-	-	8,535,499	-
Notes payable	4,672,241	3,364,434	1,968,558	770,919	-	10,776,152	-
Landfill post closure liability	-	-	499,995	-	-	499,995	-
Total noncurrent liabilities	59,182,197	3,411,881	2,597,755	1,120,761	113,324	66,425,918	551,996
Total liabilities	63,313,908	3,703,471	2,835,290	1,405,226	555,292	71,813,187	610,200
Net assets							
Invested in capital assets, net of related debt	54,795,925	14,423,186	4,224,290	14,083,261	17,464,148	104,990,810	2,926,806
Restricted for debt service	3,494,640	-	-	-	-	3,494,640	-
Unrestricted	18,221,874	4,280,566	958,209	4,487,079	1,835,768	29,783,496	3,917,197
Total net assets	76,512,439	18,703,752	5,182,499	18,570,340	19,299,916	138,268,946	6,844,003
Total liabilities and net assets	\$ 139,826,347	22,407,223	8,017,789	19,975,566	19,855,208	210,082,133	7,454,203
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(783,883)	
Net assets of business-type activities					\$	137,485,063	

See accompanying notes to basic financial statements.

CITY AND BOROUGH OF SITKA, ALASKA

Exhibit D-2

Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2011

	Major Enterprise Funds					Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Electric and Water Utilities	Waste Water Treatment	Solid Waste Disposal	Harbor	Nonmajor Enterprise Funds		
Operating revenues:							
Charges for services	\$ 11,916,140	1,795,777	2,732,396	1,296,896	717,456	18,458,665	2,204,297
Other	710,298	240,055	393,690	199,717	246,045	1,789,805	-
Total operating revenues	<u>12,626,438</u>	<u>2,035,832</u>	<u>3,126,086</u>	<u>1,496,613</u>	<u>963,501</u>	<u>20,248,470</u>	<u>2,204,297</u>
Operating expenses:							
Wages and benefits	3,772,565	929,141	129,272	783,245	12,043	5,626,266	876,870
Travel and training	20,683	2,919	7,064	7,017	-	37,683	10,633
Utilities	364,832	206,715	23,125	117,246	147,079	858,997	32,151
Repairs and maintenance	182,235	48,657	5,203	126,952	93,526	456,573	285,800
Contracted/purchased services	857,043	75,528	2,078,030	121,928	231,746	3,364,275	147,522
Interdepartment services	1,112,377	297,097	401,315	235,543	143,339	2,189,671	304,587
Other	1,657,686	207,244	180,117	190,085	100,079	2,335,211	489,756
Depreciation	2,629,208	1,475,436	216,082	710,408	558,300	5,589,434	362,852
Total operating expenses	<u>10,596,629</u>	<u>3,242,737</u>	<u>3,040,208</u>	<u>2,292,424</u>	<u>1,286,112</u>	<u>20,458,110</u>	<u>2,510,171</u>
Operating income (loss)	2,029,809	(1,206,905)	85,878	(795,811)	(322,611)	(209,640)	(305,874)
Nonoperating revenues (expenses):							
Investment income	484,800	112,470	19,556	120,993	34,107	771,926	106,476
Interest expense	(1,738,453)	(29,601)	(40,557)	(26,724)	(11,299)	(1,846,634)	(27,500)
Raw fish tax	-	-	-	1,195,000	-	1,195,000	-
State PERS relief	131,010	33,291	4,659	26,135	476	195,571	31,606
State revenue sharing	100,000	-	-	-	-	100,000	-
Other federal sources	346,608	-	-	75,440	-	422,048	-
Other	-	-	-	(169,100)	-	(169,100)	33,504
Net nonoperating revenues (expenses)	<u>(676,035)</u>	<u>116,160</u>	<u>(16,342)</u>	<u>1,221,744</u>	<u>23,284</u>	<u>668,811</u>	<u>144,086</u>
Income (loss) before contributions and transfers	1,353,774	(1,090,745)	69,536	425,933	(299,327)	459,171	(161,788)
Capital contributions	10,509,356	860,602	-	-	1,535,363	12,905,321	-
Transfers in	-	35,000	-	188,366	352,202	575,568	194,492
Transfers out	<u>(3,205,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(3,305,000)</u>	<u>-</u>
Change in net assets	8,658,130	(195,143)	69,536	514,299	1,588,238	10,635,060	32,704
Net assets, beginning of year	<u>67,854,309</u>	<u>18,898,895</u>	<u>5,112,963</u>	<u>18,056,041</u>	<u>17,711,678</u>		<u>6,811,299</u>
Net assets, end of year	\$ <u>76,512,439</u>	<u>18,703,752</u>	<u>5,182,499</u>	<u>18,570,340</u>	<u>19,299,916</u>		<u>6,844,003</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(42,088)	
Change in net assets of business-type activities						\$ <u>10,592,972</u>	

See accompanying notes to basic financial statements.

## CITY AND BOROUGH OF SITKA, ALASKA

Exhibit D-3

Proprietary Funds  
Statement of Cash Flows  
Year Ended June 30, 2011

	Major Enterprise Funds				Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental
	Electric and Water Utilities	Waste Water Treatment	Solid Waste Disposal	Harbor			Activities - Internal Service Funds
Cash flows from operating activities:							
Receipts from customers	\$ 12,399,453	2,032,512	3,119,891	1,483,019	979,474	20,014,349	2,203,433
Payments to suppliers	(3,087,570)	(682,992)	(2,294,261)	(448,425)	(379,399)	(6,892,647)	(304,587)
Payments for interfund services used	(1,112,377)	(297,097)	(401,315)	(235,543)	(143,339)	(2,189,671)	(953,629)
Payments to employees	(3,624,937)	(892,657)	(126,694)	(752,755)	(11,468)	(5,408,511)	(838,897)
Net cash flows from operating activities	<u>4,574,569</u>	<u>159,766</u>	<u>297,621</u>	<u>46,296</u>	<u>445,268</u>	<u>5,523,520</u>	<u>106,320</u>
Cash flows from noncapital financing activities:							
State municipal assistance	100,000	-	-	-	-	100,000	-
Raw fish tax received	-	-	-	917,991	-	917,991	-
Repayments to other funds	-	-	(124,287)	(150,000)	(228,967)	(503,254)	-
Licenses and permit expenditures	-	-	-	-	-	-	-
Other nonoperating grants (net)	-	-	-	(165,536)	-	(165,536)	-
Transfers from (to) other funds (net)	(3,205,000)	35,000	-	88,366	352,202	(2,729,432)	194,492
Net cash flows from noncapital financing activities	<u>(3,105,000)</u>	<u>35,000</u>	<u>(124,287)</u>	<u>690,821</u>	<u>123,235</u>	<u>(2,380,231)</u>	<u>194,492</u>
Cash flows from capital and related financing activities:							
Capital expenditures	(9,222,875)	(1,337,344)	-	(54,424)	(1,970,094)	(12,584,737)	(98,325)
Interest paid	(387,630)	(29,601)	(52,957)	(38,939)	(11,299)	(520,426)	(27,500)
Payments on capital lease	-	-	-	-	-	-	-
Payments on bonds and notes payable	(28,557,078)	(126,037)	(115,797)	(45,348)	-	(28,844,260)	-
Repayments to other funds	-	-	-	-	-	-	(50,000)
Rental of capital assets	-	-	-	-	-	-	33,504
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Grants and loans for construction	57,524,654	2,225,947	-	-	1,533,623	61,284,224	-
Transfer to bond trustee for debt service	-	-	-	-	-	-	-
Net cash flows from capital and related financing activities	<u>19,357,071</u>	<u>732,965</u>	<u>(168,754)</u>	<u>(138,711)</u>	<u>(447,770)</u>	<u>19,334,801</u>	<u>(142,321)</u>
Cash flows from investing activities - interest received	484,800	112,470	19,556	120,993	34,107	771,926	106,476
Net increase (decrease) in cash and cash equivalents	21,311,440	1,040,201	24,136	719,399	154,840	23,250,016	264,967
Cash and cash equivalents, beginning	<u>12,178,273</u>	<u>2,571,980</u>	<u>1,528,301</u>	<u>3,014,067</u>	<u>1,846,067</u>	<u>21,138,688</u>	<u>4,255,015</u>
Cash and cash equivalents, ending	\$ <u>33,489,713</u>	<u>3,612,181</u>	<u>1,552,437</u>	<u>3,733,466</u>	<u>2,000,907</u>	<u>44,388,704</u>	<u>4,519,982</u>
Reconciliation of cash and cash equivalents, end of year:							
Unrestricted equity in central treasury	\$ 33,386,327	3,612,181	1,046,501	3,727,275	2,000,907	43,773,191	4,519,982
Restricted equity in central treasury	103,386	-	505,936	6,191	-	615,513	-
Totals	\$ <u>33,489,713</u>	<u>3,612,181</u>	<u>1,552,437</u>	<u>3,733,466</u>	<u>2,000,907</u>	<u>44,388,704</u>	<u>4,519,982</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:							
Operating income (loss)	\$ 2,029,809	(1,206,905)	85,878	(795,811)	(322,611)	(209,640)	(305,874)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	2,629,208	1,475,436	216,082	710,408	558,300	5,589,434	362,852
State PERS relief	131,010	33,291	4,659	26,135	476	195,571	31,606
(Increase) decrease in assets:							
Accounts receivable (net)	(228,279)	(3,320)	(6,240)	(9,535)	15,973	(231,401)	(864)
Inventories	(146,506)	-	-	-	-	(146,506)	-
Prepaid expenses	10,791	3,835	447	2,947	(327)	17,693	2,093
Increase (decrease) in liabilities:							
Accounts payable and accrued liabilities	130,624	(145,764)	(1,169)	111,856	193,358	288,905	10,140
Compensated absences	16,618	3,193	(2,081)	4,355	99	22,184	6,367
Deposits	1,294	-	45	(4,059)	-	(2,720)	-
Net cash flows from operating activities	\$ <u>4,574,569</u>	<u>159,766</u>	<u>297,621</u>	<u>46,296</u>	<u>445,268</u>	<u>5,523,520</u>	<u>106,320</u>

See accompanying notes to basic financial statements.



**CITY AND BOROUGH OF SITKA, ALASKA**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2011**

Exhibit E-1

	<u>Rowe Trust Fund</u>	<u>Sitka Cemetery Agency Fund</u>	<u>Totals</u>
Current assets - equity in central treasury	\$ 194,697	106,803	301,500
Liabilities:			
Accounts payable	1,046	-	1,046
Due to Sitka Cemetery Association	-	106,803	106,803
Total liabilities	<u>1,046</u>	<u>106,803</u>	<u>107,849</u>
Net assets - held in trust for library acquisitions	<u>193,651</u>	<u>-</u>	<u>193,651</u>
Total liabilities and net assets	<u>\$ 194,697</u>	<u>106,803</u>	<u>301,500</u>

See accompanying notes to basic financial statements.

**CITY AND BOROUGH OF SITKA, ALASKA**  
Fiduciary Funds  
Statement of Changes in Fiduciary Net Assets  
Year Ended June 30, 2011

Exhibit E-2

	<u>Rowe Trust Fund</u>
Additions - investment income	\$ 5,156
Deductions - library books and supplies	<u>4,826</u>
Change in net assets	330
Net assets, beginning of year	<u>193,321</u>
Net assets, end of year	\$ <u><u>193,651</u></u>

See accompanying notes to basic financial statements.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements

June 30, 2011

(1) **Summary of Significant Accounting Policies**

**Reporting Entity**

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

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

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

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

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

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

## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets 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 been met.

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

## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### Summary of Significant Accounting Policies, continued

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

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 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 and Water Utilities Enterprise Fund** records the activities of the City and Borough's electric and water generation and distribution activities.

The **Waste Water 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.

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.

## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### Summary of Significant Accounting Policies, continued

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

The **Private-Purpose 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.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City and Borough has elected not to follow the subsequent private-sector guidance.

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

The City and Borough's policy is to use the most restricted resources available first, then resources with fewer restrictions as required.



## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### **Assets, Liabilities and Net Assets or Equity**

###### **a. 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 obligation of state and local governments and public authorities;
4. Repurchase agreements whose underlying purchased securities consist of United States Treasury securities;
5. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities;
6. Local government investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation.

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

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

## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### **Assets, Liabilities and Net Assets or Equity, continued**

###### **b. 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. 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.

###### **c. 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.

###### **d. Restricted Assets**

Certain resources set aside for the repayment of the Electric and Water Utilities Fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond accrued aggregate debt service" account is used to segregate resources accumulated for current debt service payments.

CITY AND BOROUGH OF SITKA, ALASKA

Notes to Financial Statements, continued

Summary of Significant Accounting Policies, continued

Assets, Liabilities and Net Assets or Equity, continued

Restricted Assets, continued

The “revenue bond debt service” account is used to report resources set aside to make up potential future deficiencies in the revenue bond accrued aggregate debt service account. The “revenue bond renewal and replacement account” is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. These three accounts have been combined and included with restricted assets on the balance sheet of the Electric and Water Utilities Fund.

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.

Special Revenue Fund assets are restricted under the terms of grant agreements with State of Alaska and federal agencies or by agreement with donors and others.

e. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City and Borough did not have any projects requiring interest capitalization in 2011.

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, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Utility plant in service	30-65
Buildings	20-40
Equipment	3-10
Land improvements	50

## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### **Assets, Liabilities and Net Assets or Equity, continued**

###### **f. Compensated Absences**

It is the City and Borough's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave as it is the government's policy to pay any amounts when employees separate from service with the City and Borough at \$1 per hour of unused sick leave. All vacation pay 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.

###### **g. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

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.

#### **(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.

## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### **Stewardship, Compliance, and Accountability, continued**

##### **Budgetary Information, continued**

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<sup>th</sup> 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 appropriate constraints of fund balance if they meet the criteria described in Note 10.

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.

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

(3) **Deposits and investments**

As of June 30, 2011, the City and Borough had the following investments:

<u>Investment Type</u>	<u>S&amp;P Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investments subject to custodial credit risk:			
Corporate notes and bonds	Baa to AAA	\$ 8,919,142	1.53
Mortgage backed securities	unrated	91,517	11.09
U.S. government sponsored:			
Agency notes and bonds	AAA	63,861,167	3.83
Repurchase agreements	unrated	<u>6,560,576</u>	
Total fair value of investments subject to custodial credit risk		79,432,402	
Portfolio weighed average maturity			3.60
Investments not subject to custodial credit risk:			
External investment pools	unrated	6,383,727	
Open-ended mutual funds	unrated	<u>12,493,679</u>	
Total investments		<u>\$ 98,309,808</u>	

**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, 2011.

## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### Deposits and investments, continued

**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, 2011, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$6,560,576 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, 2011, the Permanent Fund's portfolio contained 57% mutual fund equities, 40% fixed income securities and 3% cash equivalents.

The City and Borough participates in the Alaska Municipal League Investment Pool (AMLIP). AMLIP is an external investment pool that is rated AAAM by Standard and Poor's. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. The Pool is incorporated in the State of Alaska as a nonprofit corporation and reports to its Board of Directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

The manager is required to produce monthly disclosure statements to its participants. AMLIP also has retained an investment advisor to ensure compliance with investment policies. Participation in AMLIP is voluntary. AMLIP must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments are reviewed by an independent pricing service. As of June 30, 2011 the fair value of the investment in AMLIP approximates amortized cost. Share value is maintained at \$1 share.

## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### **Deposits and investments, continued**

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

Cash on hand	\$ 15,558
Carrying amount of deposits	5,833,577
Carrying amount of investments	98,309,808
Carrying amount of restricted investments	<u>3,494,640</u>
	<u>\$ 107,640,125</u>
Reported in the Statement of Net Assets:	
Equity in central treasury	\$ 17,960,059
Equity in central treasury – temporarily restricted	23,319,669
Cash and investments	43,773,191
Cash and investments – temporarily restricted	22,285,706
Reported in the Fiduciary Funds	<u>301,500</u>
	<u>\$ 107,640,125</u>

At June 30, 2011, the Sitka School District's cash and investments included operating bank accounts and sweep accounts. The carrying amount of deposits was \$1,700,730. Amounts are insured at each financial institution by the Federal Deposit Insurance Corporation up to legal maximum, with the remainder being insured by collateral held by the District's agent in the District's name.

At June 30, 2011, Sitka Community Hospital's cash and investments included operating bank accounts, money market funds and a repurchase agreement. The carrying amount of deposits was \$541,455 and was covered by Federal Deposit Insurance Corporation or fully collateralized with securities held by the pledging financial institution's agent in the name of the Hospital.

At June 30, 2011, 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 \$227,468. The balance was fully insured by the Federal Deposit Insurance Corporation.



**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

(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:

	<u>General</u>	<u>Permanent</u>	<u>Capital Projects</u>	<u>Electric &amp; Water Utilities</u>	<u>Waste Water Treatment</u>	<u>Solid Waste Disposal</u>	<u>Harbor</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Taxes	\$ 2,246,856	-	-	-	-	-	-	-	2,246,856
Special assessments	-	-	-	-	147,254	-	-	132,189	279,443
Federal and state	104,567	-	607,243	2,292,453	421,497	-	1,266,876	467,291	5,159,927
Accounts	658,861	-	-	924,124	145,413	213,408	205,112	101,802	2,248,720
Interest	476,296	91,296	-	89,997	-	-	-	-	657,589
Notes	-	<u>65,539</u>	-	<u>47,245</u>	<u>154,676</u>	-	-	<u>1,758,633</u>	<u>2,026,093</u>
Total	3,486,580	156,835	607,243	3,353,819	868,840	213,408	1,471,988	2,459,915	12,618,628
Less allowance for doubtful accounts	<u>(481,734)</u>	-	-	<u>(221,407)</u>	<u>(41,921)</u>	<u>(58,231)</u>	<u>(133,541)</u>	<u>(9,230)</u>	<u>(946,064)</u>
Net total receivables	\$ <u>3,004,846</u>	<u>156,835</u>	<u>607,243</u>	<u>3,132,412</u>	<u>826,919</u>	<u>155,177</u>	<u>1,338,447</u>	<u>2,450,685</u>	<u>11,672,564</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer 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 revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments not yet due	\$ 132,189	-
Grant draw downs prior to meeting all eligibility requirements	-	607,412
Property taxes received in advance	-	<u>22,468</u>
Total deferred/unearned revenue for governmental funds	\$ <u>132,189</u>	<u>629,880</u>

(5) **Capital Assets**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,375,255	10,919	(346,517)	8,039,657
Construction in progress	<u>11,360,105</u>	<u>5,869,992</u>	<u>(6,032,514)</u>	<u>11,197,583</u>
Total capital assets, not being depreciated	19,735,360	5,880,911	(6,379,031)	19,237,240

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

**Capital Assets, continued**

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities, continued:</b>				
Capital assets, being depreciated:				
Buildings	\$ 95,915,541	23,289	-	95,938,830
Land improvements	2,958,074	24,700	-	2,982,774
Infrastructure	28,388,394	225,701	-	28,614,095
Equipment	<u>11,128,409</u>	<u>284,336</u>	<u>(28,827)</u>	<u>11,383,918</u>
Total capital assets, being depreciated	138,390,418	558,026	(28,827)	138,919,617
Less accumulated depreciation for:				
Buildings	(35,659,759)	(2,501,511)	-	(38,161,270)
Land improvements	(87,315)	(107,329)	-	(194,644)
Infrastructure	(11,629,557)	(714,046)	-	(12,343,603)
Equipment	<u>(5,816,855)</u>	<u>(736,905)</u>	<u>28,827</u>	<u>(6,524,933)</u>
Total accumulated depreciation	(53,193,486)	(4,059,791)	28,827	(57,224,450)
Total capital assets, being depreciated, net	<u>85,196,932</u>	<u>(3,501,765)</u>	<u>-</u>	<u>81,695,167</u>
Governmental activities capital assets, net	\$ <u>104,932,292</u>	<u>2,379,146</u>	<u>(6,379,031)</u>	<u>100,932,407</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,221,911	-	-	5,221,911
Construction in progress	<u>13,214,881</u>	<u>6,420,149</u>	<u>-</u>	<u>19,635,030</u>
Total capital assets, not being depreciated	18,436,792	6,420,149	-	24,856,941
Capital assets, being depreciated:				
Buildings	16,256,229	7,662	-	16,263,891
Land improvements	10,288,685	-	-	10,288,685
Equipment	5,187,434	428,822	(4,967)	5,611,289
Harbors	22,967,813	-	-	22,967,813
Electric and water plant	136,127,784	5,728,103	-	141,855,887
Waste water treatment plant	<u>43,222,333</u>	<u>-</u>	<u>-</u>	<u>43,222,333</u>
Total capital assets, being depreciated	234,050,278	6,164,586	(4,967)	240,209,898
Less accumulated depreciation for:				
Buildings	(6,587,123)	(566,471)	-	(7,153,594)
Land improvements	(697,857)	(212,317)	-	(910,174)
Equipment	(2,601,199)	(309,348)	4,967	(2,905,580)
Harbors	(7,688,576)	(677,946)	-	(8,366,522)
Electric and water plant	(61,750,011)	(2,486,961)	-	(64,236,972)
Waste water treatment plant	<u>(28,604,492)</u>	<u>(1,336,391)</u>	<u>-</u>	<u>(29,940,883)</u>
Total accumulated depreciation	(107,929,258)	(5,589,434)	4,967	(113,513,725)

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

**Capital Assets, continued**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities, continued:</b>				
Total capital assets, being depreciated, net	\$ <u>126,121,020</u>	<u>575,152</u>	<u>-</u>	<u>126,696,173</u>
Business-type activities capital assets, net	\$ <u>144,557,812</u>	<u>6,995,301</u>	<u>-</u>	<u>151,553,114</u>

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

**Governmental activities:**

Administration	\$ 69,148
Public safety	267,278
Public works	862,420
Public services	209,357
Support	2,288,736

Capital assets held by the government's internal service funds are charged to the various functions based on asset usage

362,852

Total depreciation expense –  
governmental activities

\$ 4,059,791

**Business-type activities:**

Electric and water	\$ 2,629,208
Waste water treatment plant	1,475,436
Solid waste disposal	216,082
Harbor	710,408
Airport terminal building	178,166
Marine service center	152,657
Sawmill cove industrial park	<u>227,477</u>

Total depreciation expense –  
business-type activities

\$ 5,589,434

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

(6) **Interfund Receivables, Payables and Transfers**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds:		
General Fund	Harbor Fund	\$ 100,000
General Fund	Nonmajor governmental funds	209,520
Nonmajor governmental fund	General Fund	<u>347,785</u>
Total		<u>\$ 657,305</u>
Advances from/to other funds:		
General Fund	Central Garage Fund	\$ 500,000
Nonmajor governmental fund	Solid Waste Fund	125,015
Nonmajor governmental fund	Harbor Fund	310,000
Nonmajor governmental fund	Nonmajor enterprise funds	<u>112,271</u>
Total		<u>\$ 1,047,286</u>
Advances from/to primary government and component units –		
Primary government – General Fund	Component unit – Hospital	<u>\$ 69,084</u>

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 the Harbor, Solid Waste Disposal and Airport Terminal Building Funds for expansion projects. The current portion of those advances is reported as amounts due to/from other funds and the long-term portion is reported as advances to/from other funds.

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.

Advances to Sitka Community Hospital were made to cover cash shortages. The balance of \$69,084 was made during fiscal years 2008 to 2010. The Hospital is using one half of the tobacco tax revenues each month toward the advance outstanding. The Hospital took a \$150,000 advance in July, 2009, a \$150,000 advance in October, 2009 and a \$75,000 advance in March, 2010.

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

**Interfund Receivables, Payables and Transfers, continued**

**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.

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Wastewater</u>	<u>Harbor</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Total Transfers Out</u>
General	\$ -	644,776	978,435	-	33,311	-	-	1,656,522
Permanent	1,113,944	-	-	-	-	-	-	1,113,944
Nonmajor governmental	47,503	1,348,269	-	-	155,055	352,202	194,492	2,097,521
Electric and water	-	-	-	35,000	-	-	-	35,000
Harbor	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total transfers in	\$ <u>1,261,447</u>	<u>1,993,045</u>	<u>978,435</u>	<u>35,000</u>	<u>188,366</u>	<u>352,202</u>	<u>194,492</u>	<u>5,002,987</u>

In addition to the cash transfers reflected above the City and Borough transferred capital assets as follows. Capital asset transfers are not reflected in the governmental funds financial statements.

From General Capital Projects to Electric and Water Utility Enterprise reflected as capital contributions	\$5,728,103
From Electric and Water Utility Enterprise To General Capital Projects	\$3,170,000

(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.

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

**Long-Term Debt, continued**

**General Obligation Bonds, continued**

In 2011, the City and Borough issued \$5,690,000 in new debt to finance school building construction and upgrades.

General obligation bonds currently outstanding are as follows:

<b>Governmental activities:</b>	<b><u>Interest rates</u></b>	<b><u>Amount</u></b>
School renovation and additions:		
\$6,775,000, 2007 Series A bonds refinancing portion of 1999 School serial bonds, final payment due December 1, 2018	4.00% to 5.50%	\$ 5,645,000
\$3,300,000, 2005 Series A bonds refinancing portion of 2000 series B bonds, final payment due May 1, 2020	4.00% to 5.25%	3,120,000
\$8,480,000, 2005 Series B School bonds, final payment due May 1, 2025	4.00% to 5.25%	6,700,000
\$12,000,000, 2004 Series A School bonds, final payment due December 1, 2023	3.00% to 4.40%	8,685,000
\$7,150,000, 2008 Series Two School bonds, final payment due June 1, 2028	4.00% to 6.00%	6,460,000
\$5,690,000, 2011 Series Two School bonds, final payment due June 1, 2028	4.00% to 6.00%	<u>5,690,000</u>
Total		\$ <u>36,300,000</u>

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

<b><u>Year Ending</u></b>	<b><u>Governmental Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2012	\$ 2,260,000	1,535,751
2013	2,320,000	1,465,999
2014	2,425,000	1,368,419
2015	2,515,000	1,270,093
2016	2,620,000	1,164,178
2017-2021	12,765,000	4,047,166
2022-2026	8,535,000	1,619,154
2027-2028	<u>2,860,000</u>	<u>317,456</u>
	\$ <u>36,300,000</u>	<u>12,788,216</u>

State of Alaska, Department of Environmental Conservation Loan \$ 165,750

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

**Long-Term Debt, continued**

**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. In 2011, the City and Borough issued \$22,820,000 in new bonds to finance Electric and Water Fund infrastructure projects. In addition in 2011, the City and Borough issued \$25,880,000 in refunding bonds. These bonds were used to retire \$28,090,000 in outstanding debt. The refunding bonds were issued at a premium of \$1,471,509 and after paying issuance costs of \$164,588, the net proceeds were \$27,186,921. This amount was transferred to the refunding escrow agent, along with funds already held by the paying agent and results in a deferred loss of \$3,273,138. The refunding will result in reduced debt service costs of \$2,291,564 and an economic savings of \$1,410,362. Revenue bonds outstanding at year end are as follows:

	<u>Interest rates</u>	<u>Amount</u>
\$25,880,000, 2010 Series B Four Refunding Serial bonds, final payment due August 1, 2023	5.20% to 7.00%	\$ 25,880,000
\$22,000,000, 2010 Series B Recovery Zone Economic Development Serial bonds, final payment due August 1, 2030	5.20% to 7.00%	22,000,000
\$820,000, 2010 Series B Four Build America Serial bonds, final payment due August 1, 2021	4.859%	<u>820,000</u>
Total		<u>\$ 48,700,000</u>

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

<u>Year Ending</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,130,000	2,683,103
2013	1,770,000	2,296,333
2014	1,845,000	2,224,033
2015	1,915,000	2,167,983
2016	1,955,000	2,109,733
2017-2021	10,960,000	9,348,794
2022-2026	13,330,000	6,721,010
2027-2031	<u>15,795,000</u>	<u>2,536,964</u>
	<u>\$ 48,700,000</u>	<u>30,087,953</u>

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, 2011.

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

**Long-Term Debt, continued**

**Business-type activities, continued:**

**Revenue Bonds, continued**

In addition, with relation to the 1992 revenue bonds, the City and Borough is required to carry breakdown and burn-out insurance and all-risk insurance, so long as such insurance is available at a reasonable cost, with coverage equal to the lesser of (a) 80% of the estimated replacement cost of specific plant and equipment stipulated in the ordinance or (b) the aggregate principal amount of bonds outstanding. The City and Borough currently carries insurance coverage of \$61,500,000 with a minimum deductible ranging from \$500,000 to \$3,075,000. The Assembly of the City and Borough has approved this level of coverage as it is the maximum available and has obtained the opinion from bond counsel that compliance has been met with respect to Section 706 of the bond ordinance.

**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:

	<u>Interest rate</u>	<u>Amount</u>
\$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%	\$ 8,800,188

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

<u>Year Ending</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 264,689	349,387
2013	275,383	338,693
2014	286,508	327,568
2015	298,083	315,993
2016	310,125	303,950
2017-2021	1,748,999	1,321,381
2022-2026	2,132,020	938,360
2027-2031	2,598,920	471,460
2032-2033	<u>885,461</u>	<u>35,652</u>
	<u>\$ 8,800,188</u>	<u>4,402,444</u>

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, 2011.



**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

**Long-Term Debt, continued**

**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, and to assist with landfill closure.

	<u>Interest rates</u>	<u>Amount</u>
Completed projects:		
\$250,000, note payable for waste water treatment improvements #783041	1.5%	\$ 129,649
\$400,000, note payable for corrosion control of municipal water #783031	1.5%	186,131
\$565,000, note payable for water system upgrades on Sawmill Creek Road #783061	1.5%	446,128
\$1,000,000, note payable for harbor water distribution system upgrades #783071	1.5%	816,267
\$1,310,000 note payable for waste water treatment plant upgrades #783051	1.5%	1,002,932
\$1,500,000, project for I and I #783011	1.5%	839,083
\$2,400,000, project for Kimsham landfill closure #783081	1.5%	2,084,355
\$3,170,000, project for Whitcomb Heights Subdivision water tank #783211	1.5%	2,852,753
\$1,400,000, project for sewer system upgrades #783101	1.5%	958,921
\$1,000,000, project for Japonski Island water distribution main #783151	1.5%	<u>653,544</u>
Total notes payable for completed projects		9,969,763
Uncompleted projects in draw down phase:		
\$465,573, project for Halibut Point Road Water main replacement – ARRA Funding #783181	1.5%	37,194
\$483,000, project for SMC Road/HPR Intersection water line replacement #783311	1.5%	311,950

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

**Long-Term Debt, continued**

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

	<u>Interest rates</u>	<u>Amount</u>
Uncompleted projects in draw down phase, continued:		
\$199,000, project for Mills Street Water Loop #783321 Loop – ARRA Funding	1.5%	\$ 13,943
\$285,000, project for Oja Street Drinking Water System Replacement – ARRA Funding #783351	1.5%	26,734
\$617,000, project for Treated Water Storage Tank – Coating & Cathodic Protection - ARRA Funding #783341	1.5%	60,087
\$308,000, project for HPR/SMC Road Intersection Sewer Replacement #783241	1.5%	272,175
\$1,455,081, project for SMC Road Sewer Upgrade, Phase III – ARRA Funding #783281	1.5%	193,249
\$445,000, project for Brady Street Sewer Rehabilitation – ARRA Funding #783261	1.5%	39,048
\$319,405, project for Oja Street Sewer Main Replacement – ARRA Funding #783271	1.5%	22,541
\$1,089,700, project for Japonski Island Sewer Liftstation #783391	1.5%	153,950
\$859,103, project for Monastery St Sewer Main Replacement #783401	1.5%	52,370
\$2,500,000, project for UV Disinfection Facility #783431	1.5%	129,293
\$782,000, project for Monastery St Water Rehab #783441	1.5%	<u>74,791</u>
Total draw downs on notes yet to be finalized		<u>1,387,325</u>
Total		\$ <u>11,357,088</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

**Long-Term Debt, continued**

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

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 580,936	148,252
2013	585,121	139,529
2014	586,420	130,788
2015	587,738	122,026
2016	588,958	113,247
2017-2021	2,805,800	437,936
2022-2026	2,757,389	231,021
2027-2031	<u>1,477,401</u>	<u>44,248</u>
	<u>\$ 9,969,763</u>	<u>1,367,047</u>

**Changes in long-term liabilities**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 32,550,000	5,690,000	1,940,000	36,300,000	2,260,000
Less deferred amounts:					
On refunding	(387,756)	-	(40,491)	(347,265)	-
Issuance premiums	<u>662,303</u>	-	<u>54,975</u>	<u>607,328</u>	-
Total bonds payable	32,824,547	5,690,000	1,954,484	36,560,063	2,260,000
State of Alaska notes	175,500	-	9,750	165,750	9,750
Compensated absences	<u>676,448</u>	<u>888,260</u>	<u>835,149</u>	<u>729,559</u>	<u>22,205</u>
Governmental activities long-term liabilities	<u>\$ 33,676,495</u>	<u>6,578,260</u>	<u>2,799,383</u>	<u>37,455,372</u>	<u>2,291,955</u>
<b>Business-type Activities:</b>					
Revenue bonds payable	28,090,000	48,700,000	28,090,000	48,700,000	1,130,000
Less deferred amounts:					
Issuance premiums	-	1,471,509	-	1,471,509	-
Deferred loss	<u>(815,343)</u>	<u>(3,273,138)</u>	<u>815,343</u>	<u>(3,273,138)</u>	-
Total bonds payable	27,274,657	46,898,371	27,274,657	46,898,371	1,130,000
Notes payable:					
Revenue notes	9,054,598	-	254,410	8,800,188	264,689
State of Alaska notes	<u>11,322,480</u>	<u>534,458</u>	<u>499,850</u>	<u>11,357,088</u>	<u>580,936</u>
Total notes payable	20,377,078	534,458	754,260	20,157,276	845,625

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

**Long-Term Debt, continued**  
**Changes in long-term liabilities, continued**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type Activities, continued:</b>					
Compensated absences	\$ 276,431	349,585	327,401	298,615	-
Landfill post-closure liability	<u>499,995</u>	<u>-</u>	<u>-</u>	<u>499,995</u>	<u>-</u>
Business-type activities long-term liabilities	<u>48,428,161</u>	<u>47,782,414</u>	<u>28,356,318</u>	<u>67,854,257</u>	<u>1,975,625</u>
Entity combined long-term liabilities	\$ <u>82,104,656</u>	<u>54,360,674</u>	<u>31,115,701</u>	<u>105,309,629</u>	<u>4,091,677</u>

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

(9) **Restricted Assets**

The balance of the restricted assets accounts in the enterprise funds are as follows:

Landfill post-closure	\$ 499,995
Customer deposits:	
Electric and Water Utilities	103,386
Harbor	6,191
Solid Waste Disposal	5,941
Investments with bond trustee –	
Electric and Water Utilities pursuant to revenue bond covenants	<u>3,494,640</u>
 Total restricted assets	 \$ <u>4,110,153</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

(10) **Fund Balances**

The fund balance for governmental funds is divided into five classes; Nonspendable, Restricted, Committed, Assigned and Unassigned. This is to give users of the financial statements guidance on how available assets are for spending and what level of restriction is applied to the funds.

**Nonspendable** – These are resources that are not in spendable form.

General Fund	Prepaid items	\$ 53,418
S.E. Economic Development Fund	Long term note receivable	<u>1,653,303</u>
Total Nonspendable Governmental Fund Balance		<u>\$ 1,706,721</u>

**Restricted** – These are resources with restrictions that are externally enforceable on the City and Borough of Sitka.

Permanent Fund	Home Rule Charter	\$ 19,163,700
Capital Projects Fund	Capital projects	<u>14,021,478</u>

Nonmajor government funds:

Police Dept. Drug Grant and Forfeitures Fund	Grant and Forfeiture Fund	5,776
Library Building Fund	Library Building	45,560
S.E. Economic Development Fund	Economic Development	4,377,698
Commercial Passenger Excise Tax Fund	Grant Purposes	2,866,133
Sunde Arnold Fire Truck Fund	Purchase of Fire Truck	369,026
Library Donations Fund	Library Related	197,920
School Bonds Fund	Debt Service	<u>2,703,304</u>

Total Nonmajor Governmental Funds 10,565,417

Total Restricted Governmental Funds \$ 43,750,595

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

**Fund Balances, continued**

**Committed** – These are resources restricted by the highest authority within the government – specifically by Assembly action taken before the end of the fiscal year.

General Fund	General government	\$ 653,296
	Title III Forestry expenditures	<u>552,537</u>
Total General Fund Committed		1,205,833
Police Dept. Drug Grant and Forfeitures Fund	Grants and Forfeitures	<u>2,400</u>
Total Committed Governmental Funds		\$ <u>1,208,233</u>

**Assigned** – These are resources of the General Fund otherwise constrained by the government, residual balances, except deficits, in other funds.

Nonmajor government funds:		
S.E. Economic Development Fund		\$ 547,286
Sawmill Cove Contingency Fund		997,940
Sitka Tobacco Tax Fund		50,987
LID Revolving Fund		1,016,670
LID Guaranty		287,567
Other small fund		<u>36,160</u>
Total Assigned Governmental Funds		\$ <u>2,936,610</u>

**Unassigned** – These are resources of the funds that are unrestricted. This is only a positive number for the General Fund and can be a negative for any governmental fund if the fund has more claims than resources.

General Fund	Unassigned balance	\$ <u>10,302,642</u>
Nonmajor government funds:		
Local Emergency Planning Committee	Deficit	(1,035)
Coastal Zone Management Plan	Deficit	(8,279)
State Homeland Security Grant	Deficit	<u>(31,637)</u>
Total Nonmajor Governmental Funds		<u>(40,951)</u>
Total Unassigned Governmental Funds		\$ <u>10,261,691</u>

## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### (11) 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, 2011 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 2011.

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.

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 grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

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

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

Other Federal and State regulations, compliance with which will require significant expenditures by the City and Borough, include the Americans with Disabilities Act. The costs of compliance with these requirements are not presently known.

## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### (12) Public Employees' Retirement System

##### Defined Benefit Pension Plan

The City and Borough participates in the Public Employees' Retirement System (PERS). PERS was originally established as an agent multiple employer plan, but was converted by legislation to a cost-sharing plan, effective July 1, 2008. The Plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. 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. The report is available at the following address:

Department of Administration  
Division of Retirement and Benefits  
P.O. Box 110203  
Juneau, Alaska 99811-0203

##### Conversion to Cost Sharing

In April 2008 the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits will no longer track individual employer assets and liabilities. Rather, all plan costs and past service liabilities will be shared among all participating employers. The cost-sharing plan will require a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. In addition, the legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions will be recognized by each employer as an on-behalf payment.

In addition, in fiscal year 2008, the State of Alaska passed legislation (SB 123) which requires that the employer contribution be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

##### Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (2.41% for pension and 4.34% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (2.68% for pension and 4.82% for healthcare). The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due.



## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### Public Employees' Retirement System, continued

#### Defined Benefit Pension Plan, continued

#### Funding Policy, continued

Under current legislation, the employer contribution rate is statutorily capped at 22%, however, the State of Alaska contributes any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate, generally consistent with the actuarially determined rate.

The City and Borough's contribution rates for 2011 were determined as part of the June 30, 2008 actuarial valuation and are as follows:

	Contractual Rate	ARM Board Adopted Rate	GASB 45* Rate
Pension	7.85%	9.98%	13.49%
Postemployment healthcare	<u>14.15%</u>	<u>17.98%</u>	<u>55.87%</u>
Total contribution rate	<u>22.00%</u>	<u>27.96%</u>	<u>69.36%</u>

\*Using the 4.5% OPEB discount rate and disregarding future Medicare Part D payments.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and Borough and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

**CITY AND BOROUGH OF SITKA, ALASKA**

Notes to Financial Statements, continued

**Public Employees' Retirement System, continued**

**Defined Benefit Pension Plan, continued**

**Annual Pension and Postemployment Healthcare Cost**

The City and Borough is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 8.25% (2.29 percentage points higher than the 5.96 percent required amount) of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City and Borough has recorded the State on-behalf contribution in the amount of \$835,900 as revenue and expense/expenditure. However, because the City and Borough is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here.

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>City and Borough Contributions</u>	<u>% of TBC Contributed</u>
2009	\$ 627,162	\$ 1,395,942	\$ 2,023,104	\$ 2,023,104	100%
2010	747,748	1,268,239	2,015,987	2,015,987	100%
2011	736,056	1,308,544	2,044,600	2,044,600	100%

**Defined Contribution Pension Plan**

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III defined benefit plans. The Plan is administered by the State of Alaska, Department of Administration, and 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. Employees are required to contribute 8.0% of their annual covered salary and the City and Borough is required to make the following contributions:

	<u>Others Tier IV</u>	<u>Police/Fire Tier IV</u>
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	0.56	0.48
Occupational death and disability benefits	<u>0.31</u>	<u>1.18</u>
	<u>8.87 %</u>	<u>9.66%</u>

\*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the average employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period.

## CITY AND BOROUGH OF SITKA, ALASKA

### Notes to Financial Statements, continued

#### **Public Employees' Retirement System, continued**

##### **Defined Contribution Pension Plan, continued**

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and Borough and employee contributions to PERS including the HRA contribution for the year ended June 30, 2011 were \$184,093 and \$162,198, respectively.

##### **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, 2011 were \$1,312,586, based on a payroll of \$10,706,251 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 \$656,293.

#### (13) **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 net asset financial statement date.

The City and Borough has recognized a liability for the estimated costs of postclosure care of \$499,995 as of June 30, 2011, which is based upon 100% usage of the landfill. The Kimsham landfill was closed during fiscal year 2007 and is now a recreation facility consisting of three ball fields and a soccer/football field. A new landfill has been permitted by the State of Alaska and is accepting only the sludge from the Waste Water Treatment Plant at this time. Actual postclosure costs may be higher because of inflation, changes in technology, or changes in regulations.

**SUPPLEMENTARY INFORMATION**

CITY AND BOROUGH OF SITKA, ALASKA

Exhibit F-1

Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2011

	Special Revenue Funds							
	Police Dept. Drug Grant and Forfeitures	Local Emergency Planning Committee	Coastal Zone Management Plan	State Homeland Security Grant	Library Building	S.E. Economic Development	Sawmill Cove Contingency	Sitka Tobacco Tax
Assets:								
Equity in central treasury	\$ -	-	1	-	45,560	-	-	-
Receivables:								
Special assessments	-	-	-	-	-	-	-	-
Federal and State of Alaska	145,674	-	-	13,569	-	-	-	50,259
Due from other funds	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	547,286	-	-
Notes receivable - other	-	-	-	-	-	400,000	-	-
Notes receivable - revolving loan	-	-	-	-	-	1,358,633	-	-
Restricted assets:								
Equity in central treasury	8,176	-	-	-	-	4,243,793	1,021,347	14,546
Cash and investments	14,763	-	-	-	-	28,575	-	-
Total assets	\$ 168,613	-	1	13,569	45,560	6,578,287	1,021,347	64,805
Liabilities:								
Accounts payable	\$ 5,556	(118)	-	-	-	-	23,407	13,818
Due to other funds	154,881	1,153	8,280	45,206	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	160,437	1,035	8,280	45,206	-	-	23,407	13,818
Fund balances:								
Nonspendable	-	-	-	-	-	1,653,303	-	-
Restricted	5,776	-	-	-	45,560	4,377,698	-	-
Committed	2,400	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	547,286	997,940	50,987
Unassigned (deficits)	-	(1,035)	(8,279)	(31,637)	-	-	-	-
Total fund balances	8,176	(1,035)	(8,279)	(31,637)	45,560	6,578,287	997,940	50,987
Total liabilities and fund balances	\$ 168,613	-	1	13,569	45,560	6,578,287	1,021,347	64,805

CITY AND BOROUGH OF SITKA, ALASKA

Exhibit F-1, continued

Nonmajor Governmental Funds  
Combining Balance Sheet, continued

	Special Revenue Funds, continued						Debt	Total
	Commercial Passenger Excise Tax	LID Revolving	LID Guaranty	Sunde Arnold Fire Truck	Library Donation	Other Small Funds	Service Fund School Bonds	
<b>Assets:</b>								
Equity in central treasury	\$ -	1,016,670	287,567	-	-	36,160	2,341,616	3,727,574
Receivables:								
Special assessments	-	132,189	-	-	-	-	-	132,189
Federal and State of Alaska	-	-	-	-	-	-	13,903	223,405
Due from other funds	-	-	-	-	-	-	347,785	347,785
Advances to other funds	-	-	-	-	-	-	-	547,286
Notes receivable - other	-	-	-	-	-	-	-	400,000
Notes receivable - revolving loan	-	-	-	-	-	-	-	1,358,633
Restricted assets:								
Equity in central treasury	2,866,337	-	-	369,026	197,920	-	-	8,721,145
Cash and investments	-	-	-	-	-	-	-	43,338
<b>Total assets</b>	<b>\$ 2,866,337</b>	<b>1,148,859</b>	<b>287,567</b>	<b>369,026</b>	<b>197,920</b>	<b>36,160</b>	<b>2,703,304</b>	<b>15,501,355</b>
<b>Liabilities:</b>								
Accounts payable	\$ 204	-	-	-	-	-	-	42,867
Due to other funds	-	-	-	-	-	-	-	209,520
Deferred revenue	-	132,189	-	-	-	-	-	132,189
<b>Total liabilities</b>	<b>204</b>	<b>132,189</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>384,576</b>
<b>Fund balances:</b>								
Nonspendable	-	-	-	-	-	-	-	1,653,303
Restricted	2,866,133	-	-	369,026	197,920	-	2,703,304	10,565,417
Committed	-	-	-	-	-	-	-	2,400
Assigned	-	1,016,670	287,567	-	-	36,160	-	2,936,610
Unassigned (deficits)	-	-	-	-	-	-	-	(40,951)
<b>Total fund balances</b>	<b>2,866,133</b>	<b>1,016,670</b>	<b>287,567</b>	<b>369,026</b>	<b>197,920</b>	<b>36,160</b>	<b>2,703,304</b>	<b>15,116,779</b>
<b>Total liabilities and fund balances</b>	<b>2,866,337</b>	<b>1,148,859</b>	<b>287,567</b>	<b>369,026</b>	<b>197,920</b>	<b>36,160</b>	<b>2,703,304</b>	<b>15,501,355</b>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit F-2

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)  
Year Ended June 30, 2011

	Special Revenue Funds				
	Police Dept. Drug Grant and Forfeitures	Local Emergency Planning Committee	Coastal Zone Management Plan	State Homeland Security Grant	Library Building
Revenues:					
State sources	\$ -	-	-	-	-
Federal sources	299,546	-	-	47,173	-
Investment income (loss)	682	-	-	(1,070)	1,164
Other	697	-	-	-	1,345
Total revenues	<u>300,925</u>	<u>-</u>	<u>-</u>	<u>46,103</u>	<u>2,509</u>
Expenditures:					
Current:					
Public safety	330,371	-	8,279	77,740	-
Public works	-	-	-	-	-
Public services	-	1,035	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>330,371</u>	<u>1,035</u>	<u>8,279</u>	<u>77,740</u>	<u>-</u>
Excess of revenues over (under) expenditures	(29,446)	(1,035)	(8,279)	(31,637)	2,509
Other financing sources (uses):					
Transfers in	30,824	-	-	-	-
Transfers out	(27,338)	-	-	-	-
Net other financing sources (uses)	<u>3,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(25,960)	(1,035)	(8,279)	(31,637)	2,509
Fund balances, beginning of year	<u>34,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,051</u>
Fund balances (deficits), end of year	\$ <u>8,176</u>	<u>(1,035)</u>	<u>(8,279)</u>	<u>(31,637)</u>	<u>45,560</u>

CITY AND BOROUGH OF SITKA, ALASKA

Exhibit F-2, continued

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), continued

	Special Revenue Funds, continued				
	S.E. Economic Develop- ment	Sawmill Cove Contingency	Sitka Tobacco Tax	Commercial Passenger Excise Tax	LID Revolving
Revenues:					
State sources	\$ -	-	-	706,505	-
Federal sources	-	-	-	-	-
Investment income (loss)	100,792	22,287	(756)	68,898	32,583
Other	-	-	443,682	-	21,183
Total revenues	<u>100,792</u>	<u>22,287</u>	<u>442,926</u>	<u>775,403</u>	<u>53,766</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	-
Public works	-	158,924	-	300,572	139
Public services	-	-	392,723	-	-
Total expenditures	<u>-</u>	<u>158,924</u>	<u>392,723</u>	<u>300,572</u>	<u>139</u>
Excess of revenues over (under) expenditures	100,792	(136,637)	50,203	474,831	53,627
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(463,328)	(30,114)	-	(604,198)	(26,425)
Net other financing sources (uses)	<u>(463,328)</u>	<u>(30,114)</u>	<u>-</u>	<u>(604,198)</u>	<u>(26,425)</u>
Net change in fund balances	(362,536)	(166,751)	50,203	(129,367)	27,202
Fund balances, beginning of year	<u>6,940,823</u>	<u>1,164,691</u>	<u>784</u>	<u>2,995,500</u>	<u>989,468</u>
Fund balances (deficits), end of year	\$ <u>6,578,287</u>	<u>997,940</u>	<u>50,987</u>	<u>2,866,133</u>	<u>1,016,670</u>



CITY AND BOROUGH OF SITKA, ALASKA

Exhibit F-2, continued

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), continued

	Special Revenue Funds, continued				Debt Service Fund	Total Nonmajor Governmental Funds
	LID Guaranty	Sunde Arnold Fire Truck	Library Donation	Other Small Funds	School Bonds	
Revenues:						
State sources	\$ -	-	-	-	1,390,222	2,096,727
Federal sources	-	-	-	-	-	346,719
Investment income (loss)	6,963	(374)	4,947	298	46,145	282,559
Other	-	-	3,440	3,486	-	473,833
Total revenues	<u>6,963</u>	<u>(374)</u>	<u>8,387</u>	<u>3,784</u>	<u>1,436,367</u>	<u>3,199,838</u>
Expenditures:						
Current:						
Public safety	-	-	-	-	-	416,390
Public works	-	-	-	32,801	-	492,436
Public services	-	-	2,427	-	-	396,185
Debt service:						
Principal	-	-	-	-	1,085,000	1,085,000
Interest	-	-	-	-	1,024,665	1,024,665
Total expenditures	<u>-</u>	<u>-</u>	<u>2,427</u>	<u>32,801</u>	<u>2,109,665</u>	<u>3,414,676</u>
Excess of revenues over (under) expenditures	6,963	(374)	5,960	(29,017)	(673,298)	(214,838)
Other financing sources (uses):						
Transfers in	-	-	-	33,311	914,300	978,435
Transfers out	(7,588)	-	-	(3,486)	(935,045)	(2,097,522)
Net other financing sources (uses)	<u>(7,588)</u>	<u>-</u>	<u>-</u>	<u>29,825</u>	<u>(20,745)</u>	<u>(1,119,087)</u>
Net change in fund balances	(625)	(374)	5,960	808	(694,043)	(1,333,925)
Fund balances, beginning of year	<u>288,192</u>	<u>369,400</u>	<u>191,960</u>	<u>35,352</u>	<u>3,397,347</u>	<u>16,450,704</u>
Fund balances (deficits), end of year	\$ <u>287,567</u>	<u>369,026</u>	<u>197,920</u>	<u>36,160</u>	<u>2,703,304</u>	<u>15,116,779</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit G-1

General Fund

Balance Sheet

June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Assets:		
Equity in central treasury	\$ 9,712,503	8,427,436
Receivables:		
Accounts	658,861	763,173
Taxes	2,246,856	2,041,066
Allowance for uncollectible accounts	(481,734)	(524,471)
Interest	476,296	483,996
Federal and State of Alaska	104,567	92,497
Due from other funds	309,520	560,280
Advances to other funds	500,000	500,000
Advances to component units	69,084	282,413
Prepaid items	<u>53,418</u>	<u>89,236</u>
Total assets	\$ <u>13,649,371</u>	<u>12,715,626</u>
Liabilities:		
Accounts payable	\$ 163,603	130,791
Accrued payroll	912,389	1,070,327
Accrued and other liabilities	33,821	32,516
Due to other funds	347,785	326,243
Deferred revenue	<u>629,880</u>	<u>648,048</u>
Total liabilities	<u>2,087,478</u>	<u>2,207,925</u>
Fund balance:		
Nonspendable	53,418	89,236
Restricted	-	2,760,462
Committed	1,205,833	229,579
Unassigned	<u>10,302,642</u>	<u>7,428,424</u>
Total fund balance	<u>11,561,893</u>	<u>10,507,701</u>
Total liabilities and fund balance	\$ <u>13,649,371</u>	<u>12,715,626</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit G-2

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Revenues:		
Taxes:		
Property taxes	\$ 6,003,008	5,926,046
Sales taxes	8,708,484	8,646,588
Bed taxes	<u>307,890</u>	<u>303,655</u>
Total taxes	<u>15,019,382</u>	<u>14,876,289</u>
State sources:		
School debt reimbursement	894,430	892,444
State revenue sharing	812,658	819,488
State PERS relief	608,722	332,783
State grants	48,759	17,196
Other	<u>70,861</u>	<u>58,344</u>
Total State sources	<u>2,435,430</u>	<u>2,120,255</u>
Federal sources:		
National Forest receipts	1,150,914	1,439,722
Payment in lieu of taxes	592,145	586,373
Federal grants	<u>215,034</u>	<u>386,624</u>
Total Federal sources	<u>1,958,093</u>	<u>2,412,719</u>
Licenses and permits	<u>140,371</u>	<u>131,963</u>
Charges for services:		
State jail contract	419,450	419,450
Ambulance fees	323,817	351,641
E911 surcharges	185,752	191,481
Jobbing	597,329	633,267
Other	<u>106,838</u>	<u>86,490</u>
Total charges for services	<u>1,633,186</u>	<u>1,682,329</u>
Property and investments:		
Leases and rent	291,738	430,523
Investment income	370,792	651,584
Other	<u>287,932</u>	<u>170,022</u>
Total property and investments	<u>950,462</u>	<u>1,252,129</u>
Interfund services	<u>2,380,298</u>	<u>2,219,501</u>
Fines, forfeitures and penalties	<u>138,697</u>	<u>122,422</u>
Other	<u>53,997</u>	<u>64,699</u>
Total revenues	<u>24,709,916</u>	<u>24,882,306</u>

## CITY AND BOROUGH OF SITKA, ALASKA

Exhibit G-2, continued

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance, continued

	<u>2011</u>	<u>2010</u>
Expenditures:		
Administration:		
Administration/assembly:		
Wages and benefits	\$ 559,234	563,717
Travel and training	26,438	25,279
Other	175,267	226,414
Total administration/assembly	<u>760,939</u>	<u>815,410</u>
Legal:		
Wages and benefits	240,463	230,482
Travel and training	7,018	5,557
Other	41,338	47,547
Total legal	<u>288,819</u>	<u>283,586</u>
Municipal clerk:		
Wages and benefits	225,176	194,080
Travel and training	6,481	8,201
Other	104,972	105,629
Total municipal clerk	<u>336,629</u>	<u>307,910</u>
Finance:		
Wages and benefits	1,388,936	1,323,134
Travel and training	8,667	10,724
Other	219,612	208,929
Total finance	<u>1,617,215</u>	<u>1,542,787</u>
Assessing:		
Wages and benefits	207,736	215,936
Travel and training	3,840	690
Other	25,705	19,119
Total assessing	<u>237,281</u>	<u>235,745</u>
Planning:		
Wages and benefits	231,613	219,321
Travel and training	3,695	3,588
Other	23,158	27,572
Total planning	<u>258,466</u>	<u>250,481</u>

CITY AND BOROUGH OF SITKA, ALASKA

Exhibit G-2, continued

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance, continued

	<u>2011</u>	<u>2010</u>
Expenditures, continued:		
Administration, continued:		
General office - other	\$ <u>372,485</u>	<u>335,055</u>
Total administration	<u>3,871,834</u>	<u>3,770,974</u>
Public safety:		
Police:		
Wages and benefits	3,372,669	3,074,753
Travel and training	40,344	49,351
Other	<u>798,308</u>	<u>903,489</u>
Total police	<u>4,211,321</u>	<u>4,027,593</u>
Fire:		
Wages and benefits	1,157,591	1,059,884
Travel and training	36,399	15,755
Other	<u>319,891</u>	<u>342,265</u>
Total fire	<u>1,513,881</u>	<u>1,417,904</u>
Ambulance:		
Wages and benefits	116,752	127,560
Travel and training	15,057	10,863
Other	<u>114,923</u>	<u>119,157</u>
Total ambulance	<u>246,732</u>	<u>257,580</u>
Search and rescue:		
Wages and benefits	5,784	5,335
Travel and training	4,544	10,843
Other	<u>28,863</u>	<u>30,236</u>
Total search and rescue	<u>39,191</u>	<u>46,414</u>
Total public safety	<u>6,011,125</u>	<u>5,749,491</u>
Public works:		
Administration:		
Wages and benefits	578,220	373,571
Travel and training	2,404	18,255
Other	<u>36,826</u>	<u>49,019</u>
Total administration	<u>617,450</u>	<u>440,845</u>

## CITY AND BOROUGH OF SITKA, ALASKA

Exhibit G-2, continued

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance, continued

	<u>2011</u>	<u>2010</u>
Expenditures, continued:		
Public works, continued:		
Engineering:		
Wages and benefits	\$ 608,309	496,283
Travel and training	8,935	6,315
Other	79,574	46,710
Total engineering	<u>696,818</u>	<u>549,308</u>
Streets:		
Wages and benefits	499,728	607,508
Travel and training	687	2,646
Other	643,376	661,884
Total streets	<u>1,143,791</u>	<u>1,272,038</u>
Recreation:		
Wages and benefits	280,816	288,324
Travel and training	1,890	2,659
Other	383,833	687,718
Total recreation	<u>666,539</u>	<u>978,701</u>
Building officials:		
Wages and benefits	194,743	194,378
Travel and training	3,724	7,008
Other	20,403	27,122
Total building officials	<u>218,870</u>	<u>228,508</u>
Total public works	<u>3,343,468</u>	<u>3,469,400</u>
Public services:		
Library:		
Wages and benefits	581,161	560,280
Travel and training	2,174	1,849
Other	318,807	241,481
Total library	<u>902,142</u>	<u>803,610</u>
Harrigan Centennial Building:		
Wages and benefits	338,158	314,244
Travel and training	-	54,071
Other	170,295	115,632
Total Harrigan Centennial Building	<u>508,453</u>	<u>483,947</u>

CITY AND BOROUGH OF SITKA, ALASKA

Exhibit G-2, continued

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance, continued

	<u>2011</u>	<u>2010</u>
Expenditures, continued:		
Public services, continued:		
Senior Citizen Center - other	\$ <u>70,190</u>	<u>75,854</u>
Total public services	<u>1,480,785</u>	<u>1,363,411</u>
Support:		
Municipal grants to local organizations	339,584	301,100
Sitka Convention and Visitors Bureau	251,490	315,000
Sitka Community Hospital	213,216	450,948
Sitka School District	<u>6,316,955</u>	<u>6,742,097</u>
Total support	<u>7,121,245</u>	<u>7,809,145</u>
Debt service:		
Principal	864,750	876,186
Interest	<u>425,518</u>	<u>463,928</u>
Total debt service	<u>1,290,268</u>	<u>1,340,114</u>
Capital outlay	<u>141,924</u>	<u>94,668</u>
Total expenditures	<u>23,260,649</u>	<u>23,597,203</u>
Excess of revenues over expenditures	1,449,267	1,285,103
Other financing sources (uses):		
Transfers in	1,261,447	1,891,623
Transfers out	<u>(1,656,522)</u>	<u>(1,405,921)</u>
Net other financing sources (uses)	<u>(395,075)</u>	<u>485,702</u>
Net change in fund balance	1,054,192	1,770,805
Fund balance, beginning of year	<u>10,507,701</u>	<u>8,736,896</u>
Fund balance, end of year	\$ <u>11,561,893</u>	<u>10,507,701</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit H-1

Permanent Fund

Balance Sheet

June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Assets - restricted:		
Equity in central treasury	\$ 374,655	355,088
Cash and investments	18,632,210	16,233,998
Interest receivable	91,296	87,140
Note receivable	<u>65,539</u>	<u>-</u>
 Total assets - restricted	 \$ <u>19,163,700</u>	 <u>16,676,226</u>
 Fund balance - restricted	 \$ <u>19,163,700</u>	 <u>16,676,226</u>



**CITY AND BOROUGH OF SITKA, ALASKA**  
 Permanent Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Year Ended June 30, 2011  
 (With Comparative Amounts for 2010)

Exhibit H-2

	<u>2011</u>	<u>2010</u>
Revenues - investment income	\$ 3,601,418	1,649,372
Expenditures - support	<u>          -</u>	<u>          40</u>
Excess of revenues over expenditures	3,601,418	1,649,332
Other financing uses - transfers out	<u>(1,113,944)</u>	<u>(1,275,274)</u>
Net change in fund balance	2,487,474	374,058
Fund balance, beginning of year	<u>16,676,226</u>	<u>16,302,168</u>
Fund balance, end of year	\$ <u>19,163,700</u>	<u>16,676,226</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit I-1

Nonmajor Enterprise Funds

Combining Statement of Net Assets

June 30, 2011

	<u>Airport Terminal Building</u>	<u>Marine Service Center</u>	<u>Sawmill Cove Industrial Park</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Assets:</b>				
<b>Current assets:</b>				
Equity in central treasury	\$ 348,885	1,058,960	593,062	2,000,907
<b>Receivables:</b>				
Accounts	3,906	7,358	90,538	101,802
Allowance for uncollectible accounts	-	-	(9,230)	(9,230)
Federal and State of Alaska	38,909	-	204,977	243,886
Prepaid expenses	7,788	31	-	7,819
Total current assets	<u>399,488</u>	<u>1,066,349</u>	<u>879,347</u>	<u>2,345,184</u>
<b>Noncurrent assets:</b>				
Deferred charges	-	-	45,876	45,876
<b>Capital assets:</b>				
Property, plant and equipment	5,569,894	3,417,724	12,427,373	21,414,991
Construction in progress	212,223	-	2,299,305	2,511,528
Less accumulated depreciation	<u>(2,405,705)</u>	<u>(2,488,287)</u>	<u>(1,568,379)</u>	<u>(6,462,371)</u>
Total capital assets, net of accumulated depreciation	<u>3,376,412</u>	<u>929,437</u>	<u>13,158,299</u>	<u>17,464,148</u>
Total noncurrent assets	<u>3,376,412</u>	<u>929,437</u>	<u>13,204,175</u>	<u>17,510,024</u>
Total assets	\$ <u>3,775,900</u>	<u>1,995,786</u>	<u>14,083,522</u>	<u>19,855,208</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$ 21,291	31,275	189,103	241,669
Deferred revenue	-	-	200,299	200,299
Total current liabilities	<u>21,291</u>	<u>31,275</u>	<u>389,402</u>	<u>441,968</u>
<b>Noncurrent liabilities:</b>				
Compensated absences	-	-	1,053	1,053
Advances from other funds	112,271	-	-	112,271
Total liabilities	<u>133,562</u>	<u>31,275</u>	<u>390,455</u>	<u>555,292</u>
<b>Net assets:</b>				
Invested in capital assets	3,376,412	929,437	13,158,299	17,464,148
Unrestricted	265,926	1,035,074	534,768	1,835,768
Total net assets	<u>3,642,338</u>	<u>1,964,511</u>	<u>13,693,067</u>	<u>19,299,916</u>
Total liabilities and net assets	\$ <u>3,775,900</u>	<u>1,995,786</u>	<u>14,083,522</u>	<u>19,855,208</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit I-2

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2011

	<u>Airport Terminal Building</u>	<u>Marine Service Center</u>	<u>Sawmill Cove Industrial Park</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:				
Terminal building leases	\$ 315,595	-	-	315,595
Other leases	-	224,496	177,365	401,861
Other	<u>246,045</u>	-	-	246,045
Total operating revenues	<u>561,640</u>	<u>224,496</u>	<u>177,365</u>	<u>963,501</u>
Operating expenses:				
Wages and benefits	-	-	12,043	12,043
Utilities	80,364	9,940	56,775	147,079
Repairs and maintenance	33,429	43,757	16,340	93,526
Contracted/purchased services	119,467	25,864	86,415	231,746
Interdepartment services	42,355	19,310	81,674	143,339
Other	21,768	10,345	67,966	100,079
Depreciation and amortization	<u>178,166</u>	<u>152,657</u>	<u>227,477</u>	<u>558,300</u>
Total operating expenses	<u>475,549</u>	<u>261,873</u>	<u>548,690</u>	<u>1,286,112</u>
Operating income (loss)	86,091	(37,377)	(371,325)	(322,611)
Nonoperating revenues (expenses):				
Investment income (loss)	8,510	29,289	(3,692)	34,107
State PERS relief	-	-	476	476
Interest expense	<u>(11,299)</u>	-	-	<u>(11,299)</u>
Net nonoperating revenues (expenses)	<u>(2,789)</u>	<u>29,289</u>	<u>(3,216)</u>	<u>23,284</u>
Income (loss) before contributions and transfers	83,302	(8,088)	(374,541)	(299,327)
Capital contributions	40,469	-	1,494,894	1,535,363
Transfers in	<u>-</u>	<u>-</u>	<u>352,202</u>	<u>352,202</u>
Change in net assets	123,771	(8,088)	1,472,555	1,588,238
Net assets, beginning of year	<u>3,518,567</u>	<u>1,972,599</u>	<u>12,220,512</u>	<u>17,711,678</u>
Net assets, end of year	\$ <u><u>3,642,338</u></u>	<u><u>1,964,511</u></u>	<u><u>13,693,067</u></u>	<u><u>19,299,916</u></u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit I-3

Nonmajor Enterprise Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2011

	Airport Terminal Building	Marine Service Center	Sawmill Cove Industrial Park	Totals Nonmajor Enterprise Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 561,482	237,727	180,265	979,474
Payments to suppliers	(266,643)	(66,759)	(45,997)	(379,399)
Payments for interfund services used	(42,355)	(19,310)	(81,674)	(143,339)
Payments to employees	-	-	(11,468)	(11,468)
Net cash flows from operating activities	<u>252,484</u>	<u>151,658</u>	<u>41,126</u>	<u>445,268</u>
Cash flows from noncapital financing activities:				
Repayments to other funds	(228,967)	-	-	(228,967)
Transfers from other funds	-	-	352,202	352,202
Net cash flows from noncapital financing activities	<u>(228,967)</u>	<u>-</u>	<u>352,202</u>	<u>123,235</u>
Cash flows from capital and related financing activities:				
Capital expenditures	(180,583)	-	(1,789,511)	(1,970,094)
Interest paid	(11,299)	-	-	(11,299)
Government grants and loans for construction	33,331	-	1,500,292	1,533,623
Net cash flows from capital and related financing activities	<u>(158,551)</u>	<u>-</u>	<u>(289,219)</u>	<u>(447,770)</u>
Cash flows from investing activities - interest received				
	8,510	29,289	(3,692)	34,107
Net increase (decrease) in cash and cash equivalents	<u>(126,524)</u>	<u>180,947</u>	<u>100,417</u>	<u>154,840</u>
Cash and cash equivalents, beginning	<u>475,409</u>	<u>878,013</u>	<u>492,645</u>	<u>1,846,067</u>
Cash and cash equivalents, ending	\$ <u>348,885</u>	<u>1,058,960</u>	<u>593,062</u>	<u>2,000,907</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	86,091	(37,377)	(371,325)	(322,611)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	178,166	152,657	227,477	558,300
State PERS relief	-	-	476	476
(Increase) decrease in assets:				
Accounts receivable (net)	(158)	13,231	2,900	15,973
Prepaid expenses	(327)	-	-	(327)
Increase (decrease) in liabilities:				
Accounts payable and accrued liabilities	(11,288)	23,147	181,499	193,358
Compensated absences	-	-	99	99
Net cash flows from operating activities	\$ <u>252,484</u>	<u>151,658</u>	<u>41,126</u>	<u>445,268</u>

**CITY AND BOROUGH OF SITKA, ALASKA**  
Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2011

Exhibit J-1

	<u>Management Information Systems</u>	<u>Central Garage</u>	<u>Building Maintenance</u>	<u>Total Internal Service Funds</u>
<b>Assets:</b>				
<b>Current assets:</b>				
Equity in central treasury	\$ 219,712	1,397,833	2,902,437	4,519,982
Accounts receivable	812	403	-	1,215
Prepaid expenses	4,270	313	1,617	6,200
<b>Total current assets</b>	<u>224,794</u>	<u>1,398,549</u>	<u>2,904,054</u>	<u>4,527,397</u>
<b>Capital assets:</b>				
Property, plant and equipment	1,224,168	6,789,826	44,855	8,058,849
Less accumulated depreciation	<u>(1,016,412)</u>	<u>(4,089,199)</u>	<u>(26,432)</u>	<u>(5,132,043)</u>
<b>Total capital assets, net of     accumulated depreciation</b>	<u>207,756</u>	<u>2,700,627</u>	<u>18,423</u>	<u>2,926,806</u>
<b>Total assets</b>	<u>\$ 432,550</u>	<u>4,099,176</u>	<u>2,922,477</u>	<u>7,454,203</u>
<b>Liabilities:</b>				
<b>Current liabilities -</b>				
accounts payable and accrued liabilities	\$ 696	48,113	9,395	58,204
<b>Noncurrent liabilities:</b>				
Compensated absences	26,034	3,426	22,536	51,996
Advances from other funds	-	500,000	-	500,000
<b>Total noncurrent liabilities</b>	<u>26,034</u>	<u>503,426</u>	<u>22,536</u>	<u>551,996</u>
<b>Total liabilities</b>	<u>26,730</u>	<u>551,539</u>	<u>31,931</u>	<u>610,200</u>
<b>Net assets:</b>				
Invested in capital assets	207,756	2,700,627	18,423	2,926,806
Unrestricted	<u>198,064</u>	<u>847,010</u>	<u>2,872,123</u>	<u>3,917,197</u>
<b>Total net assets</b>	<u>405,820</u>	<u>3,547,637</u>	<u>2,890,546</u>	<u>6,844,003</u>
<b>Total liabilities and net assets</b>	<u>\$ 432,550</u>	<u>4,099,176</u>	<u>2,922,477</u>	<u>7,454,203</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit J-2

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2011

	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Operating revenues - charges for services	\$ 751,643	1,098,147	354,507	2,204,297
Operating expenses:				
Wages and benefits	347,700	165,508	363,662	876,870
Travel and training	10,603	30	-	10,633
Utilities	6,035	24,511	1,605	32,151
Repairs and maintenance	168,304	62,290	55,206	285,800
Contracted/purchased services	11,302	7,630	128,590	147,522
Interdepartment services	99,548	121,196	83,843	304,587
Other	110,724	351,464	27,568	489,756
Depreciation	71,384	288,970	2,498	362,852
Total operating expenses	825,600	1,021,599	662,972	2,510,171
Operating income (loss)	(73,957)	76,548	(308,465)	(305,874)
Nonoperating revenues (expenses):				
Investment income	2,741	41,194	62,541	106,476
Interest expense	-	(27,500)	-	(27,500)
State PERS relief	11,809	6,754	13,043	31,606
Other	-	33,504	-	33,504
Net nonoperating revenues (expenses)	14,550	53,952	75,584	144,086
Income (loss) before transfers	(59,407)	130,500	(232,881)	(161,788)
Transfers in	21,048	42,601	130,843	194,492
Change in net assets	(38,359)	173,101	(102,038)	32,704
Net assets, beginning of year	444,179	3,374,536	2,992,584	6,811,299
Net assets, end of year	\$ 405,820	3,547,637	2,890,546	6,844,003

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit J-3

Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2011

	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Cash flows from operating activities:				
Receipts from customers	\$ 750,831	1,098,095	354,507	2,203,433
Payments for interfund services used	(99,548)	(121,196)	(83,843)	(304,587)
Payments to suppliers	(319,501)	(415,149)	(218,979)	(953,629)
Payments to employees	(328,542)	(161,655)	(348,700)	(838,897)
Net cash flows from operating activities	<u>3,240</u>	<u>400,095</u>	<u>(297,015)</u>	<u>106,320</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	<u>21,048</u>	<u>42,601</u>	<u>130,843</u>	<u>194,492</u>
Cash flows from capital and related financing activities:				
Rental of capital assets	-	33,504	-	33,504
Repayments to other funds	-	(50,000)	-	(50,000)
Interest paid	-	(27,500)	-	(27,500)
Capital expenditures	(1,925)	(96,400)	-	(98,325)
Net cash flows from capital and related financing activities	<u>(1,925)</u>	<u>(140,396)</u>	<u>-</u>	<u>(142,321)</u>
Cash flows from investing activities - interest received				
	<u>2,741</u>	<u>41,194</u>	<u>62,541</u>	<u>106,476</u>
Net decrease in cash and cash equivalents	25,104	343,494	(103,631)	264,967
Cash and cash equivalents, beginning	<u>194,608</u>	<u>1,054,339</u>	<u>3,006,068</u>	<u>4,255,015</u>
Cash and cash equivalents, ending	\$ <u>219,712</u>	<u>1,397,833</u>	<u>2,902,437</u>	<u>4,519,982</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ (73,957)	76,548	(308,465)	(305,874)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	71,384	288,970	2,498	362,852
State PERS relief	11,809	6,754	13,043	31,606
(Increase) decrease in assets:				
Accounts receivable	(812)	(52)	-	(864)
Prepaid expenses	716	223	1,154	2,093
Increase (decrease) in liabilities:				
Accounts payable and accrued liabilities	(13,249)	30,553	(7,164)	10,140
Compensated absences	7,349	(2,901)	1,919	6,367
Net cash flows from operating activities	\$ <u>3,240</u>	<u>400,095</u>	<u>(297,015)</u>	<u>106,320</u>

CITY AND BOROUGH OF SITKA, ALASKA

Exhibit K-1

Electric and Water Utilities Enterprise Fund  
Statement of Net Assets

June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Assets:		
Current assets:		
Equity in central treasury	\$ 33,386,327	9,357,181
Receivables:		
Accounts	1,014,121	904,357
Allowance for uncollectible accounts	(221,407)	(339,922)
Federal and State of Alaska	2,292,453	1,260,444
Current portion - note receivable	1,812	1,812
Inventories	2,034,421	1,887,915
Prepaid expenses	15,108	25,899
Total current assets	<u>38,522,835</u>	<u>13,097,686</u>
Noncurrent assets:		
Restricted assets:		
Equity in central treasury:		
Deposits	103,386	102,092
Bond covenant accounts	3,494,640	7,047,685
Bond issuance costs	1,046,155	-
Note receivable	45,433	36,517
Water rights	46,966	46,966
Water master plan	83,570	83,570
FERC license	1,565,324	1,585,156
Capital assets:		
Property, plant and equipment	147,216,474	141,345,050
Construction in progress	13,731,182	10,379,731
Less accumulated depreciation	(66,029,618)	(63,400,410)
Total capital assets, net of accumulated depreciation	<u>94,918,038</u>	<u>88,324,371</u>
Total noncurrent assets	<u>101,303,512</u>	<u>97,226,357</u>
Total assets	<u>\$ 139,826,347</u>	<u>110,324,043</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,057,410	926,786
Interest payable	1,331,570	20,830
Current portion of:		
Revenue bonds	1,130,000	2,455,000
Revenue notes	264,689	254,411
Notes payable	244,656	247,452
Payable from restricted assets - deposits payable	103,386	102,092
Total current liabilities	<u>4,131,711</u>	<u>4,006,571</u>
Noncurrent liabilities:		
Compensated absences	206,086	189,468
Revenue bonds	47,570,000	25,635,000
Unamortized bond premium	1,471,509	-
Deferred loss on bonds	(3,273,138)	(815,343)
Revenue notes	8,535,499	8,800,187
Notes payable	4,672,241	4,653,851
Total noncurrent liabilities	<u>59,182,197</u>	<u>38,463,163</u>
Total liabilities	<u>63,313,908</u>	<u>42,469,734</u>
Net assets:		
Invested in capital assets, net of related debt	54,795,925	47,093,813
Restricted for debt service	3,494,640	7,047,685
Unrestricted	18,221,874	13,712,811
Total net assets	<u>76,512,439</u>	<u>67,854,309</u>
Total liabilities and net assets	<u>\$ 139,826,347</u>	<u>110,324,043</u>



**CITY AND BOROUGH OF SITKA, ALASKA**  
 Electric and Water Utilities Enterprise Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2011  
 (With Comparative Amounts for 2010)

Exhibit K-2

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Electric fees	\$ 10,739,671	10,408,218
Electric other	661,852	444,696
Water fees	1,176,469	1,028,919
Water other	48,446	65,979
Total operating revenues	<u>12,626,438</u>	<u>11,947,812</u>
Operating expenses:		
Wages and benefits	3,772,565	3,646,527
Travel and training	20,683	28,637
Utilities	364,832	94,844
Repairs and maintenance	182,235	244,123
Contracted/purchased services	857,043	321,232
Interdepartment services	1,112,377	1,143,879
Other	1,657,686	1,458,925
Depreciation	2,629,208	2,504,760
Total operating expenses	<u>10,596,629</u>	<u>9,442,927</u>
Operating income	2,029,809	2,504,885
Nonoperating revenues (expenses):		
Investment income	484,800	549,474
State PERS relief	131,010	120,688
Other federal sources	346,608	-
State revenue sharing	100,000	100,000
Interest expense	(1,738,453)	(2,418,756)
Net nonoperating revenues (expenses)	<u>(676,035)</u>	<u>(1,648,594)</u>
Income before contributions and transfers	1,353,774	856,291
Capital contributions	10,509,356	3,890,439
Transfers out	<u>(3,205,000)</u>	<u>(23,898)</u>
Change in net assets	8,658,130	4,722,832
Net assets, beginning of year	<u>67,854,309</u>	<u>63,131,477</u>
Net assets, end of year	<u>\$ 76,512,439</u>	<u>67,854,309</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit K-3

Electric and Water Utilities Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 12,399,453	11,987,275
Payments to suppliers	(3,087,570)	(1,972,066)
Payments for interfund services used	(1,112,377)	(1,143,879)
Payment to employees	(3,624,937)	(3,519,465)
Net cash flows from operating activities	<u>4,574,569</u>	<u>5,351,865</u>
Cash flows from noncapital financing activities:		
State revenue sharing	100,000	100,000
Licenses and permit expenditures	-	(653,028)
Transfers to other funds	(3,205,000)	(23,898)
Net cash flows from noncapital financing activities	<u>(3,105,000)</u>	<u>(576,926)</u>
Cash flows from capital and related financing activities:		
Capital expenditures	(9,222,875)	(4,263,876)
Interest paid	(387,630)	(2,266,892)
Payments on bonds and notes payable	(28,557,078)	(2,764,199)
Government grants and loans for construction	57,524,654	3,407,464
Transfer to bond trustee for debt service requirements	-	233,036
Net cash flows from capital and related financing activities	<u>19,357,071</u>	<u>(5,654,467)</u>
Cash flows from investing activities - interest received	484,800	549,474
Net decrease in cash and cash equivalents	21,311,440	(330,054)
Cash and cash equivalents, beginning	<u>12,178,273</u>	<u>12,508,327</u>
Cash and cash equivalents, ending	\$ <u>33,489,713</u>	<u>12,178,273</u>
Reconciliation of cash and cash equivalents, end of year:		
Unrestricted equity in central treasury	33,386,327	9,357,181
Restricted equity in central treasury	103,386	2,821,092
Totals	\$ <u>33,489,713</u>	<u>12,178,273</u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 2,029,809	2,504,885
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	2,629,208	2,504,760
Amortization	-	43,710
State PERs relief	131,010	120,688
(Increase) decrease in assets:		
Accounts receivable (net)	(228,279)	91,756
Inventories	(146,506)	18,564
Prepaid expenses	10,791	(23,198)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	130,624	78,598
Compensated absences	16,618	6,374
Deposits	1,294	5,728
Net cash flows from operating activities	\$ <u>4,574,569</u>	<u>5,351,865</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit K-4

Waste Water Treatment Enterprise Fund

Statement of Net Assets

June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Assets:		
Current assets:		
Equity in central treasury	\$ 3,612,181	2,571,980
Receivables:		
Accounts	145,413	142,620
Allowance for uncollectible accounts	(41,921)	(42,448)
Federal and State of Alaska	421,497	1,476,004
Current portion:		
Assessments receivable	7,195	14,693
Notes receivable	6,798	10,381
Prepaid expenses	5,369	9,204
Total current assets	<u>4,156,532</u>	<u>4,182,434</u>
Noncurrent assets:		
Special assessments receivable	140,059	128,910
Notes receivable	147,878	152,587
Capital assets:		
Property, plant and equipment	45,348,496	45,339,411
Construction in progress	3,371,815	2,043,556
Less accumulated depreciation	<u>(30,757,557)</u>	<u>(29,282,120)</u>
Total capital assets, net of accumulated depreciation	<u>17,962,754</u>	<u>18,100,847</u>
Total noncurrent assets	<u>18,250,691</u>	<u>18,382,344</u>
Total assets	\$ <u>22,407,223</u>	<u>22,564,778</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 77,881	223,645
Interest payable	38,575	38,575
Current portion of - notes payable	175,134	173,984
Total current liabilities	<u>291,590</u>	<u>436,204</u>
Noncurrent liabilities:		
Compensated absences	47,447	44,254
Notes payable	3,364,434	3,185,425
Total noncurrent liabilities	<u>3,411,881</u>	<u>3,229,679</u>
Total liabilities	<u>3,703,471</u>	<u>3,665,883</u>
Net assets:		
Invested in capital assets, net of related debt	14,423,186	14,741,438
Unrestricted	4,280,566	4,157,457
Total net assets	<u>18,703,752</u>	<u>18,898,895</u>
Total liabilities and net assets	\$ <u>22,407,223</u>	<u>22,564,778</u>

**CITY AND BOROUGH OF SITKA, ALASKA**  
Waste Water Treatment Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2011  
(With Comparative Amounts for 2010)

Exhibit K-5

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Waste water fees	\$ 1,795,777	1,585,353
Other	240,055	309,769
Total operating revenues	<u>2,035,832</u>	<u>1,895,122</u>
Operating expenses:		
Wages and benefits	929,141	991,986
Travel and training	2,919	6,853
Utilities	206,715	189,855
Repairs and maintenance	48,657	91,887
Contracted/purchased services	75,528	67,244
Interdepartment services	297,097	281,649
Other	207,244	194,690
Depreciation	1,475,436	1,449,413
Total operating expenses	<u>3,242,737</u>	<u>3,273,577</u>
Operating loss	(1,206,905)	(1,378,455)
Nonoperating revenues (expenses):		
Investment income	112,470	144,032
State PERS relief	33,291	32,925
Interest expense	(29,601)	(66,919)
Net nonoperating revenues (expenses)	<u>116,160</u>	<u>110,038</u>
Loss before contributions and transfers	(1,090,745)	(1,268,417)
Capital contributions	860,602	1,618,223
Transfer in	35,000	-
Change in net assets	(195,143)	349,806
Net assets, beginning of year	<u>18,898,895</u>	<u>18,549,089</u>
Net assets, end of year	\$ <u>18,703,752</u>	<u>18,898,895</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit K-6

Waste Water Treatment Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,032,512	1,882,439
Payments to suppliers	(682,992)	(562,494)
Payments for interfund services used	(297,097)	(281,649)
Payment to employees	(892,657)	(959,581)
Net cash flows from operating activities	<u>159,766</u>	<u>78,715</u>
 Cash flows from noncapital financing activities - transfers in	 <u>35,000</u>	 <u>-</u>
 Cash flows from capital and related financing activities:		
Capital expenditures	(1,337,344)	(2,094,797)
Interest paid	(29,601)	(34,713)
Payments on capital lease	-	(1,012)
Payments on bonds and notes payable	(126,037)	(124,905)
Grants, loans and contributions for construction	2,225,947	606,841
Net cash flows from capital and related financing activities	<u>732,965</u>	<u>(1,648,586)</u>
 Cash flows from investing activities - interest received	 <u>112,470</u>	 <u>144,032</u>
Net decrease in cash and cash equivalents	<u>1,040,201</u>	<u>(1,425,839)</u>
 Cash and cash equivalents, beginning	 <u>2,571,980</u>	 <u>3,997,819</u>
 Cash and cash equivalents, ending	\$ <u><u>3,612,181</u></u>	<u><u>2,571,980</u></u>
 Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (1,206,905)	(1,378,455)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	1,475,436	1,449,413
State PERS relief	33,291	32,925
(Increase) decrease in assets:		
Accounts receivable (net)	(3,320)	(3,475)
Prepaid expenses	3,835	(9,204)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(145,764)	(11,969)
Compensated absences	3,193	(520)
Net cash flows from operating activities	\$ <u><u>159,766</u></u>	<u><u>78,715</u></u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit K-7

Solid Waste Disposal Enterprise Fund

Statement of Net Assets

June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
<b>Current assets:</b>		
Equity in central treasury	\$ 1,046,501	1,022,410
<b>Receivables:</b>		
Accounts	213,408	210,891
Allowance for uncollectible accounts	(58,231)	(61,954)
Prepaid expenses	1,529	1,976
<b>Total current assets</b>	<u>1,203,207</u>	<u>1,173,323</u>
<b>Noncurrent assets:</b>		
<b>Restricted assets:</b>		
Equity in central treasury:		
Landfill postclosure	499,995	499,995
Deposits	5,941	5,896
<b>Capital assets:</b>		
Property, plant and equipment	7,634,299	7,634,299
Construction in progress	276	276
Less accumulated depreciation	<u>(1,325,929)</u>	<u>(1,109,847)</u>
<b>Total capital assets, net of accumulated depreciation</b>	<u>6,308,646</u>	<u>6,524,728</u>
<b>Total noncurrent assets</b>	<u>6,814,582</u>	<u>7,030,619</u>
<b>Total assets</b>	\$ <u>8,017,789</u>	<u>8,203,942</u>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 115,796	116,965
Due to other funds	-	124,287
Interest payable	-	12,400
Current portion of note payable	115,798	115,798
Payable from restricted assets - deposits payable	5,941	5,896
<b>Total current liabilities</b>	<u>237,535</u>	<u>375,346</u>
<b>Noncurrent liabilities:</b>		
Compensated absences	4,187	6,268
Advances from other funds	125,015	125,015
Note payable	1,968,558	2,084,355
Liability for postclosure landfill costs	499,995	499,995
<b>Total noncurrent liabilities</b>	<u>2,597,755</u>	<u>2,715,633</u>
<b>Total liabilities</b>	<u>2,835,290</u>	<u>3,090,979</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	4,224,290	4,324,575
Unrestricted	958,209	788,388
<b>Total net assets</b>	<u>5,182,499</u>	<u>5,112,963</u>
<b>Total liabilities and net assets</b>	\$ <u>8,017,789</u>	<u>8,203,942</u>

**CITY AND BOROUGH OF SITKA, ALASKA**  
Solid Waste Disposal Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2011  
(With Comparative Amounts for 2010)

Exhibit K-8

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Solid waste disposal fees	\$ 2,732,396	2,691,977
Other	<u>393,690</u>	<u>305,520</u>
Total operating revenues	<u>3,126,086</u>	<u>2,997,497</u>
Operating expenses:		
Wages and benefits	129,272	154,910
Travel and training	7,064	2,210
Utilities	23,125	28,489
Repairs and maintenance	5,203	23,079
Contracted/purchased services	2,078,030	2,056,172
Interdepartment services	401,315	414,996
Other	180,117	190,147
Depreciation	<u>216,082</u>	<u>178,282</u>
Total operating expenses	<u>3,040,208</u>	<u>3,048,285</u>
Operating income (loss)	85,878	(50,788)
Nonoperating revenues (expenses):		
Investment income	19,556	81,003
State PERS relief	4,659	5,053
Interest expense	<u>(40,557)</u>	<u>(56,929)</u>
Net nonoperating revenues (expenses)	<u>(16,342)</u>	<u>29,127</u>
Change in net assets	69,536	(21,661)
Net assets, beginning of year	<u>5,112,963</u>	<u>5,134,624</u>
Net assets, end of year	\$ <u><u>5,182,499</u></u>	<u><u>5,112,963</u></u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit K-9

Solid Waste Disposal Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,119,891	3,005,013
Payments to suppliers	(2,294,261)	(2,272,553)
Payments for interfund services used	(401,315)	(414,996)
Payment to employees	<u>(126,694)</u>	<u>(147,702)</u>
Net cash flows from operating activities	<u>297,621</u>	<u>169,762</u>
Cash flows from noncapital financing activities - repayments to other funds	<u>(124,287)</u>	<u>(123,579)</u>
Cash flows from capital and related financing activities:		
Capital expenditures	-	(489,869)
Interest paid	(52,957)	(48,108)
Payments on notes payable	(115,797)	-
Government grants and loans for construction	<u>-</u>	<u>23,053</u>
Net cash flows from capital and related financing activities	<u>(168,754)</u>	<u>(514,924)</u>
Cash flows from investing activities - interest received	<u>19,556</u>	<u>81,003</u>
Net increase (decrease) in cash and equivalents	24,136	(387,738)
Cash and cash equivalents, beginning	<u>1,528,301</u>	<u>1,916,039</u>
Cash and cash equivalents, ending	\$ <u>1,552,437</u>	<u>1,528,301</u>
Reconciliation of cash and cash equivalents, end of year:		
Unrestricted equity in central treasury	1,046,501	1,022,410
Restricted equity in central treasury	<u>505,936</u>	<u>505,891</u>
Totals	\$ <u>1,552,437</u>	<u>1,528,301</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income (loss)	\$ 85,878	(50,788)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	216,082	178,282
PERS relief	4,659	5,053
(Increase) decrease in assets:		
Accounts receivable (net)	(6,240)	23,560
Prepaid expenses	447	(1,976)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(1,169)	16,102
Deposits	45	(2,626)
Compensated absences	<u>(2,081)</u>	<u>2,155</u>
Net cash flows from operating activities	\$ <u>297,621</u>	<u>169,762</u>



**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit K-10

Harbor Enterprise Fund

Statement of Net Assets

June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Assets:		
Current assets:		
Equity in central treasury	\$ 3,727,275	3,003,817
Receivables:		
Accounts	205,112	170,554
Allowance for uncollectible accounts	(133,541)	(108,518)
Federal and State of Alaska	1,266,876	917,991
Prepaid expenses	4,125	7,072
Total current assets	<u>5,069,847</u>	<u>3,990,916</u>
Noncurrent assets:		
Restricted assets - equity in central treasury - deposits	<u>6,191</u>	<u>10,250</u>
Capital assets:		
Property, plant and equipment	23,817,549	23,788,005
Construction in progress	20,229	317
Less accumulated depreciation	<u>(8,938,250)</u>	<u>(8,232,810)</u>
Total capital assets, net of accumulated depreciation	<u>14,899,528</u>	<u>15,555,512</u>
Total noncurrent assets	<u>14,905,719</u>	<u>15,565,762</u>
Total assets	\$ <u>19,975,566</u>	<u>19,556,678</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 132,926	21,070
Due to other funds	100,000	250,000
Interest payable	-	12,215
Current portion of note payable	45,348	45,348
Payable from restricted assets - deposits payable	6,191	10,250
Total current liabilities	<u>284,465</u>	<u>338,883</u>
Noncurrent liabilities:		
Compensated absences	39,842	35,487
Advances from other funds	310,000	310,000
Note payable	770,919	816,267
Total noncurrent liabilities	<u>1,120,761</u>	<u>1,161,754</u>
Total liabilities	<u>1,405,226</u>	<u>1,500,637</u>
Net assets:		
Invested in capital assets, net of related debt	14,083,261	14,693,897
Unrestricted	<u>4,487,079</u>	<u>3,362,144</u>
Total net assets	<u>18,570,340</u>	<u>18,056,041</u>
Total liabilities and net assets	\$ <u>19,975,566</u>	<u>19,556,678</u>

**CITY AND BOROUGH OF SITKA, ALASKA**  
Harbor Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2011  
(With Comparative Amounts for 2010)

Exhibit K-11

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Moorage fees	\$ 1,296,896	1,316,515
Other	199,717	281,987
Total operating revenues	<u>1,496,613</u>	<u>1,598,502</u>
Operating expenses:		
Wages and benefits	783,245	748,137
Travel and training	7,017	7,560
Utilities	117,246	133,945
Repairs and maintenance	126,952	196,454
Contracted/purchased services	121,928	30,645
Interdepartment services	235,543	221,887
Other	190,085	197,094
Depreciation	710,408	740,378
Total operating expenses	<u>2,292,424</u>	<u>2,276,100</u>
Operating loss	(795,811)	(677,598)
Nonoperating revenues (expenses):		
Investment income	120,993	178,225
State PERS relief	26,135	23,647
Raw fish tax	1,195,000	917,991
Interest expense	(26,724)	(44,120)
Other grant revenues	75,440	-
Engineering and feasibility studies	(169,100)	-
Net nonoperating revenues (expense)	<u>1,221,744</u>	<u>1,075,743</u>
Income before transfers	425,933	398,145
Transfers in	188,366	77,180
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>
Change in net assets	514,299	375,325
Net assets, beginning of year	<u>18,056,041</u>	<u>17,680,716</u>
Net assets, end of year	\$ <u>18,570,340</u>	<u>18,056,041</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit K-12

Harbor Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,483,019	1,574,651
Payments to suppliers	(448,425)	(530,620)
Payments for interfund services used	(235,543)	(221,887)
Payment to employees	(752,755)	(725,146)
Net cash flows from operating activities	<u>46,296</u>	<u>96,998</u>
Cash flows from noncapital financing activities:		
Repayments to other funds	(150,000)	(150,000)
Transfers to other funds (net)	88,366	(22,820)
Raw fish tax received	917,991	1,139,956
Other non-operating grants (net)	(165,536)	-
Net cash flows from noncapital financing activities	<u>690,821</u>	<u>967,136</u>
Cash flows from capital and related financing activities:		
Capital expenditures	(54,424)	(97,224)
Interest paid	(38,939)	(52,313)
Payment on notes payable	(45,348)	(45,347)
Net cash flows from capital and related financing activities	<u>(138,711)</u>	<u>(194,884)</u>
Cash flows from investing activities - interest received	<u>120,993</u>	<u>178,225</u>
Net increase (decrease) in cash and cash equivalents	719,399	1,047,475
Cash and cash equivalents, beginning	<u>3,014,067</u>	<u>1,966,592</u>
Cash and cash equivalents, ending	\$ <u><u>3,733,466</u></u>	<u><u>3,014,067</u></u>
Reconciliation of cash and cash equivalents, end of year:		
Unrestricted equity in central treasury	3,727,275	3,003,817
Restricted equity in central treasury	6,191	10,250
Totals	\$ <u><u>3,733,466</u></u>	<u><u>3,014,067</u></u>
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (795,811)	(677,598)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	710,408	740,378
State PERS relief	26,135	23,647
(Increase) decrease in assets:		
Accounts receivable (net)	(9,535)	15,396
Prepaid expenses	2,947	(7,072)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	111,856	11,294
Deposits	(4,059)	(8,391)
Compensated absences	4,355	(656)
Net cash flows from operating activities	\$ <u><u>46,296</u></u>	<u><u>96,998</u></u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit K-13

Airport Terminal Building Enterprise Fund

Statement of Net Assets

June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Assets:		
Current assets:		
Equity in central treasury	\$ 348,885	475,409
Receivables:		
Accounts	3,906	3,868
Allowance for uncollectible accounts	-	(120)
Federal and State of Alaska	38,909	31,771
Prepaid expenses	<u>7,788</u>	<u>7,461</u>
Total current assets	<u>399,488</u>	<u>518,389</u>
Capital assets:		
Property, plant and equipment	5,569,894	5,320,327
Construction in progress	212,223	281,207
Less accumulated depreciation	<u>(2,405,705)</u>	<u>(2,227,539)</u>
Total capital assets, net of accumulated depreciation	<u>3,376,412</u>	<u>3,373,995</u>
Total assets	\$ <u>3,775,900</u>	<u>3,892,384</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 21,291	32,579
Due to other funds	<u>-</u>	<u>228,338</u>
Total current liabilities	<u>21,291</u>	<u>260,917</u>
Noncurrent liabilities - advances from other funds	<u>112,271</u>	<u>112,900</u>
Total liabilities	<u>133,562</u>	<u>373,817</u>
Net assets:		
Invested in capital assets	3,376,412	3,373,995
Unrestricted	<u>265,926</u>	<u>144,572</u>
Total net assets	<u>3,642,338</u>	<u>3,518,567</u>
Total liabilities and net assets	\$ <u>3,775,900</u>	<u>3,892,384</u>

**CITY AND BOROUGH OF SITKA, ALASKA**  
 Airport Terminal Building Enterprise Fund  
 Statement of Revenues, Expenses and Changes in Net Assets  
 Year Ended June 30, 2011  
 (With Comparative Amounts for 2010)

Exhibit K-14

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Terminal building leases	\$ 315,595	315,808
Other	246,045	242,676
Total operating revenues	<u>561,640</u>	<u>558,484</u>
 Operating expenses:		
Utilities	80,364	98,610
Repairs and maintenance	33,429	32,521
Contracted/purchased services	119,467	81,816
Interdepartment services	42,355	65,719
Other	21,768	22,609
Depreciation	178,166	169,570
Total operating expenses	<u>475,549</u>	<u>470,845</u>
 Operating income	 86,091	 87,639
 Nonoperating revenues (expenses):		
Investment income	8,510	27,841
Interest expense	<u>(11,299)</u>	<u>(21,682)</u>
Net nonoperating revenues (expenses)	<u>(2,789)</u>	<u>6,159</u>
 Income before contributions	 83,302	 93,798
 Capital contributions	 <u>40,469</u>	 <u>38,840</u>
 Change in net assets	 123,771	 132,638
 Net assets, beginning of year	 <u>3,518,567</u>	 <u>3,385,929</u>
 Net assets, end of year	 \$ <u>3,642,338</u>	 <u>3,518,567</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit K-15

Airport Terminal Building Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 561,482	583,638
Payments to suppliers	(266,643)	(228,010)
Payments for interfund services used	<u>(42,355)</u>	<u>(65,719)</u>
Net cash flows from operating activities	<u>252,484</u>	<u>289,909</u>
Cash flows from noncapital financing activities - repayments to other funds	<u>(228,967)</u>	<u>(218,697)</u>
Cash flows from capital and related financing activities:		
Capital expenditures	(180,583)	(54,880)
Interest paid	(11,299)	(21,682)
Payments on capital lease	-	(1,404)
Government grants and loans for construction	<u>33,331</u>	<u>158,266</u>
Net cash flows from capital and related financing activities	<u>(158,551)</u>	<u>80,300</u>
Cash flows from investing activities - interest received	<u>8,510</u>	<u>27,841</u>
Net increase (decrease) in cash and cash equivalents	<u>(126,524)</u>	<u>179,353</u>
Cash and cash equivalents, beginning	<u>475,409</u>	<u>296,056</u>
Cash and cash equivalents, ending	\$ <u>348,885</u>	<u>475,409</u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 86,091	87,639
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	178,166	169,570
(Increase) decrease in assets:		
Accounts receivable (net)	(158)	25,274
Prepaid expenses	(327)	-
Increase in accounts payable and accrued liabilities	<u>(11,288)</u>	<u>7,426</u>
Net cash flows from operating activities	\$ <u>252,484</u>	<u>289,909</u>

**CITY AND BOROUGH OF SITKA, ALASKA**  
 Marine Service Center Enterprise Fund  
 Statement of Net Assets  
 June 30, 2011  
 (With Comparative Amounts for 2010)

Exhibit K-16

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
<b>Current assets:</b>		
Equity in central treasury	\$ 1,058,960	878,013
Receivables - accounts	7,358	20,589
Prepaid expenses	31	31
<b>Total current assets</b>	<u>1,066,349</u>	<u>898,633</u>
<b>Capital assets:</b>		
Property, plant and equipment	3,417,724	3,417,724
Less accumulated depreciation	<u>(2,488,287)</u>	<u>(2,335,630)</u>
<b>Total capital assets, net of accumulated depreciation</b>	<u>929,437</u>	<u>1,082,094</u>
<b>Total assets</b>	<b>\$ <u>1,995,786</u></b>	<b><u>1,980,727</u></b>
<b>Current liabilities -</b>		
accounts payable and accrued liabilities	\$ <u>31,275</u>	<u>8,128</u>
<b>Net assets:</b>		
Invested in capital assets	929,437	1,082,094
Unrestricted	<u>1,035,074</u>	<u>890,505</u>
<b>Total net assets</b>	<u>1,964,511</u>	<u>1,972,599</u>
<b>Total liabilities and net assets</b>	<b>\$ <u>1,995,786</u></b>	<b><u>1,980,727</u></b>

**CITY AND BOROUGH OF SITKA, ALASKA**  
**Marine Service Center Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2011**  
**(With Comparative Amounts for 2010)**

Exhibit K-17

	<u>2011</u>	<u>2010</u>
Operating revenues - leases	\$ <u>224,496</u>	<u>221,760</u>
Operating expenses:		
Utilities	9,940	753
Repairs and maintenance	43,757	46,803
Contracted/purchased services	25,864	780
Interdepartment services	19,310	36,590
Other	10,345	9,753
Depreciation	<u>152,657</u>	<u>152,887</u>
Total operating expenses	<u>261,873</u>	<u>247,566</u>
Operating loss	(37,377)	(25,806)
Nonoperating revenues (expenses):		
Investment income	29,289	46,135
Interest expense	<u>-</u>	<u>(2)</u>
Net nonoperating revenues (expenses)	<u>29,289</u>	<u>46,133</u>
Change in net assets	(8,088)	20,327
Net assets, beginning of year	<u>1,972,599</u>	<u>1,952,272</u>
Net assets, end of year	\$ <u><u>1,964,511</u></u>	<u><u>1,972,599</u></u>



**CITY AND BOROUGH OF SITKA, ALASKA**  
 Marine Service Center Enterprise Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2011  
 (With Comparative Amounts for 2010)

Exhibit K-18

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 237,727	191,881
Payments to suppliers	(66,759)	(50,356)
Payments for interfund services used	(19,310)	(36,590)
Net cash flows from operating activities	<u>151,658</u>	<u>104,935</u>
Cash flows from capital and related financing activities:		
Interest paid	-	(2)
Payments on capital lease	-	(136)
Net cash flows from capital and related financing activities	<u>-</u>	<u>(138)</u>
Cash flows from investing activities - interest received	<u>29,289</u>	<u>46,135</u>
Net increase in cash and cash equivalents	180,947	150,932
Cash and cash equivalents, beginning	<u>878,013</u>	<u>727,081</u>
Cash and cash equivalents, ending	\$ <u>1,058,960</u>	<u>878,013</u>
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (37,377)	(25,806)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	152,657	152,887
(Increase) decrease in assets:		
Accounts receivable (net)	13,231	(20,589)
Prepaid expenses	-	(31)
Increase (decrease) in accounts payable and accrued liabilities	<u>23,147</u>	<u>(1,526)</u>
Net cash flows from operating activities	\$ <u>151,658</u>	<u>104,935</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Sawmill Cove Industrial Park Enterprise Fund

Statement of Net Assets

June 30, 2011

(With Comparative Amounts for 2010)

Exhibit K-19

	<u>2011</u>	<u>2010</u>
Assets:		
Current assets:		
Equity in central treasury	\$ 593,062	492,645
Receivables:		
Accounts	90,538	421,689
Allowance for uncollectible accounts	(9,230)	(337,481)
Federal and State of Alaska	<u>204,977</u>	<u>235,575</u>
Total current assets	<u>879,347</u>	<u>812,428</u>
Noncurrent assets:		
Deferred charges	<u>45,876</u>	<u>45,876</u>
Capital assets:		
Property, plant and equipment	12,427,373	12,427,373
Construction in progress	2,299,305	509,794
Less accumulated depreciation	<u>(1,568,379)</u>	<u>(1,340,902)</u>
Total capital assets, net of accumulated depreciation	<u>13,158,299</u>	<u>11,596,265</u>
Total noncurrent assets	<u>13,204,175</u>	<u>11,642,141</u>
Total assets	\$ <u>14,083,522</u>	<u>12,454,569</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 189,103	7,604
Deferred revenue	<u>200,299</u>	<u>225,499</u>
Total current liabilities	389,402	233,103
Noncurrent liabilities - compensated absences	<u>1,053</u>	<u>954</u>
Total liabilities	<u>390,455</u>	<u>234,057</u>
Net assets:		
Invested in capital assets	13,158,299	11,596,265
Unrestricted	<u>534,768</u>	<u>624,247</u>
Total net assets	<u>13,693,067</u>	<u>12,220,512</u>
Total liabilities and net assets	\$ <u>14,083,522</u>	<u>12,454,569</u>

**CITY AND BOROUGH OF SITKA, ALASKA**  
Sawmill Cove Industrial Park Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2011  
(With Comparative Amounts for 2010)

Exhibit K-20

	<u>2011</u>	<u>2010</u>
Operating revenues - lease income	\$ <u>177,365</u>	<u>178,742</u>
Operating expenses:		
Wages and benefits	12,043	36,906
Utilities	56,775	37,066
Repairs and maintenance	16,340	9,039
Contracted/purchased services	86,415	85,932
Interdepartment services	81,674	86,366
Other	67,966	115,573
Depreciation and amortization	<u>227,477</u>	<u>227,478</u>
Total operating expenses	<u>548,690</u>	<u>598,360</u>
Operating loss	(371,325)	(419,618)
Nonoperating revenues (expenses):		
Investment income (loss)	(3,692)	36,215
State PERS relief	476	1,046
Disposal of capital assets	-	<u>94,457</u>
Net nonoperating revenues (expenses)	<u>(3,216)</u>	<u>131,718</u>
Loss before contributions and transfers	(374,541)	(287,900)
Capital contributions	1,494,894	326,973
Transfers in	<u>352,202</u>	<u>166,789</u>
Change in net assets	1,472,555	205,862
Total net assets, beginning of year	<u>12,220,512</u>	<u>12,014,650</u>
Total net assets, end of year	\$ <u>13,693,067</u>	<u>12,220,512</u>

**CITY AND BOROUGH OF SITKA, ALASKA**

Exhibit K-21

Sawmill Cove Industrial Park Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2011

(With Comparative Amounts for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 180,265	257,130
Payments to suppliers	(45,997)	(247,761)
Payments for interfund services used	(81,674)	(86,366)
Payment to employees	<u>(11,468)</u>	<u>(34,906)</u>
Net cash flows from operating activities	<u>41,126</u>	<u>(111,903)</u>
 Cash flows from noncapital financing activities -		
Transfers from other funds	<u>352,202</u>	<u>166,789</u>
 Cash flows from capital and related financing activities:		
Capital expenditures	(1,789,511)	(780,246)
Government grants and loans for construction	1,500,292	126,261
Proceeds from sale of capital assets	<u>-</u>	<u>243,786</u>
Net cash flows from capital and related financing activities	<u>(289,219)</u>	<u>(410,199)</u>
 Cash flows from investing activities - interest received	<u>(3,692)</u>	<u>36,215</u>
Net increase (decrease) in cash and cash equivalents	100,417	(319,098)
 Cash and cash equivalents, beginning	<u>492,645</u>	<u>811,743</u>
 Cash and cash equivalents, ending	\$ <u>593,062</u>	\$ <u>492,645</u>
 Reconciliation of operating loss to net cash flows		
from operating activities:		
Operating loss	\$ (371,325)	(419,618)
Adjustments to reconcile operating loss		
to net cash provided (used) by operating activities:		
Depreciation	227,477	227,478
Amortization	-	45,876
State PERS relief	476	1,046
(Increase) decrease in assets -		
accounts receivable (net)	2,900	76,988
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	181,499	(44,627)
Compensated absences	<u>99</u>	<u>954</u>
Net cash flows from operating activities	\$ <u>41,126</u>	\$ <u>(111,903)</u>

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**STATISTICAL SECTION**

Table 1

## CITY AND BOROUGH OF SITKA, ALASKA

Net Assets by Component  
All Fiscal Years Available  
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
<b>Governmental activities:</b>										
Invested in capital assets,										
net of related debt	\$ 86,429,272	\$ 49,721,205	\$ 43,447,919	\$ 47,513,951	\$ 60,634,380	\$ 69,697,438	\$ 74,535,296	\$ 77,625,556	\$ 64,206,594	
Restricted	22,766,247	34,600,586	42,399,886	34,876,513	27,232,833	23,079,443	25,807,768	24,564,026	43,750,595	
Unrestricted	24,396,985	23,008,724	24,570,103	27,326,743	24,911,229	24,517,713	20,598,517	25,166,380	20,258,171	
Total governmental activities net assets	\$ 133,592,504	\$ 107,330,515	\$ 110,417,908	\$ 109,717,207	\$ 112,778,442	\$ 117,294,594	\$ 120,941,581	\$ 127,355,962	\$ 128,215,360	
<b>Business-type activities:</b>										
Invested in capital assets,										
net of related debt	71,834,930	75,562,287	74,266,170	77,014,024	85,395,684	91,260,956	92,657,290	96,906,077	104,990,810	
Restricted	6,287,681	6,283,379	6,314,011	6,346,372	6,875,784	6,929,086	7,280,721	7,047,685	3,494,640	
Unrestricted	23,136,063	18,599,533	20,937,251	20,864,296	20,257,056	21,864,845	21,170,279	22,938,329	28,999,613	
Total business-type activities net assets	\$ 101,258,674	\$ 100,445,399	\$ 101,517,432	\$ 104,224,692	\$ 112,528,524	\$ 120,054,887	\$ 121,108,290	\$ 126,892,091	\$ 137,485,063	
<b>Primary government:</b>										
Invested in capital assets,										
net of related debt	158,264,202	125,283,492	117,714,089	124,527,975	146,030,064	160,958,394	167,192,586	174,531,633	169,197,404	
Restricted	29,053,928	40,884,165	48,713,897	41,222,885	34,108,617	30,008,529	33,088,489	31,611,711	47,245,235	
Unrestricted	47,533,048	41,608,257	45,507,354	48,191,039	45,168,285	46,382,558	41,768,796	48,104,709	49,257,784	
Total primary government net assets	\$ 234,851,178	\$ 207,775,914	\$ 211,935,340	\$ 213,941,899	\$ 225,306,966	\$ 237,349,481	\$ 242,049,871	\$ 254,248,053	\$ 265,700,423	

Table 2

## CITY AND BOROUGH OF SITKA, ALASKA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
<b>Expenses:</b>										
<b>Governmental activities:</b>										
Administration	2,913,579	4,860,559	3,959,674	4,892,060	1,815,845	1,890,573	1,758,063	1,709,428	1,657,545	
Public safety	4,225,391	4,775,093	5,610,897	6,012,020	6,855,710	6,663,085	6,591,077	6,345,657	6,732,532	
Public works	3,067,083	3,601,824	2,673,667	4,593,023	3,211,146	4,414,371	4,523,661	4,692,515	4,673,869	
Public services	1,732,729	1,333,083	1,568,399	1,632,004	2,171,601	2,148,526	2,194,283	2,126,670	2,233,072	
Support	6,071,733	6,481,145	6,168,184	7,079,752	9,688,383	8,654,152	9,149,431	9,830,856	9,409,981	
Interest on long-term debt	880,675	985,291	1,191,459	1,491,450	1,277,355	1,283,847	1,540,287	1,475,884	1,420,056	
Total governmental activities	18,891,190	22,056,995	21,172,280	25,700,309	25,020,040	25,054,554	25,756,802	26,181,010	26,127,055	
<b>Business-type activities:</b>										
Electric and water utilities	10,677,586	10,304,815	10,853,130	10,861,738	11,134,199	11,889,771	12,368,552	11,872,652	12,333,878	
Waste water treatment	2,347,376	2,350,234	2,455,026	2,733,243	2,971,538	3,038,204	3,252,387	3,354,495	3,282,978	
Solid waste disposal	2,641,387	2,621,621	2,627,283	2,659,147	2,760,649	2,889,416	2,938,042	3,114,822	3,077,123	
Harbor	1,485,477	1,552,428	1,754,864	1,793,545	2,107,023	2,342,593	2,378,228	2,325,372	2,493,072	
Other nonmajor business-type activities	1,165,622	1,425,092	1,581,911	1,532,770	1,761,423	1,888,662	3,298,547	1,400,040	1,356,575	
Total business-type activities	18,317,448	18,254,190	19,272,214	19,580,443	20,734,832	22,048,646	24,235,756	22,067,381	22,543,626	
Total primary government expenses	\$ 37,208,638	\$ 40,311,185	\$ 40,444,494	\$ 45,280,752	\$ 45,754,872	\$ 47,103,200	\$ 49,992,558	\$ 48,248,391	\$ 48,670,681	
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
Charges for services:										
Administration	1,828,665	3,169,594	2,261,198	2,041,130	388,373	359,330	836,056	505,174	420,194	
Public safety	721,007	160,651	846,837	664,808	766,622	544,296	717,543	745,265	737,414	
Public works	663,308	656,809	695,432	838,965	730,674	872,070	838,119	925,240	779,740	
Public services	100,142	70,583	168,372	109,252	143,906	102,327	112,414	108,340	178,638	
Operating grants and contributions	2,428,706	2,591,177	1,033,517	2,896,673	4,777,346	6,046,603	4,563,651	5,503,356	5,267,050	
Capital grants and contributions	1,846,255	1,067,034	704,205	654,540	1,082,284	4,057,066	3,317,782	3,667,956	815,596	
Total governmental activities	7,568,083	7,715,848	5,709,561	7,205,368	7,889,205	11,981,692	10,385,565	11,455,331	8,198,632	
<b>Business-type activities:</b>										
Charges for services:										
Electric and water utilities	9,875,693	10,520,806	10,987,020	11,413,574	11,627,554	11,996,378	12,823,113	11,947,812	12,626,438	
Waste water treatment	1,321,189	1,357,654	1,381,996	1,555,272	1,875,149	1,784,369	1,789,429	1,895,122	2,035,832	
Solid waste disposal	2,882,417	2,994,090	3,044,535	2,990,550	3,080,503	3,026,943	2,926,079	2,997,497	3,126,086	
Harbor	963,290	1,100,627	1,137,920	1,409,705	1,635,156	1,683,250	1,698,769	1,598,502	1,496,613	
Other nonmajor business-type activities	674,412	723,444	754,840	1,104,236	1,371,782	1,324,881	1,178,091	958,986	963,501	
Operating grants and contributions	441,352	645,721	698,084	681,749	6,773,860	-	1,660,737	1,201,350	1,912,619	
Capital grants and contributions	2,612,149	270,270	949,993	2,426,587	6,773,860	6,440,790	1,296,997	5,874,475	7,177,217	
Total business-type activities	18,770,502	17,612,612	18,954,388	21,681,673	26,364,004	26,256,611	23,373,215	26,473,744	29,338,306	
Total primary government program revenues	\$ 26,358,585	\$ 25,328,460	\$ 24,663,949	\$ 28,887,041	\$ 34,233,209	\$ 38,238,303	\$ 33,758,780	\$ 37,929,075	\$ 37,536,938	



Table 2, continued

CITY AND BOROUGH OF SITKA, ALASKA  
Changes in Net Assets, continued

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program revenues, continued:									
Net revenue (expense):									
Governmental activities	\$ (11,303,107)	\$ (1,434,147)	\$ (15,462,719)	\$ (18,494,941)	\$ (17,130,835)	\$ (13,072,862)	\$ (15,371,237)	\$ (14,725,679)	\$ (17,928,423)
Business-type activities	453,054	(641,578)	(317,826)	2,101,230	5,629,172	4,207,965	(862,541)	4,406,363	6,794,680
Total primary government net revenue (expense)	\$ (10,850,053)	\$ (14,982,725)	\$ (15,780,545)	\$ (16,393,711)	\$ (11,501,663)	\$ (8,864,897)	\$ (16,233,778)	\$ (10,319,316)	\$ (11,133,743)
General revenues and other changes in net assets:									
Governmental activities:									
Taxes:									
Property taxes	3,858,173	4,142,452	4,292,613	4,449,211	4,966,216	5,437,154	5,882,368	5,926,046	6,003,008
Sales and other taxes	7,515,590	8,722,858	8,981,251	9,838,887	10,338,689	10,224,623	9,850,321	8,950,243	9,722,879
Unrestricted grants and contributions	991,391	583,240	1,409,187	808,221	603,168	1,446,242	1,891,506	427,908	443,682
Investment earnings	3,543,305	1,135,699	2,749,412	1,420,136	4,895,110	577,934	(1,969,320)	3,649,352	4,348,650
Debt principal reimbursement	432,056	192,141	1,373,617	1,380,000	1,011,500	-	1,193,500	1,252,000	1,252,000
Transfers	(342,915)	276,182	(255,968)	(102,216)	1,011,500	(96,939)	(160,766)	(143,969)	(2,998,672)
Other	335,781	-	-	-	694,313	-	2,330,615	1,078,480	17,274
Special item - forgiveness of loan receivable	-	-	-	-	(900,000)	-	-	-	-
Total governmental activities	16,333,381	15,052,572	18,550,112	17,794,239	22,288,586	17,589,014	19,018,224	21,140,060	18,788,821
Business-type activities:									
Unrestricted grants and contributions	1,816,348	104,485	1,133,880	503,815	1,047,332	1,381,806	1,297,612	1,159,012	799,620
Investment earnings	342,915	(276,182)	255,968	102,216	(679,590)	96,939	160,766	143,969	2,998,672
Transfers	(53,176)	-	-	-	317,992	-	457,566	94,457	-
Other	2,104,087	(171,697)	1,389,848	606,031	2,102,096	3,318,398	1,915,944	1,377,438	3,798,292
Total business-type activities	3,806,174	(142,594)	1,779,696	1,212,062	1,785,738	2,878,143	2,932,128	2,774,876	7,596,684
Total primary government general revenues and other changes in net assets	\$ 18,437,468	\$ 14,880,875	\$ 19,939,960	\$ 18,400,270	\$ 24,390,682	\$ 20,907,412	\$ 20,934,168	\$ 22,517,498	\$ 22,587,113
Change in net assets:									
Governmental activities	5,030,274	711,425	3,087,393	(700,702)	5,157,751	4,516,152	3,646,987	6,414,381	859,398
Business-type activities	2,557,141	(813,275)	1,072,022	2,707,261	7,731,268	7,526,363	1,053,403	5,783,801	10,592,972
Total primary government change in net assets	\$ 7,587,415	\$ (101,850)	\$ 4,159,415	\$ 2,006,559	\$ 12,889,019	\$ 12,042,515	\$ 4,700,390	\$ 12,198,182	\$ 11,452,370

## CITY AND BOROUGH OF SITKA, ALASKA

## Fund Balances of Governmental Funds

## All Fiscal Years Available

(modified accrual basis of accounting)

	Fiscal Year											
	2003	2004	2005	2006	2007	2008	2009	2010	2011			
<b>General fund:</b>												
Nonspendable	\$ 4,477,384	\$ 5,982,362	\$ 5,783,434	\$ 5,942,604	\$ 6,588,483	\$ 5,090,933	\$ 3,903,247	\$ 4,288,190	\$ 53,418			
Restricted	1,254,236	1,444,099	1,811,285	2,082,931	2,420,946	2,538,050	2,602,648	2,760,462	-			
Committed	114,963	276,497	237,753	423,698	355,150	234,876	226,501	229,579	1,205,833			
Assigned	1,663,067	516,827	-	-	-	-	-	-	-			
Unassigned	3,288,573	1,572,064	2,708,387	1,848,816	1,260,240	240,185	2,004,500	3,229,470	10,302,642			
<b>Total general fund</b>	<b>\$ 10,798,223</b>	<b>\$ 9,791,849</b>	<b>\$ 10,540,859</b>	<b>\$ 10,298,049</b>	<b>\$ 10,624,819</b>	<b>\$ 8,104,044</b>	<b>\$ 8,736,896</b>	<b>\$ 10,507,701</b>	<b>\$ 11,561,893</b>			
<b>All other governmental funds:</b>												
Nonspendable	5,033,927	4,237,649	4,419,393	3,747,246	5,104,011	4,382,568	14,160,361	2,721,071	1,655,303			
Restricted	23,323,243	23,035,434	23,569,315	24,058,686	26,696,299	24,195,980	20,814,274	24,561,265	43,750,595			
Committed	8,969	7,965	7,845	7,153	6,607	4,527	4,119	784	2,400			
Assigned	6,018,222	17,583,713	24,888,070	17,492,872	6,833,283	8,034,057	6,297,154	13,734,819	2,936,610			
Unassigned	-	-	-	-	-	-	-	-	(40,951)			
<b>Total all other governmental funds</b>	<b>\$ 34,384,361</b>	<b>\$ 44,864,761</b>	<b>\$ 52,884,623</b>	<b>\$ 45,305,957</b>	<b>\$ 38,640,200</b>	<b>\$ 36,617,132</b>	<b>\$ 41,275,908</b>	<b>\$ 41,017,939</b>	<b>\$ 48,301,957</b>			

Table 4

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues:</b>										
Taxes	\$ 10,735,133	\$ 11,373,763	\$ 12,865,310	\$ 13,273,864	\$ 14,288,098	\$ 15,304,905	\$ 15,661,777	\$ 15,732,689	\$ 14,876,289	\$ 15,019,382
State sources	2,993,964	3,428,385	1,855,173	2,608,904	2,842,324	3,941,174	6,147,853	7,828,757	6,700,449	5,095,182
Federal sources	2,289,942	1,692,820	2,652,599	1,975,327	1,944,022	2,415,318	2,292,664	3,241,857	4,313,422	2,505,769
Charges for services	2,181,183	1,154,026	1,153,844	1,089,764	1,000,422	1,661,346	1,454,532	1,546,658	1,682,329	1,633,186
Interfund services	-	1,416,763	1,589,209	1,626,981	1,797,323	1,949,569	2,174,717	2,393,157	2,219,501	2,380,298
Fines and forfeitures	89,299	76,946	107,397	122,527	123,897	118,790	139,114	139,373	122,422	138,697
Investment income	1,754,771	3,257,861	1,203,654	2,623,018	1,434,345	4,793,289	442,652	(1,601,383)	3,507,550	4,624,136
Uses of property	287,691	286,438	273,500	309,796	279,302	343,041	429,154	936,532	600,545	579,670
Licenses and permits	172,207	206,933	159,272	182,580	212,244	188,510	171,572	140,879	131,963	140,371
Other	714,614	1,025,648	790,625	619,625	905,266	1,591,912	2,837,459	1,042,588	691,865	514,866
<b>Total revenues</b>	<b>21,218,804</b>	<b>23,919,583</b>	<b>22,650,583</b>	<b>24,432,312</b>	<b>24,827,243</b>	<b>32,307,854</b>	<b>31,751,494</b>	<b>31,401,107</b>	<b>34,846,335</b>	<b>32,631,557</b>
<b>Expenditures:</b>										
Administration	3,548,232	2,780,445	2,987,965	3,145,604	3,355,184	3,507,680	3,892,275	3,890,049	3,771,014	3,871,834
Public safety	4,030,915	4,092,708	4,637,173	5,429,736	5,740,455	6,472,614	6,410,146	6,329,311	6,412,581	6,427,515
Public works	2,184,803	3,039,584	3,545,025	2,383,051	2,597,964	3,084,784	3,528,597	3,774,964	3,891,905	3,835,904
Public services	1,381,124	1,632,897	1,095,447	1,151,131	1,354,623	1,871,984	1,894,344	1,938,102	1,854,978	1,876,970
Support	5,598,200	5,889,463	6,047,953	6,121,819	6,509,064	8,271,429	7,237,991	7,564,011	7,809,145	7,121,245
Capital outlay	2,811,096	3,454,690	4,808,992	3,341,128	9,897,027	11,854,462	10,380,742	6,244,449	5,807,256	2,845,124
Debt service:										
Principal	1,285,557	1,199,538	982,864	1,414,323	1,658,869	1,750,881	1,634,030	1,920,626	1,921,186	1,949,750
Interest and fiscal charges	965,271	886,194	973,728	1,115,986	1,505,826	1,450,987	1,341,498	1,675,888	1,530,218	1,450,183
<b>Total expenditures</b>	<b>21,805,198</b>	<b>22,975,519</b>	<b>25,079,147</b>	<b>24,102,778</b>	<b>32,619,012</b>	<b>38,264,821</b>	<b>36,319,623</b>	<b>33,337,400</b>	<b>32,998,283</b>	<b>29,378,525</b>
Excess (deficit) of revenues over (under) expenditures	(586,394)	944,064	(2,428,564)	329,534	(7,791,769)	(5,956,967)	(4,568,129)	(1,936,293)	1,848,052	3,253,032
Other financing sources (uses):										
Proceeds from the issuance of long-term debt	-	-	12,012,990	8,916,580	300,468	6,775,000	195,000	7,150,000	-	5,690,000
Premium on bonds issued	-	-	-	-	-	318,030	-	121,482	-	30,239
Payment to refund bonds	-	-	-	-	-	(7,004,528)	-	-	-	-
Note receivable forgiven	-	-	-	-	-	(900,000)	-	-	-	-
Transfers in	2,842,016	3,813,812	18,735,172	11,881,997	4,178,276	5,504,284	7,053,257	10,510,579	3,083,574	4,232,927
Transfers out	(4,258,945)	(4,390,591)	(18,845,572)	(12,359,239)	(4,508,451)	(5,074,807)	(7,223,972)	(10,554,140)	(3,418,790)	(4,867,988)
Net other financing sources (uses)	(1,416,929)	(576,779)	11,902,590	8,439,338	(29,707)	(382,021)	24,285	7,227,921	(335,216)	5,085,178
<b>Net change in fund balances</b>	<b>(2,003,323)</b>	<b>367,285</b>	<b>9,474,026</b>	<b>8,768,872</b>	<b>(7,821,476)</b>	<b>(6,338,988)</b>	<b>(4,543,844)</b>	<b>5,291,628</b>	<b>1,512,836</b>	<b>8,338,210</b>
Debt service as a percentage of noncapital expenditures	11.9%	10.7%	9.7%	12.2%	13.9%	12.1%	11.5%	13.3%	12.7%	12.8%

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
2002	\$ 380,028,590	\$ 179,100,593	\$ 49,744,818	\$ 42,759,350	\$ 566,114,651	0.006	\$ 659,666,150	85.82%
2003	404,822,970	183,953,961	50,853,021	48,786,625	590,843,327	0.006	669,282,807	88.28%
2004	430,944,755	191,467,255	53,695,120	52,839,335	623,267,795	0.006	698,220,558	89.27%
2005	457,258,520	196,986,957	61,092,635	54,956,760	660,381,352	0.006	749,990,740	88.05%
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	729,201,000	239,476,200	52,244,615	67,347,130	953,574,685	0.006	1,122,803,600	84.93%
2011	671,727,505	236,316,400	77,029,224	69,000,750	916,072,379	0.006	1,152,462,400	79.49%

Table 6

**CITY AND BOROUGH OF SITKA, ALASKA**  
Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years

<u>Fiscal Year</u>	Property Tax Mill Levies (per \$1,000 Assessed <u>Valuation</u> )
2002	6.00
2003	6.00
2004	6.00
2005	6.00
2006	6.00
2007	6.00
2008	6.00
2009	6.00
2010	6.00
2011	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  
 (modified accrual basis of accounting)

<u>Fiscal</u> <u>Year</u>	Property <u>Tax</u>	Sales <u>Tax</u>	Bed <u>Tax</u>	Fuel Flow <u>Tax</u>	<u>Total</u>
2002	\$ 3,728,081	\$ 6,711,965	\$ 274,877	\$ 20,210	\$ 10,735,133
2003	3,858,173	7,184,404	311,260	19,926	11,373,763
2004	4,142,452	8,397,965	317,456	7,437	12,865,310
2005	4,292,613	8,614,969	358,630	7,652	13,273,864
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	8,646,588	303,655	-	14,876,289
2011	6,003,008	8,708,484	307,890	-	15,019,382

Table 8

## CITY AND BOROUGH OF SITKA, ALASKA

Principal Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Silver Bay Seafoods, Inc.	\$ 10,920,937	1	1.11%			
Alaska Arts Southeast	10,181,000	2	1.03%			
North Pacific Seafoods	9,403,825	3	0.96%	\$ 7,091,286	3	1.21%
Harbor Enterprises dba Petro Marine Services	7,949,700	4	0.81%	6,544,969	4	1.11%
Hames Corporation	7,855,938	5	0.80%	6,507,700	5	1.11%
The North West Company	7,115,217	6	0.72%			
Seafood Producers Co-op	6,454,000	7	0.66%	8,524,357	1	1.45%
Snojo, LLC	5,471,518	8	0.56%			
Snowden Group, LLC	5,393,500	9	0.55%			
Shee Atika Incorporated	4,329,000	10	0.44%	7,336,135	2	1.25%
Lakeside Corporation				5,053,335	6	0.86%
Sitka Assoc/Admiralty Assoc				3,492,666	7	0.59%
Sitka Beverage				3,441,500	8	0.59%
Spenard Builders Supply				3,080,620	9	0.52%
K & R Enterprises				2,699,449	10	0.46%
Totals	\$ 75,074,635		7.64%	\$ 53,772,017		9.15%

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	Percentage of Levy	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 3,877,995	\$ 3,842,929	99%	\$ 54,738	\$ 3,897,667	100.51%
2003	3,868,718	3,858,173	100%	21,005	3,879,178	100.27%
2004	4,131,596	4,110,374	99%	20,152	4,130,526	99.97%
2005	4,361,674	4,338,881	99%	27,457	4,366,338	100.11%
2006	4,581,061	4,526,905	99%	8,319	4,535,224	99.00%
2007	5,003,463	4,983,438	100%	30,268	5,013,706	100.20%
2008	5,558,821	5,501,591	99%	24,062	5,525,653	99.40%
2009	5,735,000	5,689,030	99%	57,093	5,746,123	100.19%
2010	5,768,331	5,735,962	99%	65,860	5,801,822	100.58%
2011	5,799,400	5,753,039	99%	-	5,753,039	99.20%



Table 10

**CITY AND BOROUGH OF SITKA, ALASKA**  
Sales Tax Receipts by Industry  
Last Ten Fiscal Years

Industry	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agriculture, forestry and fishing	\$ 25,593	\$ 23,260	\$ 27,683	\$ 34,284	\$ 29,723	\$ 32,745	\$ 33,824	\$ 32,933	\$ 28,445	\$ 23,758
Construction	65,071	77,738	94,635	103,231	116,026	128,486	136,086	109,853	109,913	112,806
Manufacturing	132,425	130,492	146,737	160,720	170,095	243,432	259,072	288,990	264,131	332,598
Transportation and public utilities	495,837	549,914	653,813	750,445	808,255	841,748	908,367	923,834	773,276	747,953
Wholesale trade	43,462	52,138	58,882	67,397	68,657	69,288	63,264	64,048	62,336	68,586
Retail trade	3,732,968	3,897,310	4,329,946	5,033,791	5,329,649	5,569,676	5,535,101	5,376,039	4,991,535	4,989,084
Finance, insurance and real estate	648,928	671,307	675,249	568,455	616,408	655,800	327,109	325,422	318,426	247,223
Services	1,135,885	1,228,914	1,404,306	1,590,018	1,679,299	1,692,615	1,702,447	1,577,816	1,350,528	1,438,445
Government - local	309,012	339,783	369,521	472,356	505,448	644,416	659,584	591,821	595,154	543,385
Total sales tax receipts	\$ 6,589,181	\$ 6,970,856	\$ 7,760,772	\$ 8,780,697	\$ 9,323,560	\$ 9,878,206	\$ 9,624,854	\$ 9,290,756	\$ 8,493,744	\$ 8,503,838

FY 2004 through 2011 - Sales tax rate during months of April through September at 6%, remainder of year at 5%

FY 2002 and 2003 - Sales tax rate at 5% all months

Industry	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agriculture, forestry and fishing	\$ 2,943,409	\$ 1,907,540	\$ 2,005,112	\$ 1,943,416	\$ 1,600,658	\$ 1,805,939	\$ 2,206,402	\$ 2,741,284	\$ 2,205,318	\$ 1,886,260
Construction	37,614,957	60,409,618	61,125,945	68,419,307	80,454,390	78,323,778	70,339,462	77,213,089	71,402,438	86,964,824
Manufacturing	6,963,622	5,526,737	7,113,572	9,398,642	10,587,099	19,758,526	14,273,067	13,094,014	13,350,424	17,266,204
Transportation and public utilities	13,522,035	15,329,133	17,293,607	18,956,185	23,538,493	25,068,736	24,950,742	25,952,847	20,330,171	20,799,846
Wholesale trade	7,250,187	9,415,126	11,414,713	15,604,123	16,307,414	18,070,392	15,942,727	17,115,448	15,518,232	15,832,946
Retail trade	108,022,384	115,621,489	127,772,130	139,224,329	145,699,042	147,693,913	148,905,621	151,921,138	137,774,562	127,078,920
Finance, insurance and real estate	18,987,497	20,509,247	21,221,800	18,984,834	21,467,153	22,994,647	19,750,880	23,071,451	31,606,652	21,265,902
Services	41,331,869	45,163,096	48,668,887	52,518,006	57,620,609	60,234,579	65,340,133	61,341,788	51,406,551	55,370,501
Government - local	14,916,830	15,264,698	16,068,536	16,756,196	19,065,131	19,935,050	20,215,251	20,053,571	20,201,990	19,993,792
Total gross sales	\$ 251,552,790	\$ 289,146,684	\$ 312,684,302	\$ 341,805,038	\$ 376,339,989	\$ 393,885,560	\$ 381,924,285	\$ 392,504,630	\$ 363,796,338	\$ 366,459,195

Table 11

**CITY AND BOROUGH OF SITKA, ALASKA**  
 Ratios of Outstanding Debt by Type  
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Special Assessment Bonds	Capital Leases	Revenue Bonds	Notes Payable	Special Assessment Bonds	Capital Leases					
2002	\$ 15,150,000	\$ -	\$ 1,006,000	\$ 943,802	\$ 42,410,000	\$ 11,124,657	\$ -	\$ 62,761	\$ 70,697,220	27.04%	\$ 7,949		
2003	14,185,000	-	881,000	778,048	41,050,000	11,169,332	-	55,362	68,118,742	25.11%	7,662		
2004	25,600,000	-	589,000	672,184	39,600,000	11,847,001	-	47,595	78,355,780	28.07%	8,899		
2005	33,385,000	-	339,000	555,244	38,050,000	11,845,725	-	39,440	84,214,409	29.98%	9,413		
2006	32,005,000	-	177,000	438,875	36,390,000	13,116,392	-	30,878	82,158,145	26.76%	9,301		
2007	30,540,000	-	-	316,342	34,570,000	14,055,608	-	21,892	79,503,842	25.06%	9,198		
2008	29,035,000	195,000	-	187,312	32,550,000	17,697,039	-	12,457	79,676,808	22.06%	9,249		
2009	34,410,000	185,250	-	51,436	30,395,000	20,122,064	-	2,553	85,166,303	25.58%	9,872		
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	20,157,276	-	-	105,323,026	37.48%	12,005		

\* Data unavailable

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
2002	\$ 15,150,000	\$ -	\$ 15,150,000	2.30%	\$ 1,703
2003	14,185,000	-	14,185,000	2.12%	1,595
2004	25,600,000	349,945	25,250,055	3.62%	2,868
2005	33,385,000	962,384	32,422,616	4.32%	3,624
2006	32,005,000	1,418,514	30,586,486	3.67%	3,463
2007	30,540,000	2,032,412	28,507,588	2.97%	3,298
2008	29,035,000	2,657,143	26,377,857	2.47%	3,062
2009	34,410,000	3,148,838	31,261,162	2.89%	3,624
2010	32,550,000	3,397,347	29,152,653	2.44%	3,283
2011	36,300,000	2,703,304	33,596,696	2.92%	3,830

\* Data unavailable

**CITY AND BOROUGH OF SITKA, ALASKA**  
 Direct and Overlapping Governmental Activities Debt  
 Legal Debt Margin Information  
 As of June 30, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping debt	\$ -	0%	\$ -
City and Borough of Sitka, Alaska	36,300,000	100%	<u>36,300,000</u>
Total direct and overlapping debt			<u>\$ 36,300,000</u>

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**

Fiscal Year	<u>Electric and Water Revenue Bonds and Notes</u>						
	Electric and Water Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest	Total	Coverage
2002	\$ 10,795,655	\$ 4,800,080	\$ 5,995,575	\$ 1,463,128	\$ 3,160,046	\$ 4,623,174	1.30
2003	11,647,129	5,297,836	6,349,293	1,565,325	3,087,146	4,652,471	1.36
2004	10,754,958	5,048,455	5,706,503	1,662,812	2,934,231	4,597,043	1.24
2005	11,783,569	5,601,682	6,181,887	1,770,601	2,843,819	4,614,420	1.34
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	10,596,629	3,092,227	2,709,411	1,738,453	4,447,864	0.70

Table 15

**CITY AND BOROUGH OF SITKA, ALASKA**  
 Demographic and Economic Statistics  
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u> (,000s)	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2002	8,894	\$ 261,475	\$ 29,399	1,609	6.2%
2003	8,891	271,250	30,508	1,549	6.8%
2004	8,805	279,109	31,699	1,467	6.6%
2005	8,947	280,896	31,707	1,478	5.5%
2006	8,833	307,053	34,762	1,477	5.4%
2007	8,644	317,200	36,696	1,454	4.5%
2008	8,615	361,230	41,872	1,378	5.8%
2009	8,627	332,942	38,593	1,316	6.5%
2010	8,881	313,624	35,314	1,315	6.6%
2011	8,773	281,034	32,034	1,300	6.6%

Table 16

**CITY AND BOROUGH OF SITKA, ALASKA**  
Principal Employers  
Current Year and Nine Years Ago

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
S.E.A.R.H.C.	482	1	10.30%	367	1	9.05%
Sitka School District	250	2	5.34%	225	2	5.55%
U.S. Coast Guard	209	3	4.47%	195	3	4.81%
City and Borough of Sitka	179	4	3.83%	142	5	3.50%
Sitka Community Hospital	176	5	3.76%	95	10	2.34%
Mt Edgecombe High School	154	6	3.29%			
Hames Corporation	150	7	3.21%	116	6	2.86%
Sitka Tribe of Alaska	134	8	2.86%			
Pioneer's Home	105	9	2.24%	99	9	2.44%
University of Alaska Southeast	87	10	1.86%			
North Pacific Processors				174	4	4.29%
U.S. Forest Service				106	8	2.61%
Center for Community				113	7	2.79%

Table 17

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

<u>Function</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General government</b>	39	40	40	40	42	41	41	41	43	38
Public safety:										
Police	31	33	34	37	37	36	36	36	32	33
Fire and ambulance	10	10	10	10	10	10	10	10	10	10
Public works	11	11	12	12	12	11	11	11	13	16
Public services:										
Library	6	6	6	6	7	7	7	7	7	7
Centennial Building	4	4	4	4	4	4	4	4	4	4
Electric	25	27	25	25	23	23	23	23	24	25
Water	4	4	4	4	4	4	4	4	4	5
Waste water treatment	7	7	6	6	7	7	7	7	7	6
Solid waste disposal	1	1	1	1	1	1	2	2	2	2
Harbor	8	8	8	8	8	8	8	9	9	9
Sawmill Cove Industrial Park	1	1	1	1	1	1	1	-	-	1
<b>Totals</b>	<u>147</u>	<u>152</u>	<u>151</u>	<u>154</u>	<u>156</u>	<u>153</u>	<u>154</u>	<u>154</u>	<u>155</u>	<u>156</u>



Table 18

**CITY AND BOROUGH OF SITKA, ALASKA**  
Average Number of Electrical Customers  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Harbor</u>	<u>Public Authority</u>	<u>Sawmill Cove Industrial Park</u>	<u>Total</u>
2002	3,409	570	699	179	N/A	4,857
2003	3,484	562	685	185	N/A	4,916
2004	3,473	563	746	193	N/A	4,975
2005	3,491	587	753	181	N/A	5,012
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

KwH Sold by Class  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Harbor</u>	<u>Public Authority</u>	<u>Sawmill Cove Industrial Park</u>	<u>Total</u>
2002	39,530,700	28,700,289	2,161,435	23,292,905	966,834	94,652,163
2003	38,568,946	29,103,393	2,079,316	22,021,437	914,387	92,687,479
2004	39,303,610	29,101,299	2,459,212	22,246,156	1,524,713	94,634,990
2005	39,713,996	29,612,350	2,638,566	22,177,559	1,702,168	95,844,639
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

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