

City and Borough of Sitka, Alaska

Comprehensive Annual Financial Report

For the Year Ended June 30, 2013

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

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City and Borough of Sitka, Alaska

Table of Contents

	Page
INTRODUCTORY SECTION	
Table of Contents	A-1
Letter of Transmittal	A-3
Elected Officials	A-7
FINANCIAL SECTION	
Independent Auditor's Report	B-1
Management's Discussion and Analysis	C-1
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	D-1
Statement of Activities	D-2
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	D-4
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	D-5
Statement of Revenues, Expenditures and Changes in Fund Balances	D-6
Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities	D-7
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	D-8
Proprietary Funds:	
Statement of Net Position	D-14
Statement of Revenues, Expenses and Changes in Net Position	D-16
Statement of Cash Flows	D-18
Fiduciary Funds:	
Statement of Fiduciary Net Position	D-20
Statement of Changes in Fiduciary Net Position	D-21
Notes to Basic Financial Statements	E-1
Supplementary Information	
Nonmajor Governmental Funds:	
Combining Balance Sheet	F-2
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	F-4

City and Borough of Sitka, Alaska

Table of Contents, continued

		<u>Page</u>
Supplementary Information, continued		
Nonmajor Enterprise Funds:		
Combining Statement of Net Position		F-6
Combining Statement of Revenues, Expenses and Changes in Net A Position		F-7
Combining Statement of Cash Flows		F-8
Internal Service Funds:		
Combining Statement of Net Position		F-9
Combining Statement of Revenues, Expenses and Changes in Net Position		F-10
Combining Statement of Cash Flows		F-11
 STATISTICAL SECTION		
	<u>Table</u>	<u>Page</u>
Net Position by Component	1	G-1
Fund Balances of Governmental Funds	2	G-2
Changes in Net Position	3	G-3
Changes in Fund Balances of Governmental Funds	4	G-4
Assessed Value and Estimated Actual Value of Taxable Property	5	G-5
Property Tax Rates	6	G-6
Governmental Activities Tax Revenues by Source	7	G-7
Principal Property Taxpayers	8	G-8
Property Tax Levies and Collections	9	G-9
Sales Tax Receipts by Industry & Gross Sales by Industry	10	G-10
Ratios of Outstanding Debt by Type	11	G-11
Ratios of General Bonded Debt Outstanding	12	G-12
Direct and Overlapping Governmental Activities Debt	13	G-13
Pledged Revenue Coverage	14	G-14
Demographic and Economic Statistics	15	G-15
Principal Employers	16	G-16
Full-Time Equivalent City and Borough Government Employees by Function	17	G-17
Average Number of Electrical Customers and kWh Sold by Class	18	G-18



City and Borough of Sitka

100 Lincoln Street Sitka, Alaska 99835

Coast Guard City, USA

February 10, 2014

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

The Assembly of the City and Borough of Sitka has elected to issue each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that request, we hereby issue the comprehensive annual financial report of the City and Borough of Sitka, Alaska for the fiscal year ended June 30, 2013

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

The City and Borough of Sitka's financial statements have been audited by BDO USA, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City and Borough of Sitka for the fiscal year ended June 30, 2013, 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, 2013. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of Government

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

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

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

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

Population estimates for the Municipality rose from 8,627 in 2009 to 9,084 in 2013. Sales tax collections have increased by 3.3% over last fiscal year while Bed tax increased 8.9%. The positive is this is continuing the reversal, which began in fiscal year 2012, of the large decreases from fiscal years 2008, 2009 and 2010. The growth rate is an increase over fiscal year 2012 (which was an increase over 2010, 2011 and 2012) and strengthens the indication stabilization may be occurring in this economic downturn. Sales tax and bed tax revenues are comparable to revenues in fiscal year 2006 and 2005 respectively.

Long-term financial planning. The City and Borough of Sitka is raising the height of one of the two dams (Blue Lake Dam) providing hydroelectric power to the community. The City and Borough will have to bond \$45 million.

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 FY2013, the Municipality continued a limited risk management program for workers' compensation. Various controls techniques, including employee accident prevention training, have been implemented during the year to minimize accident-related losses. Third-party coverage is currently maintained for individual workers' compensation claims and other potential losses.

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

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

Additional information on pension arrangements and postemployment benefits can be found starting on E-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 Mike Middleton, Larry Fitzsimmons, Janet Schwartz, Sally Kimmel, and Tori Fleming. My appreciation is extended to all members of the Finance Department who assisted and contributed to the preparation of this report. We also want to thank you, the members of the City and Borough of Sitka's Assembly, for your interest and support in conducting the financial operations of the City and Borough of Sitka in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script, reading "John P. Sweeney III".

John P "Jay" Sweeney III
Finance Director

City and Borough of Sitka, Alaska

Elected Officials

June 30, 2013

Name	Position
Mim McConnell	Mayor
Pete Esquiro	Deputy Mayor
Thor Christianson	Vice-Deputy Mayor
Phyllis Hackett	Assembly Member
Mike Reif	Assembly Member
Matthew Hunter	Assembly Member
Michelle Putz	Assembly Member
Jay Sweeney	Interim Municipal Administrator

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and Borough of Sitka, Alaska, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sitka Community Hospital, which represent 75 percent, 75 percent, and 46 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for City and Borough of Sitka, Alaska, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and Borough of Sitka, Alaska, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2013, City and Borough of Sitka adopted the provisions of Governmental Accounting Standards Board (GASB) Statement number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and the provisions of GASB Statement number 65, *Items Previously Reported as Assets and Liabilities*. These provisions have been retrospectively applied to all periods presented in these financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

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

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

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014 on our consideration of City and Borough of Sitka's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City and Borough of Sitka's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
February 10, 2014

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City and Borough of Sitka, Alaska

Management's Discussion and Analysis

June 30, 2013

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, 2013. 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 \$300.8 million. Of this amount, \$79.8 million (unrestricted net position) is legally unrestricted and may therefore be used to meet the Municipality's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5.8 million. Restricted and committed funds, \$0.5 million and \$7.9 million respectively, are also available to meet expenses for the next fiscal year with varying levels of restrictions. The unassigned fund balance for the General Fund represented 25.0% of total General Fund expenditures. This increases to 60.2% when restricted and committed funds are included.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

City and Borough of Sitka, Alaska

Management's Discussion and Analysis, continued

The government-wide financial statements present not only the Municipality itself, which is the primary government, but also its component units: Sitka School District, Sitka Community Hospital and Sitka Convention and Visitors Bureau for which the Municipality is financially accountable. Financial information for the Sitka School District, Sitka Community Hospital and Sitka Convention and Visitors Bureau is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages D-1 through D-3 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 fund financial statements focus on the short-term view of the Municipality's operations. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Municipality maintains 16 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Permanent Fund and Capital Projects Fund. The other 13 governmental funds are combined and shown as Other Governmental Funds on the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. Individual fund information for the 16 nonmajor funds is presented in the Combining Balance Sheet Nonmajor Governmental Funds and Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Funds.

Proprietary funds

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

City and Borough of Sitka, Alaska

Management's Discussion and Analysis, continued

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the Electric, Water, Waste Water Treatment Plant, Solid Waste Disposal, and Harbor Funds, which are considered to be major funds of the Municipality. The remaining three enterprise funds are combined and shown as Nonmajor Enterprise Funds on the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows for Proprietary Funds. The basic proprietary fund financial statements can be found on pages D-14 - D-19 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 pages D-20-D-21 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages E-1 - E-29 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This supplementary information can be found following the Notes to Financial Statements beginning on page F-2.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Municipality, assets exceeded liabilities by \$300.8 million at June 30, 2013 compared to \$271.5 million at June 30, 2012. By far the largest portion of the Municipality's net position (61%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, etc.) less any related debt used to acquire those assets that is still outstanding. The Municipality uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Municipality's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

City and Borough of Sitka, Alaska
Management's Discussion and Analysis, continued

Statement of Net Position
June 30, 2013 and 2012
(in millions)

	Governmental		Business Type		Total	
	Activities		Activities			
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
Current and other assets	\$ 62.2	63.9	80.8	56.3	143.0	120.2
Capital assets	113.1	104.2	195.4	156.6	308.5	260.8
Deferred outflows	0.2	0.3	4.5	3.1	4.7	3.4
Total assets and deferred outflows	<u>175.5</u>	<u>168.4</u>	<u>280.7</u>	<u>216.0</u>	<u>456.2</u>	<u>384.4</u>
Long-term debt outstanding	33.0	35.5	113.5	70.8	146.5	106.3
Other liabilities	2.8	2.7	5.5	3.3	8.3	6.0
Deferred inflows	0.6	0.6	-	-	0.6	0.6
Total liabilities and deferred inflows	<u>36.4</u>	<u>38.8</u>	<u>119.0</u>	<u>74.1</u>	<u>155.4</u>	<u>112.9</u>
Net position:						
Net investment in capital assets	81.1	69.6	103.4	89.7	184.5	159.3
Restricted	29.1	29.6	7.4	3.5	36.5	33.1
Unrestricted	28.9	30.4	50.9	48.7	79.8	79.1
Total net position	<u>139.1</u>	<u>129.6</u>	<u>161.7</u>	<u>141.9</u>	<u>300.8</u>	<u>271.5</u>
Total liabilities, deferred inflows, and net position	<u>\$ 175.5</u>	<u>168.4</u>	<u>280.7</u>	<u>216.0</u>	<u>456.2</u>	<u>384.4</u>

Governmental Activities

Governmental activities increased the Municipality's net position by \$9.5 million. Key elements of are listed below:

- Capital grants and contributions increased \$7.3 million from prior fiscal year - \$1.9 million of this was for the Pacific High School remodel and \$1.8 for the Centennial/Crescent Harbor Parking Lot.

The net position for the Municipality's governmental activities are \$139.1 million, an increase of \$9.5 million. A substantial portion (58%) of the net position is invested in capital assets - an increase of \$11.5 million from the prior fiscal year. The Municipality uses these assets to provide services to the citizens. The unrestricted net position of the governmental activities are \$28.9 million as of June 30, 2013.

City and Borough of Sitka, Alaska

Management's Discussion and Analysis, continued

Business-type activities

Business-type activities increased the Municipality's net position by \$19.8 million. This compares to an increase of \$5.4 million for the year ended June 30, 2012. Key elements are listed below:

- Capital grants and contributions increased \$12.8 million
- Electric fund received \$1.9 million for backup diesel generators and \$17.0 million for Blue Lake Dam.

The net position for the Municipality's business-type activities are \$161.7 million, an increase of \$19.8 million. As with government-wide activities, a substantial portion (64%) of the net position is invested in capital assets. The Municipality uses these assets to provide services to the citizens. The unrestricted net position of the business-type activities are \$50.9 million as of June 30, 2013.

Statement of Activities
Years Ended June 30, 2013 and 2012
(in millions)

	Governmental Activities		Business Type Activities		Total	
	Restated		Restated		Restated	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues						
Charges for services	2.5	2.6	22.2	20.9	24.7	23.5
Operating grants and contributions	6.0	6.0	2.4	2.3	8.4	8.3
Capital grants and contributions	8.2	0.9	18.0	5.2	26.2	6.1
General revenues						
Property tax	6.1	6.1	-	-	6.1	6.1
Sales and other taxes	9.6	9.5	-	-	9.6	9.5
Unrestricted grants and contributions	0.5	0.4	-	-	0.5	0.4
Investment earnings	2.2	3.5	0.5	1.4	2.7	4.9
Other	<u>1.2</u>	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>1.3</u>	<u>-</u>
Total revenues	36.3	29.0	43.2	29.8	79.5	58.8

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City and Borough of Sitka, Alaska

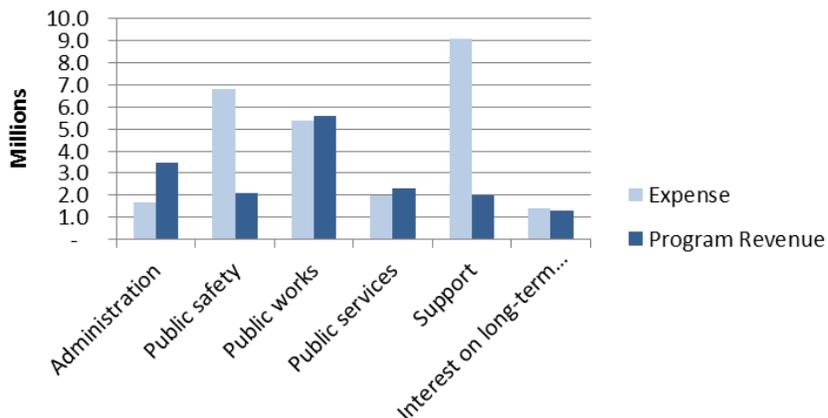
Management's Discussion and Analysis, continued

	Governmental Activities		Business Type Activities		Total	
	Restated		Restated		Restated	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Expenditures/expenses:					-	-
Administration	1.7	1.6	-	-	1.7	1.6
Public safety	6.8	6.7	-	-	6.8	6.7
Public works	5.4	5.1	-	-	5.4	5.1
Public services	2.0	2.3	-	-	2.0	2.3
Support	9.1	9.1	-	-	9.1	9.1
Interest on long-term debt	1.4	1.3	-	-	1.4	1.3
Electric	-	-	11.0	13.0	11.0	13.0
Water	-	-	2.2	1.9	2.2	1.9
Wastewater treatment	-	-	3.6	3.5	3.6	3.5
Solid waste disposal	-	-	3.3	3.1	3.3	3.1
Harbor	-	-	2.4	2.6	2.4	2.6
Nonmajor business-types	-	-	1.3	1.6	1.3	1.6
Total expenditures/expenses	26.4	26.1	23.8	25.7	50.2	51.8
Increase in net position before transfers	9.9	2.9	19.4	4.1	29.3	7.0
Transfers	(0.4)	(1.3)	0.4	1.3	-	-
Increase in net position	9.5	1.6	19.8	5.4	29.3	7.0
Net position, beginning of year, restated	129.6	128.0	141.9	136.5	271.5	264.5
Net position, end of year	<u>\$ 139.1</u>	<u>129.6</u>	<u>161.7</u>	<u>141.9</u>	<u>300.8</u>	<u>271.5</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.

Governmental Activities FY 2013



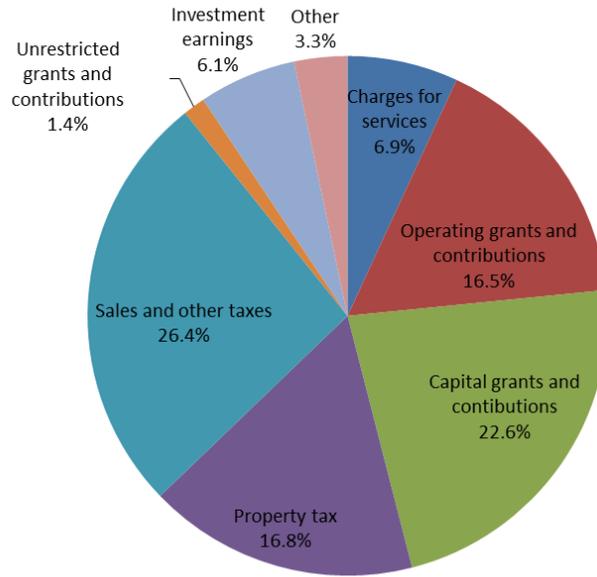
City and Borough of Sitka, Alaska

Management's Discussion and Analysis, continued

Revenues by Source - Governmental Activities

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

Governmental Revenue by Source FY 2013



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 \$54.5 million, a decrease of \$1.9 million in comparison with the prior year. A portion of this amount is earmarked to indicate it is not available to new spending, because it is in nonspendable form, or has been restricted, committed or assigned (\$2.8, \$28.9, \$14.6, and \$2.4 million, respectively). The remainder of fund balance is unassigned (\$5.8 million) and is available for spending at the government's discretion.

City and Borough of Sitka, Alaska

Management's Discussion and Analysis, continued

The General Fund is the chief operating fund of the Municipality. At the end of the current fiscal year, total fund balance was \$14.3 million and unassigned fund balance was \$5.8 million. Total fund balance increased by \$0.7 million from the prior year. Key factors include:

- Revenues exceeded expenditures by \$2.0 million in the General Fund not considering transfers - this is \$1.0 million below the final budget. This is primarily due to revenues being \$1.0 million below final budget. Grant revenue in the final budget had not been received; however the total expenditures were equal to the final budget.

Proprietary funds

The Municipality's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the seven enterprise funds at the end of the year were \$51.1 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:

- State PERS relief of \$0.8 million was received.

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, 2013 amounts to \$308.5 million (net of accumulated depreciation), an increase of \$47.7 million from the prior year. This investment in capital assets includes land, buildings, machinery and equipment, roads, and infrastructure.

Capital Assets
June 30, 2013 and 2012
(in millions)

	Governmental Activities		Business Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land and improvements	\$ 17.2	10.7	16.6	14.4	33.8	25.1
Buildings	55.7	55.3	8.2	8.8	63.9	64.1
Equipment	5.9	5.8	2.5	2.7	8.4	8.5
Infrastructure	17.6	16.5	-	-	17.6	16.5
Electric	-	-	57.1	58.8	57.1	58.8
Water	-	-	19.4	17.2	19.4	17.2
Wastewater treatment	-	-	12.1	12.5	12.1	12.5
Harbor	-	-	13.4	14.0	13.4	14.0
Construction in progress	<u>16.7</u>	<u>15.9</u>	<u>66.1</u>	<u>28.3</u>	<u>82.8</u>	<u>44.2</u>
	<u>\$ 113.1</u>	<u>104.2</u>	<u>195.4</u>	<u>156.7</u>	<u>308.5</u>	<u>260.9</u>

City and Borough of Sitka, Alaska

Management's Discussion and Analysis, continued

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

- Construction in process for electric fund increased by \$40.8 million due to the Blue Lake Dam project primarily.

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

Long-term debt

At the end of the current fiscal year, the Municipality had total debt outstanding of \$143.3 million. Of this amount \$31.0 million was bonded and backed by the full faith and credit of the Municipality. The remaining debt consists of debt secured by equipment, revenue bonds and notes, compensated absences, net pension obligation, and landfill closure costs.

Outstanding Debt June 30, 2013 and 2012 (in millions)

	Governmental Activities		Business Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligatoin bonds	\$ 31.0	34.0	-	-	31.0	34.0
Revenue bonds	-	-	85.3	47.6	85.3	47.6
Revenue notes	-	-	8.3	8.5	8.3	8.5
ADEC notes	0.1	0.2	12.6	12.4	12.7	12.6
Other debt	<u>0.6</u>	<u>1.0</u>	<u>0.8</u>	<u>0.8</u>	<u>1.4</u>	<u>1.8</u>
	<u>\$ 31.7</u>	<u>35.2</u>	<u>107.0</u>	<u>69.3</u>	<u>138.7</u>	<u>104.5</u>

Additional information on the Municipality's long-term debt can be found in Note 8 beginning on page E-16 of this report.

Economic Factors and the Next Year's Budget and Rates

In setting the budgets for FY2014, 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.

City and Borough of Sitka, Alaska

Management's Discussion and Analysis, continued

- The highest level of local educational funding Municipality residents can reasonably afford and sustain.
- A high quality capital and operational maintenance program that ensures the continued use and economic value of Municipality assets.

All of these factors were considered in preparing the Municipality's budget for FY2014.

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.

City and Borough of Sitka, Alaska

Statement of Net Position

June 30, 2013

	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	Sitka School District	Convention and Visitors Bureau	Sitka Community Hospital
Assets and Deferred Outflows						
Assets:						
Equity in central treasury	\$ 27,973,265	\$ 43,641,198	\$ 71,614,463	\$ -	\$ -	\$ -
Cash and investments	-	-	-	2,216,145	158,601	887,509
Receivables (net of allowance)	4,875,400	10,397,966	15,273,366	713,300	-	3,085,877
Internal balances	912,633	(912,633)	-	-	-	-
Inventories	-	1,942,085	1,942,085	-	-	269,368
Prepaid items	10,501	9,000	19,501	222,806	16,537	119,611
Notes receivable	1,898,662	143,147	2,041,809	-	-	-
Special assessments receivable	81,115	113,272	194,387	-	-	-
Water rights	-	46,966	46,966	-	-	-
Restricted assets:						
Unspent bond proceeds	-	17,791,145	17,791,145	-	-	-
Equity in central treasury	6,401,739	461,757	6,863,496	-	-	-
Cash and investments	19,794,085	7,162,525	26,956,610	-	-	146,418
Interest receivable	76,852	-	76,852	-	-	-
Capital assets not being depreciated	27,899,636	71,348,847	99,248,483	-	-	-
Other capital assets, net of depreciation	85,244,117	124,057,198	209,301,315	241,510	6,935	6,345,641
Total assets	175,168,005	276,202,473	451,370,478	3,393,761	182,073	10,854,424
Deferred outflows:						
Deferred loss on refunding	283,176	2,973,508	3,256,684	-	-	-
Deferred charges	-	1,533,216	1,533,216	-	-	-
Total deferred outflows	283,176	4,506,724	4,789,900	-	-	-
Total assets and deferred outflows	\$ 175,451,181	\$ 280,709,197	\$ 456,160,378	\$ 3,393,761	\$ 182,073	\$ 10,854,424
Liabilities, Deferred Inflows, and Net Position						
Liabilities:						
Accounts payable and accrued liabilities	\$ 2,217,760	\$ 2,888,150	\$ 5,105,910	\$ 491,038	\$ 16,148	\$ 1,301,548
Unearned revenue	309,268	750,596	1,059,864	-	-	-
Accrued interest payable	299,861	1,587,445	1,887,306	-	-	-
Liabilities payable from restricted assets	-	260,603	260,603	-	-	-
Noncurrent liabilities:						
Due within one year:						
Bonds and notes	2,394,750	2,867,583	5,262,333	-	-	69,807
Compensated absences	156,854	-	156,854	271,849	-	740,822
Due in more than one year:						
Bonds and notes	28,771,500	103,278,239	132,049,739	-	6,624	575,320
Unamortized bond premium	1,119,838	6,557,824	7,677,662	-	-	-
Compensated absences	515,305	323,362	838,667	133,548	5,827	-
Landfill post-closure liability	-	461,757	461,757	-	-	-
Total liabilities	35,785,136	118,975,559	154,760,695	896,435	28,599	2,687,497
Deferred inflows	614,738	-	614,738	-	-	-
Net position:						
Net investment in capital assets	81,140,841	103,467,052	184,607,893	241,510	6,935	5,700,514
Restricted for:						
Permanent Fund	20,213,781	-	20,213,781	-	-	-
Capital projects	6,727,368	-	6,727,368	-	-	-
Debt service	2,028,544	7,359,839	9,388,383	-	-	-
Sitka School District	-	-	-	30,549	-	-
Medical services	-	-	-	-	-	53,443
Unrestricted	28,940,773	50,906,747	79,847,520	2,225,267	146,539	2,412,970
Total net position	139,051,307	161,733,638	300,784,945	2,497,326	153,474	8,166,927
Total liabilities, deferred inflows and net position	\$ 175,451,181	\$ 280,709,197	\$ 456,160,378	\$ 3,393,761	\$ 182,073	\$ 10,854,424

City and Borough of Sitka, Alaska

Statement of Activities

Year Ended June 30, 2013

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		Fees, Fines, & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Units		
					Governmental Activities	Business-Type Activities	Total	Sitka School District	Convention and Visitors Bureau	Sitka Community Hospital
Primary government:										
Governmental activities:										
Administration	\$ 1,724,076	\$ 290,450	\$ 3,129,411	\$ 78,000	\$ 1,773,785		\$ 1,773,785			
Public safety	6,827,712	729,406	1,235,567	92,181	(4,770,558)		(4,770,558)			
Public works	5,450,632	988,231	219,440	4,373,813	130,852		130,852			
Public services	2,007,427	502,571	137,986	1,656,520	289,650		289,650			
Support	9,054,114	-	-	1,976,845	(7,077,269)		(7,077,269)			
Interest on long-term debt	1,376,917	-	1,257,428	-	(119,489)		(119,489)			
Total governmental activities	<u>26,440,878</u>	<u>2,510,658</u>	<u>5,979,832</u>	<u>8,177,359</u>	<u>(9,773,029)</u>		<u>(9,773,029)</u>			
Business-type activities:										
Electric	10,981,793	12,077,554	1,020,493	17,169,455		19,285,709	19,285,709			
Water	2,204,600	1,561,830	28,135	379,231		(235,404)	(235,404)			
Wastewater treatment	3,563,643	2,434,968	84,404	385,752		(658,519)	(658,519)			
Solid waste disposal	3,319,109	2,988,758	13,327	-		(317,024)	(317,024)			
Harbor	2,444,728	1,912,463	1,247,399	-		715,134	715,134			
Airport	508,966	613,873	1	-		104,908	104,908			
Marine	228,474	242,174	-	-		13,700	13,700			
Sawmill Cove	533,181	408,790	18,185	-		(106,206)	(106,206)			
Total business-type activities	<u>23,784,494</u>	<u>22,240,410</u>	<u>2,411,944</u>	<u>17,934,438</u>		<u>18,802,298</u>	<u>18,802,298</u>			
Total primary government	<u>\$ 50,225,372</u>	<u>\$ 24,751,068</u>	<u>\$ 8,391,776</u>	<u>\$ 26,111,797</u>	<u>(9,773,029)</u>	<u>18,802,298</u>	<u>9,029,269</u>			

City and Borough of Sitka, Alaska

Statement of Activities, continued

Year Ended June 30, 2013

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets							
		Fees, Fines, & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Units				
					Governmental Activities	Business-Type Activities	Total	Sitka School District	Convention and Visitors Bureau	Sitka Community Hospital		
Component units:												
Sitka School District	\$ 27,342,970	\$ 615,551	\$ 7,409,511	\$ 308,688				\$ (19,009,220)	\$ -	\$ -		
Convention and Visitors Bureau	388,406	72,711	11,871	-				-	(303,824)	-		
Sitka Community Hospital	24,104,206	20,819,797	2,591,810	-				-	-	(692,599)		
Total component units	\$ 51,835,582	\$ 21,508,059	\$ 10,013,192	\$ 308,688				(19,009,220)	(303,824)	(692,599)		
General revenues:												
Taxes:												
Property taxes					\$ 6,095,558	\$ -	\$ 6,095,558	-	-	-		
Sales taxes					9,447,754	-	9,447,754	-	-	-		
Commercial passenger excise tax					135,355	-	135,355	-	-	-		
Contributions from primary government					-	-	-	4,765,758	280,047	724,992		
Grants and entitlements not restricted to a specific purpose					470,415	-	470,415	14,029,367	-	195,468		
Investment income					2,243,289	494,317	2,737,606	-	384	22,931		
Debt reimbursement principal					1,252,000	-	1,252,000	-	-	-		
Other					-	95,671	95,671	177,149	-	1,758		
Transfers					(395,675)	395,675	-	-	-	-		
Total general revenues and transfers					19,248,696	985,663	20,234,359	18,972,274	280,431	945,149		
Change in net position					9,475,667	19,787,961	29,263,628	(36,946)	(23,393)	252,550		
Net position, beginning of year					129,761,503	142,947,683	272,709,186	2,534,272	176,867	7,914,377		
Cumulative effect of change in accounting principle - adoption of GASB 65 - write off unamortized bond issue costs					(185,863)	(1,002,006)	(1,187,869)	-	-	-		
Net position, beginning of year, restated					129,575,640	141,945,677	271,521,317	2,534,272	176,867	7,914,377		
Net position, end of year					\$ 139,051,307	\$ 161,733,638	\$ 300,784,945	\$ 2,497,326	\$ 153,474	\$ 8,166,927		

City and Borough of Sitka, Alaska

Governmental Funds

Balance Sheet

June 30, 2013

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Permanent Fund	Capital Projects Fund		
Assets					
Equity in central treasury	\$ 13,070,472	\$ -	\$ -	\$ 10,212,832	\$ 23,283,304
Receivables:					
Accounts	781,679	-	-	-	781,679
Taxes	2,361,262	-	-	41,582	2,402,844
Allowance for uncollectable accounts	(457,492)	-	-	-	(457,492)
Interest	387,882	-	-	-	387,882
Special assessments	-	-	-	81,115	81,115
Federal and State of Alaska	123,508	-	1,563,238	73,741	1,760,487
Due from other funds	160,977	-	-	273,947	434,924
Advances to other funds	38,985	-	-	997,272	1,036,257
Prepaid items	10,501	-	-	-	10,501
Notes receivable	91,285	61,336	-	1,746,041	1,898,662
Restricted assets:					
Equity in central treasury	-	281,508	6,120,231	-	6,401,739
Cash and investments	-	19,794,085	-	-	19,794,085
Interest receivable	-	76,852	-	-	76,852
Total assets	<u>\$ 16,569,059</u>	<u>\$ 20,213,781</u>	<u>\$ 7,683,469</u>	<u>\$ 13,426,530</u>	<u>\$ 57,892,839</u>
Liabilities, Deferred Inflows, and Fund Balances					
Liabilities:					
Accounts payable	\$ 214,706	\$ -	\$ 906,101	\$ 28,511	\$ 1,149,318
Accrued payroll	842,560	-	-	-	842,560
Deposits payable	45,960	-	-	-	45,960
Due to other funds	273,947	-	-	60,977	334,924
Unearned revenue	259,268	-	50,000	-	309,268
Total liabilities	<u>1,636,441</u>	<u>-</u>	<u>956,101</u>	<u>89,488</u>	<u>2,682,030</u>
Deferred inflows:					
Deferred assessments	-	-	-	81,115	81,115
Property taxes paid in advance	18,709	-	-	-	18,709
Deferred payment in lieu of tax	596,029	-	-	-	596,029
Total deferred inflows	<u>614,738</u>	<u>-</u>	<u>-</u>	<u>81,115</u>	<u>695,853</u>
Fund balances:					
Nonspendable	49,486	-	-	2,743,313	2,792,799
Restricted	520,742	20,213,781	-	8,130,204	28,864,727
Committed	7,904,460	-	6,727,368	-	14,631,828
Assigned	-	-	-	2,391,280	2,391,280
Unassigned (deficit)	5,843,192	-	-	(8,870)	5,834,322
Total fund balances	<u>14,317,880</u>	<u>20,213,781</u>	<u>6,727,368</u>	<u>13,255,927</u>	<u>54,514,956</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 16,569,059</u>	<u>\$ 20,213,781</u>	<u>\$ 7,683,469</u>	<u>\$ 13,426,530</u>	<u>\$ 57,892,839</u>

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2013

Total fund balances for governmental funds		\$ 54,514,956
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. In addition, capital assets associated with internal service funds are recorded in the Statement of Net Position. These assets are comprised of:		
Land	\$ 11,230,912	
Construction in progress	<u>16,668,724</u>	
Total capital assets not being depreciated		27,899,636
Buildings	98,827,874	
Land improvements	6,478,823	
Infrastructure	31,498,470	
Equipment	13,328,851	
Accumulated depreciation	<u>(64,889,901)</u>	
Total depreciable capital assets, net of depreciation		85,244,117
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.		
		81,115
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 Position as follows:		
Net position of internal service funds	8,182,297	
Adjusted for:		
Capital assets included above	(9,239,236)	
Accumulated depreciation included above	5,298,611	
Compensated absences included below	<u>44,743</u>	
Total net position from internal service funds		4,286,415
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	(31,166,250)	
Unamortized bond premium	(1,119,838)	
Deferred loss on bonds	283,176	
Accrued interest payable	(299,861)	
Compensated absences	<u>(672,159)</u>	
Total long term liabilities		<u>(32,974,932)</u>
Total net position of governmental activities		<u>\$ 139,051,307</u>

City and Borough of Sitka, Alaska

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2013

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Permanent Fund	Capital Projects Fund		
Revenues:					
Taxes:					
Real and personal	\$ 6,095,558	\$ -	\$ -	\$ -	\$ 6,095,558
Sales and bed	9,447,754	-	-	-	9,447,754
State sources	3,158,185	-	4,284,170	1,765,261	9,207,616
Federal sources	1,766,379	-	60,575	305,269	2,132,223
Charges for services	1,839,516	-	-	-	1,839,516
Interfund services	2,693,860	-	-	-	2,693,860
Fines, forfeitures and penalties	103,541	-	-	-	103,541
Investment income (loss)	124,681	2,442,922	(221,104)	(83,691)	2,262,808
Uses of property	487,175	248,286	53,500	-	788,961
Licenses and permits	177,221	-	-	-	177,221
Other	60,015	-	600	963,379	1,023,994
Total revenues	25,953,885	2,691,208	4,177,741	2,950,218	35,773,052
Expenditures:					
Administration	4,631,257	935	-	-	4,632,192
Public safety	6,266,347	-	-	285,893	6,552,240
Public works	3,653,019	-	-	93,499	3,746,518
Public services	1,361,276	-	-	431,416	1,792,692
Support	6,402,944	-	-	-	6,402,944
Debt service:					
Principal	969,860	-	-	1,480,000	2,449,860
Interest	361,387	-	-	955,948	1,317,335
Capital outlay	45,822	-	10,066,698	-	10,112,520
Total expenditures	23,691,912	935	10,066,698	3,246,756	37,006,301
Excess of revenues over/ (under) expenditures	2,261,973	2,690,273	(5,888,957)	(296,538)	(1,233,249)
Other financing sources (uses):					
Transfers in	1,367,115	60,465	3,719,969	874,031	6,021,580
Transfers out	(2,896,306)	(1,101,525)	(37,370)	(2,629,508)	(6,664,709)
Net other financing sources (uses)	(1,529,191)	(1,041,060)	3,682,599	(1,755,477)	(643,129)
Net change in fund balances	732,782	1,649,213	(2,206,358)	(2,052,015)	(1,876,378)
Fund balances, beginning of year	13,585,098	18,564,568	8,933,726	15,307,942	56,391,334
Fund balances, end of year	\$ 14,317,880	\$ 20,213,781	\$ 6,727,368	\$ 13,255,927	\$ 54,514,956

City and Borough of Sitka, Alaska
Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended June 30, 2013

Net change in fund balances - total governmental funds		\$ (1,876,378)
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives.		
This is the amount by which capital outlays and contributions exceed depreciation		
Contributed land	\$ 3,300,000	
Capital outlays	9,659,952	
Depreciation	<u>(4,353,336)</u>	
		8,606,616
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in deferred special assessments receivable.		
		(36,795)
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 position. 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	(23,598)	
Decrease in unamortized bond premium	93,320	
Payments on bonds and note	<u>2,409,750</u>	
		2,479,472
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	(112,792)	
Decrease in accrued leave	<u>95,494</u>	
		(17,298)
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. This is the total increase in net position from internal service funds.		
		<u>320,050</u>
Change in net position of governmental activities		<u>\$ 9,475,667</u>

City and Borough of Sitka, Alaska

General Fund

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

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Property taxes	\$ 6,002,000	\$ 6,002,000	\$ 6,095,558	\$ 93,558
Sales taxes	8,498,060	8,498,060	9,093,596	595,536
Bed taxes	307,000	307,000	354,158	47,158
Total taxes	<u>14,807,060</u>	<u>14,807,060</u>	<u>15,543,312</u>	<u>736,252</u>
State sources:				
School debt reimbursement	887,000	887,000	886,909	(91)
State revenue sharing	1,757,260	1,757,260	1,200,769	(556,491)
State PERS relief	-	-	894,388	894,388
State grants	2,211,000	2,267,238	84,385	(2,182,853)
Other	64,000	64,000	91,734	27,734
Total State sources	<u>4,919,260</u>	<u>4,975,498</u>	<u>3,158,185</u>	<u>(1,817,313)</u>
Federal sources:				
National Forest receipts	-	1,152,259	976,645	(175,614)
Payment in lieu of taxes	592,000	592,000	610,074	18,074
Federal grants	125,000	136,412	179,660	43,248
Total Federal sources	<u>717,000</u>	<u>1,880,671</u>	<u>1,766,379</u>	<u>(114,292)</u>
Licenses and permits	<u>167,000</u>	<u>167,000</u>	<u>177,221</u>	<u>10,221</u>
Charges for services:				
State jail contract	419,000	419,000	419,450	450
Ambulance fees	330,000	330,000	356,548	26,548
E911 surcharges	186,000	186,000	191,576	5,576
Jobbing	600,000	600,000	791,074	191,074
Other	113,000	115,443	80,868	(34,575)
Total charges for services	<u>1,648,000</u>	<u>1,650,443</u>	<u>1,839,516</u>	<u>189,073</u>
Property and investments:				
Leases and rent	249,000	249,000	248,873	(127)
Investment income	382,000	382,000	124,681	(257,319)
Other	137,000	137,000	238,302	101,302
Total property and investments	<u>768,000</u>	<u>768,000</u>	<u>611,856</u>	<u>(156,144)</u>
Interfund services	<u>2,686,068</u>	<u>2,686,068</u>	<u>2,693,860</u>	<u>7,792</u>
Fines, forfeitures and penalties	<u>139,000</u>	<u>139,000</u>	<u>103,541</u>	<u>(35,459)</u>
Other	<u>43,000</u>	<u>43,000</u>	<u>60,015</u>	<u>17,015</u>
Total revenues	<u>25,894,388</u>	<u>27,116,740</u>	<u>25,953,885</u>	<u>(1,162,855)</u>

City and Borough of Sitka, Alaska

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual, continued

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
Expenditures:				
Administration:				
Administration/assembly:				
Wages and benefits	\$ 546,677	\$ 634,931	\$ 667,912	\$ (32,981)
Travel and training	33,138	33,138	32,562	576
Other	204,903	204,903	206,824	(1,921)
Total administration/assembly	<u>784,718</u>	<u>872,972</u>	<u>907,298</u>	<u>(34,326)</u>
Legal:				
Wages and benefits	230,747	230,747	263,920	(33,173)
Travel and training	9,980	9,980	6,626	3,354
Other	40,549	68,049	68,493	(444)
Total legal	<u>281,276</u>	<u>308,776</u>	<u>339,039</u>	<u>(30,263)</u>
Municipal clerk:				
Wages and benefits	245,158	245,158	245,801	(643)
Travel and training	6,838	6,838	5,788	1,050
Other	99,687	99,687	90,849	8,838
Total municipal clerk	<u>351,683</u>	<u>351,683</u>	<u>342,438</u>	<u>9,245</u>
Finance:				
Wages and benefits	1,405,216	1,399,316	1,513,180	(113,864)
Travel and training	5,500	5,500	10,801	(5,301)
Other	181,981	201,701	222,625	(20,924)
Total finance	<u>1,592,697</u>	<u>1,606,517</u>	<u>1,746,606</u>	<u>(140,089)</u>
Assessing:				
Wages and benefits	201,379	201,379	220,277	(18,898)
Travel and training	4,300	4,300	3,435	865
Other	28,706	28,339	27,729	610
Total assessing	<u>234,385</u>	<u>234,018</u>	<u>251,441</u>	<u>(17,423)</u>
Planning:				
Wages and benefits	220,130	220,130	244,749	(24,619)
Travel and training	2,200	2,200	1,814	386
Other	23,462	26,462	25,580	882
Total planning	<u>245,792</u>	<u>248,792</u>	<u>272,143</u>	<u>(23,351)</u>
General office -				
other	428,351	427,430	772,292	(344,862)
Total administration	<u>3,918,902</u>	<u>4,050,188</u>	<u>4,631,257</u>	<u>(581,069)</u>

City and Borough of Sitka, Alaska

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual, continued

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
Expenditures, continued:				
Public safety:				
Police:				
Wages and benefits	\$ 3,260,145	\$ 3,260,145	\$ 3,426,366	\$ (166,221)
Travel and training	45,000	45,000	24,037	20,963
Other	780,362	799,229	883,722	(84,493)
Total police	<u>4,085,507</u>	<u>4,104,374</u>	<u>4,334,125</u>	<u>(229,751)</u>
Fire:				
Wages and benefits	1,131,721	1,131,721	1,093,372	38,349
Travel and training	21,000	21,216	12,853	8,363
Other	490,877	509,416	491,425	17,991
Total fire	<u>1,643,598</u>	<u>1,662,353</u>	<u>1,597,650</u>	<u>64,703</u>
Ambulance:				
Wages and benefits	123,478	123,478	121,527	1,951
Travel and training	16,500	16,500	12,173	4,327
Other	163,888	164,453	155,839	8,614
Total ambulance	<u>303,866</u>	<u>304,431</u>	<u>289,539</u>	<u>14,892</u>
Search and rescue:				
Wages and benefits	5,869	5,869	5,221	648
Travel and training	7,500	6,500	5,898	602
Other	36,854	36,961	33,914	3,047
Total search and rescue	<u>50,223</u>	<u>49,330</u>	<u>45,033</u>	<u>4,297</u>
Total public safety	<u>6,083,194</u>	<u>6,120,488</u>	<u>6,266,347</u>	<u>(145,859)</u>
Public works:				
Administration:				
Wages and benefits	463,385	463,385	470,644	(7,259)
Travel and training	5,000	5,000	2,744	2,256
Other	37,833	37,833	43,186	(5,353)
Total administration	<u>506,218</u>	<u>506,218</u>	<u>516,574</u>	<u>(10,356)</u>
Engineering:				
Wages and benefits	773,994	773,994	828,468	(54,474)
Travel and training	9,350	9,350	4,808	4,542
Other	92,495	145,306	118,874	26,432
Total engineering	<u>875,839</u>	<u>928,650</u>	<u>952,150</u>	<u>(23,500)</u>
Streets:				
Wages and benefits	532,263	532,263	504,459	27,804
Travel and training	2,300	2,300	344	1,956
Other	1,027,683	987,738	901,913	85,825
Total streets	<u>1,562,246</u>	<u>1,522,301</u>	<u>1,406,716</u>	<u>115,585</u>

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual, continued

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
Expenditures, continued:				
Public works, continued:				
Recreation:				
Wages and benefits	\$ 314,023	\$ 314,023	\$ 305,071	\$ 8,952
Travel and training	2,800	2,800	329	2,471
Other	249,336	265,240	241,712	23,528
Total recreation	566,159	582,063	547,112	34,951
Building officials:				
Wages and benefits	207,784	207,784	209,796	(2,012)
Travel and training	6,100	6,100	5,500	600
Other	24,038	24,038	15,171	8,867
Total building officials	237,922	237,922	230,467	7,455
Total public works	3,748,384	3,777,154	3,653,019	124,135
Public services:				
Library:				
Wages and benefits	554,938	554,938	547,604	7,334
Travel and training	1,200	1,200	235	965
Other	296,248	300,808	284,729	16,079
Total library	852,386	856,946	832,568	24,378
Harrigan Centennial Building:				
Wages and benefits	305,331	305,331	338,460	(33,129)
Other	139,436	142,186	111,743	30,443
Total Harrigan Centennial Building	444,767	447,517	450,203	(2,686)
Senior Citizen Center - other	84,547	87,811	78,505	9,306
Total public services	1,381,700	1,392,274	1,361,276	30,998
Support:				
Municipal grants to local organizations	302,000	327,000	-	327,000
Sitka Convention and Visitors Bureau	282,047	282,047	281,836	211
Sitka Community Hospital	270,546	352,097	281,841	70,256
Sitka School District	5,910,734	6,488,686	5,839,267	649,419
Total support	6,765,327	7,449,830	6,402,944	1,046,886

City and Borough of Sitka, Alaska

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual, continued

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
Expenditures, continued:				
Debt service:				
Principal	\$ 929,750	\$ 929,750	\$ 969,860	\$ (40,110)
Interest	349,353	349,353	361,387	(12,034)
Other debt service costs	2,000	2,000	-	2,000
Total debt service	<u>1,281,103</u>	<u>1,281,103</u>	<u>1,331,247</u>	<u>(50,144)</u>
Capital outlay	<u>26,800</u>	<u>52,532</u>	<u>45,822</u>	<u>6,710</u>
Total expenditures	<u>23,205,410</u>	<u>24,123,569</u>	<u>23,691,912</u>	<u>431,657</u>
Excess of revenues over expenditures	2,688,978	2,993,171	2,261,973	(731,198)
Other financing sources (uses):				
Transfers in	1,242,000	1,242,000	1,367,115	125,115
Transfers out	<u>(3,930,976)</u>	<u>(3,419,082)</u>	<u>(2,896,306)</u>	<u>522,776</u>
Net other financing sources/(uses)	<u>(2,688,976)</u>	<u>(2,177,082)</u>	<u>(1,529,191)</u>	<u>647,891</u>
Net change in fund balance	<u>\$ 2</u>	<u>\$ 816,089</u>	732,782	<u>\$ (83,307)</u>
Fund balance, beginning of year			<u>13,585,098</u>	
Fund balance, end of year			<u>\$ 14,317,880</u>	

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City and Borough of Sitka, Alaska

**Proprietary Funds
Statement of Net Position**

June 30, 2013

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Treatment</u>	<u>Solid Waste Disposal</u>	<u>Harbor</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
Assets and Deferred Outflows								
Current assets:								
Equity in central treasury	\$ 28,803,187	\$ 764,339	\$ 3,953,172	\$ 808,634	\$ 6,599,187	\$ 2,712,679	\$ 43,641,198	\$ 4,689,961
Receivables:								
Accounts	999,889	134,865	195,182	252,888	155,612	132,318	1,870,754	-
Allowance for uncollectable accounts	(192,843)	(30,580)	(41,968)	(55,169)	(123,225)	(9,230)	(453,015)	-
Federal and State of Alaska	6,956,352	419,610	420,202	-	1,183,998	65	8,980,227	-
Current portion:								
Note receivable	892	2,115	7,761	-	-	-	10,768	-
Assessments receivable	-	-	9,758	-	-	-	9,758	-
Inventories	1,686,688	255,397	-	-	-	-	1,942,085	-
Prepaid expenses	-	489	-	-	-	8,511	9,000	-
Total current assets	<u>38,254,165</u>	<u>1,546,235</u>	<u>4,544,107</u>	<u>1,006,353</u>	<u>7,815,572</u>	<u>2,844,343</u>	<u>56,010,775</u>	<u>4,689,961</u>
Noncurrent assets:								
Restricted assets:								
Equity in central treasury:								
Unspent bond proceeds	14,489,145	-	-	-	3,302,000	-	17,791,145	-
Landfill postclosure	-	-	-	461,757	-	-	461,757	-
Deposits	100,288	700	-	8,106	1,509	150,000	260,603	-
Bond covenant accounts	6,589,768	-	-	-	312,154	-	6,901,922	-
Notes receivable	18,258	14,384	99,737	-	-	-	132,379	-
Special assessments receivable	-	-	103,514	-	-	-	103,514	-
Water rights	23,483	23,483	-	-	-	-	46,966	-
Capital assets:								
Property, plant and equipment	115,587,066	31,576,482	46,891,174	7,577,968	23,844,575	23,537,552	249,014,817	9,239,236
Construction in progress	58,930,539	1,562,582	4,655,373	98,886	665,476	214,080	66,126,936	-
Less accumulated depreciation	<u>(55,686,723)</u>	<u>(11,565,158)</u>	<u>(33,577,312)</u>	<u>(1,701,762)</u>	<u>(10,204,344)</u>	<u>(7,000,409)</u>	<u>(119,735,708)</u>	<u>(5,298,611)</u>
Total capital assets, net of accumulated depreciation	<u>118,830,882</u>	<u>21,573,906</u>	<u>17,969,235</u>	<u>5,975,092</u>	<u>14,305,707</u>	<u>16,751,223</u>	<u>195,406,045</u>	<u>3,940,625</u>
Total noncurrent assets	<u>140,051,824</u>	<u>21,612,473</u>	<u>18,172,486</u>	<u>6,444,955</u>	<u>17,921,370</u>	<u>16,901,223</u>	<u>221,104,331</u>	<u>3,940,625</u>
Total assets	<u>178,305,989</u>	<u>23,158,708</u>	<u>22,716,593</u>	<u>7,451,308</u>	<u>25,736,942</u>	<u>19,745,566</u>	<u>277,115,106</u>	<u>8,630,586</u>
Deferred outflows:								
Unamortized deferred loss on refunding	2,973,508	-	-	-	-	-	2,973,508	-
Other deferred charges	1,449,646	83,570	-	-	-	-	1,533,216	-
Total deferred outflows	<u>4,423,154</u>	<u>83,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,506,724</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 182,729,143</u>	<u>\$ 23,242,278</u>	<u>\$ 22,716,593</u>	<u>\$ 7,451,308</u>	<u>\$ 25,736,942</u>	<u>\$ 19,745,566</u>	<u>\$ 281,621,830</u>	<u>\$ 8,630,586</u>

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska
Proprietary Funds
Statement of Net Position, continued
June 30, 2013

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Treatment</u>	<u>Solid Waste Disposal</u>	<u>Harbor</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
Liabilities and Net Position								
Liabilities:								
Current liabilities:								
Accounts payable and accrued liabilities	\$ 2,178,530	\$ 258,167	\$ 9,413	\$ 182,836	\$ 230,516	\$ 28,688	\$ 2,888,150	\$ 179,922
Interest payable	1,474,146	20,830	38,575	-	53,894	-	1,587,445	-
Due to other funds	-	-	-	-	100,000	-	100,000	-
Unearned revenue	250,200	250,100	-	-	-	250,296	750,596	-
Current portion of:								
Revenue bonds	1,845,000	-	-	-	115,000	-	1,960,000	-
Revenue notes	286,508	-	-	-	-	-	286,508	-
Notes payable	-	261,016	198,913	115,798	45,348	-	621,075	-
Payable from restricted assets - deposits payable	100,288	700	-	8,106	1,509	150,000	260,603	-
Total current liabilities	<u>6,134,672</u>	<u>790,813</u>	<u>246,901</u>	<u>306,740</u>	<u>546,267</u>	<u>428,984</u>	<u>8,454,377</u>	<u>179,922</u>
Noncurrent liabilities:								
Compensated absences	220,892	18,943	45,595	5,283	32,649	-	323,362	44,743
Advances from other funds	-	-	-	-	-	398,257	398,257	638,000
Revenue bonds	79,485,000	-	-	-	3,840,000	-	83,325,000	-
Premium on bonds	5,943,338	-	-	-	614,486	-	6,557,824	-
Revenue notes	7,973,608	-	-	-	-	-	7,973,608	-
Notes payable	-	4,808,537	4,753,909	1,736,963	680,222	-	11,979,631	-
Landfill post-closure liability	-	-	-	461,757	-	-	461,757	-
Total noncurrent liabilities	<u>93,622,838</u>	<u>4,827,480</u>	<u>4,799,504</u>	<u>2,204,003</u>	<u>5,167,357</u>	<u>398,257</u>	<u>111,019,439</u>	<u>682,743</u>
Total liabilities	<u>99,757,510</u>	<u>5,618,293</u>	<u>5,046,405</u>	<u>2,510,743</u>	<u>5,713,624</u>	<u>827,241</u>	<u>119,473,816</u>	<u>862,665</u>
Net position:								
Net investment in capital assets	40,760,081	16,504,353	13,016,413	4,122,331	12,312,651	16,751,223	103,467,052	3,940,625
Restricted for debt service	7,047,685	-	-	-	312,154	-	7,359,839	-
Unrestricted	35,163,867	1,119,632	4,653,775	818,234	7,398,513	2,167,102	51,321,123	3,827,296
Total net position	<u>82,971,633</u>	<u>17,623,985</u>	<u>17,670,188</u>	<u>4,940,565</u>	<u>20,023,318</u>	<u>18,918,325</u>	<u>162,148,014</u>	<u>7,767,921</u>
Total liabilities and net position	<u>\$ 182,729,143</u>	<u>\$ 23,242,278</u>	<u>\$ 22,716,593</u>	<u>\$ 7,451,308</u>	<u>\$ 25,736,942</u>	<u>\$ 19,745,566</u>		<u>\$ 8,630,586</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							(414,376)	
Net position of business-type activities							<u>\$ 161,733,638</u>	

City and Borough of Sitka, Alaska
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Treatment</u>	<u>Solid Waste Disposal</u>	<u>Harbor</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
Operating revenues:								
Charges for services	\$ 11,195,237	\$ 1,509,572	\$ 2,163,477	\$ 2,756,320	\$ 1,721,046	\$ 895,508	\$ 20,241,160	\$ 2,850,630
Other	882,317	52,258	271,491	232,438	191,417	364,316	1,994,237	33,504
Total operating revenues	<u>12,077,554</u>	<u>1,561,830</u>	<u>2,434,968</u>	<u>2,988,758</u>	<u>1,912,463</u>	<u>1,259,824</u>	<u>22,235,397</u>	<u>2,884,134</u>
Operating expenses:								
Wages and benefits	3,872,045	337,145	999,475	167,076	818,227	-	6,193,968	926,440
Travel and training	25,220	5,190	11,991	5,302	1,744	-	49,447	14,669
Utilities	293,081	57,306	208,753	24,127	130,660	150,848	864,775	28,298
Repair and maintenance	186,653	27,146	113,000	5,533	64,017	190,183	586,532	348,179
Contracted/purchased services	773,059	365,731	120,901	2,313,004	219,040	173,554	3,965,289	637,404
Interdepartmental services	1,704,385	259,670	519,752	500,532	414,160	223,332	3,621,831	419,180
Other	273,077	299,158	28,409	29,750	60,362	28,495	719,251	846
Depreciation and amortization	1,986,195	798,486	1,458,341	216,082	668,511	595,632	5,723,247	464,937
Total operating expense	<u>9,113,715</u>	<u>2,149,832</u>	<u>3,460,622</u>	<u>3,261,406</u>	<u>2,376,721</u>	<u>1,362,044</u>	<u>21,724,340</u>	<u>2,839,953</u>
Operating income (loss)	<u>2,963,839</u>	<u>(588,002)</u>	<u>(1,025,654)</u>	<u>(272,648)</u>	<u>(464,258)</u>	<u>(102,220)</u>	<u>511,057</u>	<u>44,181</u>
Nonoperating revenues (expenses):								
Investment income (loss)	314,600	(25,170)	27,795	(15,908)	151,244	19,687	472,248	(21,976)
Interest expense	(1,678,238)	(46,312)	(98,006)	(29,545)	(57,843)	(15,500)	(1,925,444)	(22,500)
Raw fish tax	-	-	-	-	1,183,956	-	1,183,956	-
State PERS relief	325,771	28,135	84,404	13,327	62,193	-	513,830	72,559
Other federal sources	594,158	-	-	-	1,250	18,121	613,529	-
State revenue sharing	100,564	-	-	-	-	65	100,629	-
Other	(121,776)	95,671	-	-	-	-	(26,105)	21,466
Gain (loss) on disposal of capital assets	-	-	-	-	-	5,013	5,013	(11,999)
Net nonoperating revenues (expenses)	<u>(464,921)</u>	<u>52,324</u>	<u>14,193</u>	<u>(32,126)</u>	<u>1,340,800</u>	<u>27,386</u>	<u>937,656</u>	<u>37,550</u>
Income (loss) before contributions and transfers	2,498,918	(535,678)	(1,011,461)	(304,774)	876,542	(74,834)	1,448,713	81,731

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position, continued
Year Ended June 30, 2013

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Treatment</u>	<u>Solid Waste Disposal</u>	<u>Harbor</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
Capital contributions	\$ 17,169,455	\$ 379,231	\$ 385,752	\$ -	\$ -	\$ -	\$ 17,934,438	\$ -
Transfers in	-	1,033,128	-	-	57,859	498,282	1,589,269	326,406
Transfers out	(998,128)	-	(35,953)	-	(100,000)	(60,465)	(1,194,546)	(78,000)
Total contributions and transfers	<u>16,171,327</u>	<u>1,412,359</u>	<u>349,799</u>	<u>-</u>	<u>(42,141)</u>	<u>437,817</u>	<u>18,329,161</u>	<u>248,406</u>
Change in net position	<u>18,670,245</u>	<u>876,681</u>	<u>(661,662)</u>	<u>(304,774)</u>	<u>834,401</u>	<u>362,983</u>	<u>19,777,874</u>	<u>330,137</u>
Net position, beginning of year	65,303,394	16,747,304	18,331,850	5,245,339	19,188,917	18,555,342		7,437,784
Cumulative effect of change in accounting principle - adoption of GASB 65 - write off unamortized bond issue costs	(1,002,006)	-	-	-	-	-		-
Net position, beginning of year, restated	<u>64,301,388</u>	<u>16,747,304</u>	<u>18,331,850</u>	<u>5,245,339</u>	<u>19,188,917</u>	<u>18,555,342</u>		<u>7,437,784</u>
Net position, end of year	<u>\$ 82,971,633</u>	<u>\$ 17,623,985</u>	<u>\$ 17,670,188</u>	<u>\$ 4,940,565</u>	<u>\$ 20,023,318</u>	<u>\$ 18,918,325</u>		<u>\$ 7,767,921</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							10,087	
Change in net position of business-type activities							<u>\$ 19,787,961</u>	

City and Borough of Sitka, Alaska

**Proprietary Funds
Statement of Cash Flows**

Year Ended June 30, 2013

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Treatment</u>	<u>Solid Waste Disposal</u>	<u>Harbor</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
Cash flows from operating activities:								
Receipts from customers and users	\$ 12,028,078	\$ 1,641,092	\$ 2,401,369	\$ 2,959,090	\$ 1,950,417	\$ 1,409,323	\$ 22,389,369	\$ 2,906,850
Payments to suppliers	(183,064)	(563,519)	(742,761)	(2,370,559)	(338,295)	(535,083)	(4,733,281)	(881,514)
Payments for interfund services used	(1,704,385)	(259,670)	(519,752)	(500,532)	(414,160)	(223,332)	(3,621,831)	(419,180)
Payments to employees	(3,539,440)	(306,707)	(917,707)	(154,175)	(753,503)	(18)	(5,671,550)	(862,760)
Net cash flows from operating activities	<u>6,601,189</u>	<u>511,196</u>	<u>221,149</u>	<u>(66,176)</u>	<u>444,459</u>	<u>650,890</u>	<u>8,362,707</u>	<u>743,396</u>
Cash flows from noncapital financing activities:								
Other federal sources	594,158	-	-	-	1,250	18,121	613,529	-
State revenue sharing and fish taxes	100,564	-	-	-	1,183,956	65	1,284,585	-
Receipt (repayment) of advances	-	-	-	-	(160,000)	(81,082)	(241,082)	188,000
Transfers to other funds	(998,128)	-	(35,953)	-	(100,000)	(60,465)	(1,194,546)	(78,000)
Transfers from other funds	-	1,033,128	-	-	57,859	498,282	1,589,269	326,406
Notes receivable payments	850	5,610	18,197	-	-	-	24,657	-
Net cash flows from noncapital financing activities	<u>(302,556)</u>	<u>1,038,738</u>	<u>(17,756)</u>	<u>-</u>	<u>983,065</u>	<u>374,921</u>	<u>2,076,412</u>	<u>436,406</u>
Cash flows from capital and related financing activities:								
Capital expenditures	(40,854,535)	(1,567,121)	(922,939)	(84,754)	(703,789)	(287,902)	(44,421,040)	(772,982)
Interest paid	(1,267,846)	(72,954)	(117,445)	(29,545)	(3,949)	(15,500)	(1,507,239)	(22,500)
Payments on bonds and notes payable	(2,045,382)	(159,895)	(447,314)	(115,797)	(45,349)	-	(2,813,737)	-
Government grants and loans for construction	12,341,414	242,621	432,705	-	84,582	44,786	13,146,108	-
Issuance of long-term debt	40,148,979	-	881,148	-	4,569,486	-	45,599,613	-
Special assessments received	-	-	8,460	-	-	-	8,460	-
Increase in bond covenant accounts	(3,094,337)	-	-	-	(312,154)	-	(3,406,491)	-
Proceeds from sale of capital assets	-	-	-	-	-	5,013	5,013	-
Net cash flows from capital and related financing activities	<u>5,228,293</u>	<u>(1,557,349)</u>	<u>(165,385)</u>	<u>(230,096)</u>	<u>3,588,827</u>	<u>(253,603)</u>	<u>6,610,687</u>	<u>(795,482)</u>
Cash flows from investing activities -								
Interest received (loss)	<u>314,600</u>	<u>(25,170)</u>	<u>27,795</u>	<u>(15,908)</u>	<u>151,244</u>	<u>19,687</u>	<u>472,248</u>	<u>(21,976)</u>
Net increase/(decrease) in cash and cash equivalents	11,841,526	(32,585)	65,803	(312,180)	5,167,595	791,895	17,522,054	362,344
Cash and cash equivalents, beginning	<u>31,551,094</u>	<u>797,624</u>	<u>3,887,369</u>	<u>1,590,677</u>	<u>4,735,101</u>	<u>2,070,784</u>	<u>44,632,649</u>	<u>4,327,617</u>
Cash and cash equivalents, ending	<u>\$ 43,392,620</u>	<u>\$ 765,039</u>	<u>\$ 3,953,172</u>	<u>\$ 1,278,497</u>	<u>\$ 9,902,696</u>	<u>\$ 2,862,679</u>	<u>\$ 62,154,703</u>	<u>\$ 4,689,961</u>

See accompanying notes to the basic financial statements.

City and Borough of Sitka, Alaska

Proprietary Funds

Statement of Cash Flows, continued

Year Ended June 30, 2013

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Treatment</u>	<u>Solid Waste Disposal</u>	<u>Harbor</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:								
Operating income (loss)	\$ 2,963,839	\$ (588,002)	\$ (1,025,654)	\$ (272,648)	\$ (464,258)	\$ (102,220)	\$ 511,057	\$ 44,181
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization	1,986,195	798,486	1,458,341	216,082	668,511	595,632	5,723,247	464,937
State PERS relief	325,771	28,135	84,404	13,327	62,193	-	513,830	72,559
Other income (expense)	(121,776)	95,671	-	-	-	-	(26,105)	21,466
(Increase) decrease in assets:								
Accounts receivable (net)	(49,320)	(16,509)	(33,599)	(32,669)	38,423	(501)	(94,175)	1,250
Inventories	347,800	(10,963)	-	-	-	-	336,837	-
Prepaid expenses	-	(489)	-	-	-	(723)	(1,212)	12,341
Increase/(decrease) in liabilities:								
Accounts payable and accrued liabilities	1,142,002	202,464	(259,707)	45,395	137,528	8,720	1,276,402	135,541
Compensated absences	6,834	2,303	(2,636)	(426)	2,531	(18)	8,588	(8,879)
Deposits	(156)	100	-	3,001	(469)	150,000	152,476	-
Landfill postclosure liability	-	-	-	(38,238)	-	-	(38,238)	-
Net cash flows from operating activities	<u>\$ 6,601,189</u>	<u>\$ 511,196</u>	<u>\$ 221,149</u>	<u>\$ (66,176)</u>	<u>\$ 444,459</u>	<u>\$ 650,890</u>	<u>\$ 8,362,707</u>	<u>\$ 743,396</u>

City and Borough of Sitka, Alaska

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2013

	Rowe Trust Fund	Sitka Cemetery Agency Fund	<u>Totals</u>
Current assets - restricted equity in central treasury	<u>\$ 195,731</u>	<u>\$ 105,069</u>	<u>\$ 300,800</u>
Liabilities - due to Sitka Cemetery Association	\$ -	\$ 105,069	\$ 105,069
Net position - held in trust for library acquisitions	<u>195,731</u>	<u>-</u>	<u>195,731</u>
Total liabilities and net position	<u>\$ 195,731</u>	<u>\$ 105,069</u>	<u>\$ 300,800</u>

City and Borough of Sitka, Alaska
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2013

	<u>Rowe Trust Fund</u>
Additions - investment income (loss)	\$ (1,380)
Deductions - library books and supplies	<u>1,777</u>
Change in net position	(3,157)
Net position, beginning of year	<u>198,888</u>
Net position, end of year	<u>\$ 195,731</u>

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City and Borough of Sitka, Alaska

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

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

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

Government-wide and Fund Financial Statements

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City and Borough reports the following major governmental funds:

The **General Fund** is 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.

City and Borough of Sitka, Alaska

Notes to Financial Statements

The **Capital Projects Fund** is used to account for all governmental construction projects except those financed by Proprietary and Internal Service Funds.

The City and Borough reports the following major proprietary funds:

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

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

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

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

The **Harbor Enterprise Fund** provides rental space for commercial and recreational boats within the five harbors that are located within the City and Borough.

Additionally, the government reports the following fund types:

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

The **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.

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

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

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

Assets, Liabilities and Net Position or Equity

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

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

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

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.

Advances between funds, as reported in the fund financial statements, are offset by an equal amount of "nonspendable" fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 Utility Fund and Harbor 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.

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 sheets of the Electric Utility Fund and Harbor 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.

City and Borough of Sitka, Alaska

Notes to Financial Statements

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 the current year.

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

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 its 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discounts.

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.

City and Borough of Sitka, Alaska

Notes to Financial Statements

h. Fund Balance

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

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

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

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

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

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

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

i. Change in Accounting Principle

The City and Borough has adopted newly issued GASB pronouncements 63 and 65, resulting in a change in presentation of the government-wide and fund level financial statements. The new pronouncements require reporting two new categories of accounts. Certain items previously reported as assets are now categorized as deferred outflows of resources. A deferred outflow of resources represents the consumption of the government's net position or fund balance that is applicable to a future reporting period. Other items previously categorized as liabilities are now categorized as deferred inflows of resources. A deferred inflow of resources represents the acquisition of net position or fund balance that is applicable to a future reporting period. For example, revenues that have been earned but are not yet available in the governmental funds are now reported as deferred inflows. In the government-wide and proprietary fund financial statements, the residual net of all of the accounts is now called net position.

As a result of the adoption of these statements, the City and Borough has recorded a "cumulative effect adjustment" to opening net position on the government-wide and the proprietary fund financial statements. This adjustment removes the unamortized debt issuance costs which are now required to be expensed.

(2) Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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.

City and Borough of Sitka, Alaska

Notes to Financial Statements

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 reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

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

(3) **Deposits and investments**

As of June 30, 2013, the City and Borough had the following investments:

<u>Investment Type</u>	<u>S&P Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investments subject to custodial credit risk:			
Corporate notes & bonds	Baa3 to AAA	\$ 3,858,349	0.97
Municipal notes & bonds	AA2 to AAA	1,132,726	12.50
Mortgage backed securities	unrated	7,297,167	1.03
External investment pool	AAA	618,130	
Mutual funds	unrated	14,772,208	
Cash equivalents	unrated	18,997,674	
U.S. government sponsored:			
Agency notes & bonds	AAA	47,036,227	3.36
Money markets	unrated	<u>25,870,907</u>	
Total fair value of investments subject to custodial credit risk		<u>\$ 119,583,388</u>	
Portfolio weighed average maturity			2.22

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

Credit Risk. The City and Borough's investment policy limits investment in corporate debt securities to those rated AA or better by a nationally recognized statistical rating organization. Debt securities of state and local governmental entities must have a similar rating. Short term commercial promissory notes must have a rating of A1/P1 or better. The long-term credit rating of the issuing organization must be A- or better. Real Estate Mortgage Investment Conduit securities are limited to the Federal National Mortgage Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Association. The investment policy does not require these securities to have any minimum rating. The City and Borough's investments complied with its policy at June 30, 2013.

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, 2013, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$2,744,109 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, 2013, the Permanent Fund's portfolio contained 57% mutual fund equities, 40% fixed income securities and 3% cash equivalents.

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

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

Cash on hand	\$ 2,100
Carrying amount of deposits	3,941,026
Carrying amount of investments	<u>119,583,388</u>
	<u>\$ 123,526,514</u>

Reported in the Statement of Net Position:

Equity in central treasury	\$ 89,405,608
Equity in central treasury - restricted	6,863,496
Cash and investments - restricted	26,956,610
Reported in the Fiduciary Funds	<u>300,800</u>
	<u>\$ 123,526,514</u>

At June 30, 2013, the Sitka School District's cash and investments included operating bank accounts and sweep accounts. The carrying amount of deposits was \$2,216,145. Amounts are insured at each financial institution by the Federal Deposit Insurance Corporation up to legal maximum. District policy requires any amount in excess of the U.S. Federal Deposit Insurance Corporation (FDIC) limit be collateralized.

At June 30, 2013, Sitka Community Hospital's cash and cash equivalents include deposits in check and savings accounts. The Hospital has concentrated its credit risk for cash by maintaining deposits in two financial institutions, which may at times exceed amounts covered by insurance provided by the FDIC. At June 30, 2013, the Hospital has bank deposits of \$866,408 in excess of FDIC insurance.

At June 30, 2013, 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 \$158,601. The bank balance was covered by the Federal Deposit Insurance Corporation.

(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:

City and Borough of Sitka, Alaska

Notes to Financial Statements

	General	Capital Projects	Electric Utility	Water Utility	Wastewater Treatment	Solid Waste Disposal	Harbor	Nonmajor and Other Funds	Total
Taxes	\$ 2,361,262	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,582	\$ 2,402,844
Special assessments	-	-	-	-	113,272	-	-	81,115	194,387
Federal & state	123,508	1,563,238	6,956,352	419,610	420,202	-	1,183,998	73,806	10,740,714
Accounts	781,679	-	999,889	134,865	195,182	252,888	155,612	132,318	2,652,433
Interest	387,882	-	-	-	-	-	-	76,852	464,734
Notes	91,285	-	19,150	16,499	107,498	-	-	1,807,377	2,041,809
Total Receivables	3,745,616	1,563,238	7,975,391	570,974	836,154	252,888	1,339,610	2,213,050	18,496,921
Less allowance for doubtful accounts	(457,492)	-	(192,843)	(30,580)	(41,968)	(55,169)	(123,225)	(9,230)	(910,507)
Net total receivables	<u>\$ 3,288,124</u>	<u>\$ 1,563,238</u>	<u>\$ 7,782,548</u>	<u>\$ 540,394</u>	<u>\$ 794,186</u>	<u>\$ 197,719</u>	<u>\$ 1,216,385</u>	<u>\$ 2,203,820</u>	<u>\$ 17,586,414</u>

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

<u>Description</u>	<u>Deferred</u>	<u>Unearned</u>
Special assessments not yet due	\$ 81,115	\$ -
Grant draw downs prior to meeting all eligibility requirements	-	309,268
FY 14 PILT	596,029	-
Property taxes received in advance	<u>18,709</u>	<u>-</u>
Total unavailable/unearned revenue for governmental funds	<u>\$ 695,853</u>	<u>\$ 309,268</u>

In the Statement of Net Position, the FY 14 PILT and Property Taxes Received in Advance remain in the deferred inflow accounts.

City and Borough of Sitka, Alaska

Notes to Financial Statements

(5) Capital Assets

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,994,769	\$ 3,499,430	\$ (263,287)	\$ 11,230,912
Construction in progress	<u>15,893,525</u>	<u>10,028,199</u>	<u>(9,253,000)</u>	<u>16,668,724</u>
Total capital assets, not being depreciated	<u>23,888,294</u>	<u>13,527,629</u>	<u>(9,516,287)</u>	<u>27,899,636</u>
Capital assets, being depreciated:				
Buildings	95,938,830	2,889,044	-	98,827,874
Land Improvements	2,987,766	3,836,089	(345,032)	6,478,823
Infrastructure	29,607,916	1,890,554	-	31,498,470
Equipment	<u>12,452,440</u>	<u>1,089,332</u>	<u>(212,921)</u>	<u>13,328,851</u>
Total capital assets being depreciated	<u>140,986,952</u>	<u>9,705,019</u>	<u>(557,953)</u>	<u>150,134,018</u>
Less accumulated depreciation for:				
Buildings	(40,623,226)	(2,480,137)	-	(43,103,363)
Land improvements	(302,575)	(203,526)	-	(506,101)
Infrastructure	(13,088,137)	(810,011)	-	(13,898,148)
Equipment	<u>(6,619,462)</u>	<u>(963,748)</u>	<u>200,921</u>	<u>(7,382,289)</u>
Total accumulated depreciation	<u>(60,633,400)</u>	<u>(4,457,422)</u>	<u>200,921</u>	<u>(64,889,901)</u>
Total capital assets, being depreciated, net	<u>80,353,552</u>	<u>5,247,597</u>	<u>(357,032)</u>	<u>85,244,117</u>
Governmental activities capital assets, net	<u>\$ 104,241,846</u>	<u>\$ 18,775,226</u>	<u>\$ (9,873,319)</u>	<u>\$ 113,143,753</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	5,221,911	-	-	5,221,911
Construction in progress	<u>28,277,809</u>	<u>44,297,793</u>	<u>(6,448,666)</u>	<u>66,126,936</u>
Total capital assets, not being depreciated	<u>33,499,720</u>	<u>44,297,793</u>	<u>(6,448,666)</u>	<u>71,348,847</u>
Capital assets, being depreciated:				
Buildings	15,993,625	-	-	15,993,625
Land improvements	10,288,685	2,408,890	-	12,697,575
Equipment	5,195,815	187,262	-	5,383,077
Harbors	22,994,857	85,431	-	23,080,288
Electric plant	111,453,597	-	-	111,453,597
Water plant	27,561,396	2,948,100	-	30,509,496
Wastewater treatment plant	<u>43,732,656</u>	<u>942,592</u>	<u>-</u>	<u>44,675,248</u>
Total capital assets, being depreciated	<u>237,220,631</u>	<u>6,572,275</u>	<u>-</u>	<u>243,792,906</u>
Less accumulated depreciation for:				
Buildings	(7,203,034)	(560,859)	-	(7,763,893)
Land improvements	(1,122,491)	(252,465)	-	(1,374,956)
Equipment	(2,519,109)	(367,234)	-	(2,886,343)
Harbors	(9,027,424)	(638,628)	-	(9,666,052)
Electric plant	(52,645,089)	(1,741,667)	-	(54,386,756)
Water plant	(10,331,058)	(765,714)	-	(11,096,772)
Wastewater treatment plant	<u>(31,262,776)</u>	<u>(1,298,160)</u>	<u>-</u>	<u>(32,560,936)</u>
Total accumulated depreciation	<u>(114,110,981)</u>	<u>(5,624,727)</u>	<u>-</u>	<u>(119,735,708)</u>
Total capital assets, being depreciated, net	<u>123,109,650</u>	<u>947,548</u>	<u>-</u>	<u>124,057,198</u>
Business-type activities capital assets, net	<u>\$ 156,609,370</u>	<u>\$ 45,245,341</u>	<u>\$ (6,448,666)</u>	<u>\$ 195,406,045</u>

City and Borough of Sitka, Alaska

Notes to Financial Statements

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

Governmental activities:

Administration	\$ 68,495
Public safety	368,988
Public works	1,055,461
Public services	209,974
Support	2,289,567
Capital assets held by the government's internal service funds are	<u>464,937</u>
Total depreciation expense - governmental activities	<u>\$ 4,457,422</u>

Business - type activities:

Electric	\$ 1,887,675
Water	798,486
Wastewater treatment plant	1,458,341
Solid waste disposal	216,082
Harbor	668,511
Airport terminal building	178,130
Marine service center	150,386
Sawmill cove industrial park	<u>267,116</u>
Total depreciation expense - business - type activities	<u>\$ 5,624,727</u>

(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	60,977
Nonmajor governmental fund	General Fund	<u>273,947</u>
Total		<u>\$ 434,924</u>
Advances from/to other funds:		
General Fund	Nonmajor enterprise fund	\$ 38,985
Nonmajor governmental fund	Internal service funds	638,000
Nonmajor governmental fund	Nonmajor enterprise funds	<u>359,272</u>
Total		<u>\$ 1,036,257</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.

City and Borough of Sitka, Alaska

Notes to Financial Statements

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.

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 Southeast Alaska Economic Development Fund. The advance is being repaid in \$50,000 annual payments.

Interfund Transfers

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

Interfund Transfers

	General Fund	Permanent Fund	Capital Projects Fund	Nonmajor Govern-mental Funds	Water Fund	Harbor Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total transfers out
General Fund	\$ -	\$ -	\$ 1,586,448	\$ 874,031	\$ -	\$ 30,696	\$ 405,025	\$ 106	\$ 2,896,306
Permanent Fund	1,101,525	-	-	-	-	-	-	-	1,101,525
Capital Projects Fund	37,370	-	-	-	-	-	-	-	37,370
Nonmajor Governmental Funds	128,220	-	2,055,521	-	-	27,163	93,257	325,347	2,629,508
Electric Fund	-	-	-	-	998,128	-	-	-	998,128
Wastewater Fund	-	-	-	-	35,000	-	-	953	35,953
Harbor Fund	100,000	-	-	-	-	-	-	-	100,000
Nonmajor Enterprise Funds	-	60,465	-	-	-	-	-	-	60,465
Internal Service Funds	-	-	78,000	-	-	-	-	-	78,000
Total transfers in	<u>\$ 1,367,115</u>	<u>\$ 60,465</u>	<u>\$ 3,719,969</u>	<u>\$ 874,031</u>	<u>\$ 1,033,128</u>	<u>\$ 57,859</u>	<u>\$ 498,282</u>	<u>\$ 326,406</u>	<u>\$ 7,937,255</u>

(7) Capital Leases

The City and Borough has no leases currently outstanding.

City and Borough of Sitka, Alaska

Notes to Financial Statements

(8) Long-Term Debt

General Obligation Bonds

The City and Borough issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued only for governmental activities. The original amount of general obligation bonds issued in prior and current years was \$48,395,000.

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

General obligation bonds currently outstanding are as follows:

Governmental activities:

	<u>Interest rates</u>	<u>Amount</u>
School renovation and additions: \$8,480,000, 2005 Series B School bonds, final payment due May 1, 2015	4.00% to 5.25%	\$ 770,000
\$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%	4,425,000
\$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%	2,530,000
\$7,150,000, 2008 Series Two School bonds, final payment due June 1, 2028	4.00% to 6.00%	5,935,000
\$5,690,000, 2011 Series Two School bonds, final payment due June 1, 2028	4.00% to 6.00%	5,235,000
\$12,755,000 2012 Series Two bonds refinancing portion of 2005 Series B School Bonds and refinancing the balance of 2004 Series A School Bonds, final payment due September 1, 2024	2.00% to 5.00%	<u>12,125,000</u>
Total		\$ <u>31,020,000</u>

City and Borough of Sitka, Alaska

Notes to Financial Statements

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

<u>Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,385,000	\$ 1,390,214
2015	2,470,000	1,246,695
2016	2,565,000	1,135,718
2017	2,675,000	1,026,118
2018	2,800,000	913,618
2019-2023	10,940,000	2,899,708
2024-2028	6,055,000	898,201
2029	1,130,000	99,214
	\$ 31,020,000	\$ 9,609,486

In addition, the governmental activities have a single State of Alaska, Department of Environmental Conservation Loan outstanding in the amount of \$146,250. This note bears interest at 1.5% with final payment due April 2028. Annual debt service to maturity is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 9,750	\$ 2,194
2015	9,750	2,048
2016	9,750	1,901
2017	9,750	1,755
2018	9,750	1,609
2019-2023	48,750	5,891
2024-2028	48,750	2,194
	\$ 146,250	\$ 17,592

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. The original amount of revenue bonds issued in the fiscal year was \$39,485,000. Revenue bonds outstanding at year end are as follows:

	<u>Interest rates</u>	<u>Amount</u>
\$3,955,000, 2013 Series One Harbor bonds, final payment due February 1, 2033	2.000% to 5.000%	\$ 3,955,000
\$25,880,000, 2010 Series B Four Refunding Serial bonds, final payment due July 1, 2031	5.200% to 7.000%	22,980,000

City and Borough of Sitka, Alaska

Notes to Financial Statements

	<u>Interest rates</u>	<u>Amount</u>
\$35,530,000, 2013 Series One Electric bonds, final payment due February 1, 2047	3.800% to 5.000%	\$ 35,530,000
\$22,000,000, 2010 Series B Recovery Zone Economic Development Serial bonds, final payment due July 1, 2031	5.200% to 7.000%	22,000,000
\$820,000, 2010 Series B Four Build America Serial bonds, final payment due July 1, 2031	5.200% to 7.000%	<u>820,000</u>
Total		<u>\$ 85,285,000</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>
2014	\$ 1,960,000	\$ 3,938,977
2015	2,050,000	4,101,043
2016	2,095,000	4,037,393
2017	2,180,000	3,951,992
2018	2,265,000	3,876,411
2019-2023	12,700,000	17,892,984
2024-2028	15,355,000	14,542,025
2029-2033	14,265,000	9,835,976
2034-2038	9,140,000	7,234,250
2039-2043	11,660,000	4,708,750
2044-2047	<u>11,615,000</u>	<u>1,487,250</u>
	<u>\$ 85,285,000</u>	<u>\$ 75,607,051</u>

The provisions of bond ordinances for issues by the Electric Utility and the Harbor require maintenance of stipulated cash deposits in renewal and replacement, bond redemption and bond refunding accounts. Furthermore, electric 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, 2013.

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.

City and Borough of Sitka, Alaska

Notes to Financial Statements

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 original note issued in prior years was \$15,000,000. 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 supply system, final payment due January 1, 2033	4%	\$ 8,260,116

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>
2014	\$ 286,508	\$ 327,568
2015	298,083	315,993
2016	310,125	303,950
2017	322,655	291,421
2018	335,690	278,386
2019-2023	1,893,172	1,177,207
2024-2028	2,307,767	762,614
2029-2033	2,506,116	257,224
	<u>\$ 8,260,116</u>	<u>\$ 3,714,363</u>

In connection with the borrowing evidenced by the 1982 revenue note payable, the City and Borough has agreed to set electric 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, 2013.

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.

	<u>Interest rates</u>	<u>Amount</u>
Completed projects:		
\$250,000, note payable for wastewater treatment improvements #783041	1.5%	\$ 78,944
\$400,000, note payable for corrosion control of municipal water #783031	1.5%	144,768
\$565,000, note payable for water system upgrades on Sawmill Creek Road #783061	1.5%	394,339

City and Borough of Sitka, Alaska

Notes to Financial Statements

	<u>Interest rates</u>	<u>Amount</u>
Completed projects, continued:		
\$1,000,000, note payable for harbor water distribution system upgrades #783071	1.5%	\$ 725,570
\$1,310,000 note payable for wastewater treatment plant upgrades #783051	1.5%	881,791
\$1,500,000, note payable for I and I #783011	1.5%	740,368
\$2,400,000, note payable for Kimsham landfill closure #783081	1.5%	1,852,761
\$3,170,000, note payable for Whitcomb Heights Subdivision water tank #783211	1.5%	2,535,780
\$1,000,000, note payable for Japonski Island water distribution main #783151	1.5%	588,191
\$1,400,000, note payable for sewer system upgrades #783101	1.5%	910,975
\$483,000, note payable for SMC Road/HPR Intersection water line replacement #783311	1.5%	296,352
\$308,000, note payable for HPR/SMC Road Intersection Sewer Replacement #783241	1.5%	258,566
\$1,455,081, note payable for SMC Road Sewer Upgrade, Phase III - ARRA Funding #783281	1.5%	<u>162,985</u>
Total notes payable for completed projects		<u>9,571,390</u>
Uncompleted projects in draw down phase:		
\$740,000, project for Baranof Street Sewer replacement - #783091	1.5%	98,172
\$685,000, project for Baranof Street Water System replacement - #783501	1.5%	57,643
\$617,000, project for Treated Water Storage Tank - Coating & Cathodic Protection - ARRA Funding #783341	1.5%	61,096
\$184,000, SMC sewer upgrade ACWF #783282	1.5%	34,527
\$1,089,700, project for Japonski Island Sewer Liftstaions - #783391	1.5%	1,359,879
\$859,103, project for Monastery Street Sewer Main Replacement - Monastery St #783401	1.5%	535,945

City and Borough of Sitka, Alaska

Notes to Financial Statements

	<u>Interest rates</u>	<u>Amount</u>
Uncompleted projects in draw down phase, continued:		
\$2,500,000, project for UV Disinfection Facility		
UV Disinfection Facility #783431	1.5%	\$ 214,641
\$782,000, project for Monastery St Water Rehab		
Water Rehab - Monastery St #783441	1.5%	<u>667,413</u>
Total draw downs on notes yet to be finalized		<u>3,029,316</u>
Total		<u>\$ 12,600,706</u>

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>
2014	\$ 621,075	\$ 143,482
2015	623,154	134,152
2016	624,490	124,807
2017	598,740	115,440
2018	599,712	106,460
2019-2023	2,950,605	397,994
2024-2028	2,792,265	179,134
2029-2033	<u>761,349</u>	<u>20,595</u>
	<u>\$ 9,571,390</u>	<u>\$ 1,222,064</u>

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City and Borough of Sitka, Alaska

Notes to Financial Statements

Changes in long-term liabilities Long-Term Debt Schedule

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities					
General obligation bonds	\$ 33,420,000	\$ -	\$ 2,400,000	\$ 31,020,000	\$ 2,385,000
Less deferred amounts:					
Deferred loss on refunding	(306,774)	-	(23,598)	(283,176)	-
For issuance premiums	1,213,158	-	93,320	1,119,838	-
Total bonds payable	<u>34,326,384</u>	<u>-</u>	<u>2,469,722</u>	<u>31,856,662</u>	<u>2,385,000</u>
State of Alaska notes	156,000	-	9,750	146,250	9,750
Compensated absences	<u>776,532</u>	<u>648,820</u>	<u>753,193</u>	<u>672,159</u>	<u>156,854</u>
Governmental activity long-term liabilities	<u>\$ 35,258,916</u>	<u>\$ 648,820</u>	<u>\$ 3,232,665</u>	<u>\$ 32,675,071</u>	<u>\$ 2,551,604</u>
Business-type activities					
Bonds payable:					
Revenue bonds	\$ 47,570,000	\$ 39,485,000	\$ 1,770,000	\$ 85,285,000	\$ 1,960,000
Less deferred amounts:					
Issuance premiums	1,397,934	5,397,467	237,577	6,557,824	-
Deferred loss	(3,109,481)	-	(135,973)	(2,973,508)	-
Total bonds payable	<u>45,858,453</u>	<u>44,882,467</u>	<u>1,871,604</u>	<u>88,869,316</u>	<u>1,960,000</u>
Notes payable:					
Revenue note	8,535,499	-	275,383	8,260,116	286,508
State of Alaska notes	<u>12,487,913</u>	<u>881,148</u>	<u>768,355</u>	<u>12,600,706</u>	<u>621,075</u>
Total notes payable	<u>21,023,412</u>	<u>881,148</u>	<u>1,043,738</u>	<u>20,860,822</u>	<u>907,583</u>
Compensated absences	314,774	347,159	338,571	323,362	-
Landfill post-closure liability	<u>499,995</u>	<u>-</u>	<u>38,238</u>	<u>461,757</u>	<u>-</u>
Business-type activity long-term liabilities	<u>67,696,634</u>	<u>46,110,774</u>	<u>3,292,151</u>	<u>110,515,257</u>	<u>2,867,583</u>
Entity combined long-term liabilities	<u>\$ 102,955,550</u>	<u>\$ 46,759,594</u>	<u>\$ 6,524,816</u>	<u>\$ 143,190,328</u>	<u>\$ 5,419,187</u>

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

(9) **Authorized, Unissued Bonds**

The Assembly has authorized the issuance of bonds to fund the Blue Lake Dam project. The authorization to issue up to \$45,000,000 in bonds exists as this is the amount to complete the project. The entire amount is not required to be issued, and will not be if other funding becomes available.

City and Borough of Sitka, Alaska

Notes to Financial Statements

(10) Advance Refunding of Bonds

Historically, the City and Borough has issued refunding debt when financially advantageous. The purpose of the refundings is to obtain more favorable interest rates, thereby reducing the overall cost of borrowing. At the time of the transactions, the proceeds from the issuance of the new refunding debt has been placed into an irrevocable trust with an escrow paying agent to provide the future debt service on the old debt, until the debt is paid in full, typically at a specified call date. For financial accounting purposes, the refunded debt is considered defeased and removed from the City and Borough's financial statements. At June 30, 2013, defeased debt outstanding and under payment by the escrow agent is as follows:

<u>Refunding Date</u>	<u>Original Issue</u>	<u>Outstanding</u>
2010 Series 4 Refunding	1992 Sitka Bonds	\$ 8,200,000
2012 Series 2 Refunding	2004 Series A	7,595,000
2012 Series 2 Refunding	2005 Series A	<u>2,530,000</u>
		<u>\$ 18,325,000</u>

(11) Restricted Assets

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

Landfill post-closure	\$ 461,757
Customer deposits:	
Electric Utility	100,288
Water Utility	700
Harbor	1,509
Solid Waste Disposal	8,106
Sawmill Cove Industrial Park	150,000
Investment with bond trustee, debt covenants	<u>6,901,922</u>
Total restricted assets	<u>\$ 7,624,282</u>

(12) Fund Balance

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

City and Borough of Sitka, Alaska

Notes to Financial Statements

	General Fund	Permanent Fund	Capital Projects Fund	Nonmajor Funds	Totals
Nonspendable					
Prepaid items	\$ 10,501	\$ -	\$ -	\$ -	\$ 10,501
Long term note receivable	-	-	-	1,746,041	\$ 1,746,041
Advances receivable	38,985	-	-	997,272	1,036,257
Total nonspendable	<u>49,486</u>	<u>-</u>	<u>-</u>	<u>2,743,313</u>	<u>2,792,799</u>
Restricted					
Title III Forestry	520,742	-	-	-	520,742
Library building	-	-	-	460,576	460,576
Economic development	-	-	-	3,758,360	3,758,360
Commercial passenger tax	-	-	-	1,670,590	1,670,590
Library improvements	-	-	-	212,134	212,134
Debt service	-	-	-	2,028,544	2,028,544
Home Rule Charter	-	20,213,781	-	-	20,213,781
Total restricted	<u>520,742</u>	<u>20,213,781</u>	<u>-</u>	<u>8,130,204</u>	<u>28,864,727</u>
Committed					
Working capital reserve	5,748,818	-	-	-	5,748,818
Emergency reserve	2,000,000	-	-	-	2,000,000
General government	155,642	-	-	-	155,642
Capital projects	-	-	6,727,368	-	6,727,368
Total committed	<u>7,904,460</u>	<u>-</u>	<u>6,727,368</u>	<u>-</u>	<u>14,631,828</u>
Assigned					
Sawmill Cove contingency	-	-	-	880,782	880,782
Sitka Tobacco	-	-	-	102,681	102,681
LID Revolving	-	-	-	1,082,489	1,082,489
LID Guaranty	-	-	-	284,703	284,703
Other small funds	-	-	-	40,625	40,625
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,391,280</u>	<u>2,391,280</u>
Unassigned (deficits)	<u>5,843,192</u>	<u>-</u>	<u>-</u>	<u>(8,870)</u>	<u>5,834,322</u>
Total fund balances	<u>\$ 14,317,880</u>	<u>\$ 20,213,781</u>	<u>\$ 6,727,368</u>	<u>\$ 13,255,927</u>	<u>\$ 54,514,956</u>

(13) **Risk Management**

The City and Borough is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City and Borough carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City and Borough has not accrued a liability for claims and judgments at June 30, 2013 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 2013.

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.

City and Borough of Sitka, Alaska

Notes to Financial Statements

(14) Public Employees' Retirement System
Defined Benefit Pension Plan

The City participates in the Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration 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

PERS Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed legislation 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 no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers.

That same year, the State of Alaska passed additional legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

Employer and Other Contribution Rates

There are three contribution rates associated with the pension and healthcare contributions and related liabilities:

Contractual Rate: This is the required funding rate for participating employers. The contractual PERS rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. PERS contributions are calculated against all participating PERS payroll, including those wages attributable to employees in the defined contribution plan.

City and Borough of Sitka, Alaska

Notes to Financial Statements

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate caps. There are no constraints or restrictions on the actuarial cost method or other assumptions used in this valuation, other than those established and agreed to by the ARM Board.

Current legislation provides that the State of Alaska will contribute the difference between the ARM Board adopted rate and the contractual (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditure within the financial statements.

GASB 43 Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For FY13, the rate uses an 8.00% pension discount rate and a 6.88% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of differences in the actuarial valuation methodology and assumptions.

Contribution rates for the year ended June 30, 2013 were determined as part of the June 30, 2010 actuarial valuation and are as follows:

	<u>Contractual Rate</u>	<u>ARM Board Adopted Rate</u>	<u>GASB 43 Rate</u>
Pension	9.67%	15.75%	24.95%
Postemployment healthcare	<u>12.33%</u>	<u>20.09%</u>	<u>39.93%</u>
Total contribution rate	<u>22.00%</u>	<u>35.84%</u>	<u>64.88%</u>

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 13.84% 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 payment in the amount of \$1,480,775 as revenue and expense/expenditures in these financial statements. 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.

Year Ended	Annual	Annual OPEB	Total Benefit	City and Borough	% of TBC
<u>June 30</u>	<u>Pension Cost</u>	<u>Cost</u>	<u>Cost (TBC)</u>	<u>Contributions</u>	<u>Contributed</u>
2011	\$ 758,361	\$ 1,308,544	\$ 2,066,905	\$ 2,066,905	100%
2012	998,532	1,162,431	2,160,963	2,160,963	100%
2013	869,395	1,108,549	1,977,944	1,977,944	100%

City and Borough of Sitka, Alaska

Notes to Financial Statements

Defined Contribution Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a Defined Contribution Retirement Plan. The Plan is administered by the State of Alaska, Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The 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.

Employee Contribution Rates

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

Employer Contribution Rates

The City and Borough is required to contribute the following amounts based on covered salary:

	<u>Others</u> <u>Tier IV</u>	<u>Police/Fire</u> <u>Tier IV</u>
Individual account	5.00%	5.00%
Retiree medical plan	0.48	0.48
Occupational death and disability benefits	<u>0.14</u>	<u>0.99</u>
	<u>5.62 %</u>	<u>6.47%</u>

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of all employees of all employers in the plan". As of July 1, 2012, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,848 per year for each full-time employee and \$1.18 per hour for each part-time employee.

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, 2013 were \$226,127 and \$205,012, 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.

City and Borough of Sitka, Alaska

Notes to Financial Statements

Total contributions to ASBS for the year ended June 30, 2013 were \$1,334,066, based on a payroll of \$10,881,452 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 \$667,033.

(15) 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 position financial statement date.

The City and Borough has recognized a liability for the estimated costs of postclosure care of \$461,757 as of June 30, 2013. The Kimsham landfill was closed during fiscal year 2007 and is now a recreation facility consisting of three ball fields and a soccer/football field. The current postclosure liability as of 6/30/13 is \$399,997. A new landfill has been permitted by the State of Alaska and is accepting only the sludge from the Wastewater Treatment Plant at this time. The current estimate of closure and postclosure monitoring is \$154,400, with an estimated remaining useful life of 22 years which gives a liability of \$61,760 as of 6/30/13. Actual postclosure costs may be higher because of inflation, changes in technology, or changes in regulations. Estimates will be revised as necessary to accurately reflect future outlays.

(16) Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Alaska. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the 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, including the Americans with Disabilities Act, have a cost of compliance that is not currently known.

City and Borough of Sitka, Alaska

Notes to Financial Statements

(17) **Subsequent Events**

On October 31, 2013, the City and Borough of Sitka issued bonds for the Blue Lake Dam project at a par value of \$25,615,000 and a net interest cost of 4.40%. The intent is to seek an additional \$18,500,000 in funding for the project. This will either come as funding from the State of Alaska or as an additional bonding. The proceeds were delivered to the City on November 14, 2013.

The work on ANB harbor is substantially underway. This is being funded by the \$3,955,000 Harbor revenue bonds issued in fiscal year 2013.

(18) **New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates as follows:

GASB 66 - *Technical Corrections* - Effective for year-end June 30, 2014 - This statement contains certain technical corrections to prior GASB statements on the topics of Risk Financing, Operating Leases, Loan Purchases, and Servicing Fees.

GASB 67 - *Financial Reporting for Pension Plans* - Effective for year-end June 30, 2014 - This statement changes the reporting and disclosure requirements for government Pension Plans. This statement modifies the Plan-side reporting.

GASB 68 - *Accounting and Financial Reporting for Pensions* - Effective for year-end June 30, 2015 - This statement changes the reporting and disclosure requirements for governments that participate in pension plans. This statement modifies the participating employer side reporting in connection with the Plan side reporting at GASB 67.

GASB 69 - *Government Combinations and Disposals of Government Operations* - Effective for year-end June 30, 2015 - This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

GASB 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees* - Effective for year-end June 30, 2014 - This statement contains reporting requirements when a government financially guarantees the obligations of another government, non-profit, or private entity without receiving equal value in exchange.

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City and Borough of Sitka, Alaska

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2013

	Special Revenue Funds						
	Police Dept and Forfeitures	State Homeland Security Grant	Library Building	SE Economic Develop- ment	Sawmill Cove Contingency	Sitka Tobacco Tax	Commercial Passenger Excise Tax
Assets							
Equity in central treasury	\$ -	\$ -	\$ 460,576	\$ 3,758,360	\$ 880,782	\$ 61,099	\$ 1,693,692
Receivables:							
Taxes	-	-	-	-	-	41,582	-
Special assessments	-	-	-	-	-	-	-
Federal and State of Alaska	50,963	6,553	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Advances to other funds	-	-	-	997,272	-	-	-
Notes receivable	-	-	-	1,746,041	-	-	-
Total assets	<u>\$ 50,963</u>	<u>\$ 6,553</u>	<u>\$ 460,576</u>	<u>\$ 6,501,673</u>	<u>\$ 880,782</u>	<u>\$ 102,681</u>	<u>\$ 1,693,692</u>
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities:							
Accounts payable	\$ 5,208	\$ 201	\$ -	\$ -	\$ -	\$ -	\$ 23,102
Due to other funds	49,738	11,239	-	-	-	-	-
Total liabilities	<u>54,946</u>	<u>11,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,102</u>
Deferred inflows:							
Deferred revenue - unavailable	-	-	-	-	-	-	-
Fund balances:							
Nonspendable	-	-	-	2,743,313	-	-	-
Restricted	-	-	460,576	3,758,360	-	-	1,670,590
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	880,782	102,681	-
Unassigned (deficit)	(3,983)	(4,887)	-	-	-	-	-
Total fund balances	<u>(3,983)</u>	<u>(4,887)</u>	<u>460,576</u>	<u>6,501,673</u>	<u>880,782</u>	<u>102,681</u>	<u>1,670,590</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 50,963</u>	<u>\$ 6,553</u>	<u>\$ 460,576</u>	<u>\$ 6,501,673</u>	<u>\$ 880,782</u>	<u>\$ 102,681</u>	<u>\$ 1,693,692</u>

City and Borough of Sitka, Alaska

Nonmajor Governmental Funds Combining Balance Sheet, continued

June 30, 2013

	Special Revenue Funds, continued					Debt Service Fund	Total Nonmajor Governmental Funds
	LID Revolving	LID Guaranty	Library Donation	SEACAD	Fisheries Enhancement	School Bonds	
Assets							
Equity in central treasury	\$ 1,082,489	\$ 284,703	\$ 212,134	\$ 8,623	\$ 32,002	\$ 1,738,372	\$ 10,212,832
Receivables:							
Taxes	-	-	-	-	-	-	41,582
Special assessments	81,115	-	-	-	-	-	81,115
Federal and State of Alaska	-	-	-	-	-	16,225	73,741
Due from other funds	-	-	-	-	-	273,947	273,947
Advances to other funds	-	-	-	-	-	-	997,272
Notes receivable	-	-	-	-	-	-	1,746,041
Total assets	<u>\$ 1,163,604</u>	<u>\$ 284,703</u>	<u>\$ 212,134</u>	<u>\$ 8,623</u>	<u>\$ 32,002</u>	<u>\$ 2,028,544</u>	<u>\$ 13,426,530</u>
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,511
Due to other funds	-	-	-	-	-	-	60,977
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,488</u>
Deferred inflows:							
Deferred revenue - unavailable	81,115	-	-	-	-	-	81,115
Fund balances:							
Nonspendable	-	-	-	-	-	-	2,743,313
Restricted	-	-	212,134	-	-	2,028,544	8,130,204
Committed	-	-	-	-	-	-	-
Assigned	1,082,489	284,703	-	8,623	32,002	-	2,391,280
Unassigned (deficit)	-	-	-	-	-	-	(8,870)
Total fund balances	<u>1,082,489</u>	<u>284,703</u>	<u>212,134</u>	<u>8,623</u>	<u>32,002</u>	<u>2,028,544</u>	<u>13,255,927</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,163,604</u>	<u>\$ 284,703</u>	<u>\$ 212,134</u>	<u>\$ 8,623</u>	<u>\$ 32,002</u>	<u>\$ 2,028,544</u>	<u>\$ 13,426,530</u>

City and Borough of Sitka, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2013

	Special Revenue Funds						Commercial Passenger Excise Tax
	Police Dept and Forfeitures	State Homeland Security Grant	Library Building	SE Economic Develop- ment	Sawmill Cove Contingency	Sitka Tobacco Tax	
Revenues:							
State sources	\$ 7,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,355
Federal sources	213,088	92,181	-	-	-	-	-
Investment income (loss)	92	-	15,473	41,703	(7,012)	(422)	(77,283)
Other	-	-	437,223	-	-	480,478	-
Total revenues	<u>220,567</u>	<u>92,181</u>	<u>452,696</u>	<u>41,703</u>	<u>(7,012)</u>	<u>480,056</u>	<u>58,072</u>
Expenditures:							
Public safety	193,953	91,940	-	-	-	-	-
Public works	-	-	-	-	1,854	-	36,632
Public services	-	-	-	-	-	431,416	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	<u>193,953</u>	<u>91,940</u>	<u>-</u>	<u>-</u>	<u>1,854</u>	<u>431,416</u>	<u>36,632</u>
Excess of revenues over/ (under) expenditures	26,614	241	452,696	41,703	(8,866)	48,640	21,440
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(401,998)	(18,034)	-	(1,246,896)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(401,998)</u>	<u>(18,034)</u>	<u>-</u>	<u>(1,246,896)</u>
Net change in fund balances	26,614	241	452,696	(360,295)	(26,900)	48,640	(1,225,456)
Fund balances, beginning of year	<u>(30,597)</u>	<u>(5,128)</u>	<u>7,880</u>	<u>6,861,968</u>	<u>907,682</u>	<u>54,041</u>	<u>2,896,046</u>
Fund balances, end of year	<u>\$ (3,983)</u>	<u>\$ (4,887)</u>	<u>\$ 460,576</u>	<u>\$ 6,501,673</u>	<u>\$ 880,782</u>	<u>\$ 102,681</u>	<u>\$ 1,670,590</u>

City and Borough of Sitka, Alaska

Nonmajor Governmental Funds

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

Year Ended June 30, 2013

	Special Revenue Funds, continued					Debt Service Fund	Total Nonmajor Governmental Funds
	LID Revolving	LID Guaranty	Library Donation	SEACAD	Fisheries Enhancement	School Bonds	
Revenues:							
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,622,519	\$ 1,765,261
Federal sources	-	-	-	-	-	-	305,269
Investment income (loss)	5,372	(2,154)	(1,265)	-	(954)	(57,241)	(83,691)
Other	42,174	-	3,210	294	-	-	963,379
Total revenues	<u>47,546</u>	<u>(2,154)</u>	<u>1,945</u>	<u>294</u>	<u>(954)</u>	<u>1,565,278</u>	<u>2,950,218</u>
Expenditures:							
Public safety	-	-	-	-	-	-	285,893
Public works	246	-	-	19,467	35,300	-	93,499
Public services	-	-	-	-	-	-	431,416
Debt service:							
Principal	-	-	-	-	-	1,480,000	1,480,000
Interest	-	-	-	-	-	955,948	955,948
Total expenditures	<u>246</u>	<u>-</u>	<u>-</u>	<u>19,467</u>	<u>35,300</u>	<u>2,435,948</u>	<u>3,246,756</u>
Excess of revenues over/ (under) expenditures	47,300	(2,154)	1,945	(19,173)	(36,254)	(870,670)	(296,538)
Other financing sources (uses):							
Transfers in	-	-	-	-	30,696	843,335	874,031
Transfers out	(21,716)	(5,819)	-	-	-	(935,045)	(2,629,508)
Net other financing sources (uses)	<u>(21,716)</u>	<u>(5,819)</u>	<u>-</u>	<u>-</u>	<u>30,696</u>	<u>(91,710)</u>	<u>(1,755,477)</u>
Net change in fund balances	25,584	(7,973)	1,945	(19,173)	(5,558)	(962,380)	(2,052,015)
Fund balances, beginning of year	<u>1,056,905</u>	<u>292,676</u>	<u>210,189</u>	<u>27,796</u>	<u>37,560</u>	<u>2,990,924</u>	<u>15,307,942</u>
Fund balances, end of year	<u>\$ 1,082,489</u>	<u>\$ 284,703</u>	<u>\$ 212,134</u>	<u>\$ 8,623</u>	<u>\$ 32,002</u>	<u>\$ 2,028,544</u>	<u>\$ 13,255,927</u>

City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds Combining Statement of Net Position

June 30, 2013

	Airport Terminal Building	Marine Service Center	Sawmill Cove Industrial Park	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Equity in central treasury	\$ 684,329	\$ 1,241,216	\$ 787,134	\$ 2,712,679
Receivables:				
Accounts	7,690	13,448	111,180	132,318
Allowance for uncollectable accounts	-	-	(9,230)	(9,230)
Federal and State of Alaska	-	-	65	65
Prepaid expenses	8,050	-	461	8,511
Total current assets	<u>700,069</u>	<u>1,254,664</u>	<u>889,610</u>	<u>2,844,343</u>
Noncurrent assets:				
Restricted assets - deposits	-	-	150,000	150,000
Capital assets:				
Property, plant and equipment	5,194,896	3,506,392	14,836,264	23,537,552
Construction in progress	13,253	-	200,827	214,080
Less accumulated depreciation	<u>(2,188,206)</u>	<u>(2,749,486)</u>	<u>(2,062,717)</u>	<u>(7,000,409)</u>
Total capital assets, net of accumulated depreciation	<u>3,019,943</u>	<u>756,906</u>	<u>12,974,374</u>	<u>16,751,223</u>
Total noncurrent assets	<u>3,019,943</u>	<u>756,906</u>	<u>13,124,374</u>	<u>16,901,223</u>
Total assets	<u>\$ 3,720,012</u>	<u>\$ 2,011,570</u>	<u>\$ 14,013,984</u>	<u>\$ 19,745,566</u>
Liabilities and Net Position				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 16,639	\$ 9,429	\$ 2,620	\$ 28,688
Unearned revenue	-	296	250,000	250,296
Payable from restricted assets - deposits payable	-	-	150,000	150,000
Total current liabilities	<u>16,639</u>	<u>9,725</u>	<u>402,620</u>	<u>428,984</u>
Noncurrent liabilities - advances from other funds				
Total liabilities	<u>16,639</u>	<u>9,725</u>	<u>398,257</u>	<u>398,257</u>
Net position:				
Investment in capital assets	3,019,943	756,906	12,974,374	16,751,223
Unrestricted	683,430	1,244,939	238,733	2,167,102
Total net position	<u>3,703,373</u>	<u>2,001,845</u>	<u>13,213,107</u>	<u>18,918,325</u>
Total liabilities and net position	<u>\$ 3,720,012</u>	<u>\$ 2,011,570</u>	<u>\$ 14,013,984</u>	<u>\$ 19,745,566</u>

City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2013

	Airport Terminal Building	Marine Service Center	Sawmill Cove Industrial Park	Total Nonmajor Enterprise Funds
Operating revenues:				
Operating lease revenue	\$ 356,360	\$ 242,174	\$ 296,974	\$ 895,508
Other operating revenue	<u>257,513</u>	<u>-</u>	<u>106,803</u>	<u>364,316</u>
Total operating revenues	<u>613,873</u>	<u>242,174</u>	<u>403,777</u>	<u>1,259,824</u>
Operating expenses:				
Utilities	83,372	18,842	48,634	150,848
Repair and maintenance	94,726	62,490	32,967	190,183
Contracted/purchased services	109,016	10,181	54,357	173,554
Interdepartmental services	95,737	22,063	105,532	223,332
Other	841	-	27,654	28,495
Depreciation and amortization	<u>178,130</u>	<u>150,386</u>	<u>267,116</u>	<u>595,632</u>
Total operating expenses	<u>561,822</u>	<u>263,962</u>	<u>536,260</u>	<u>1,362,044</u>
Operating income (loss)	<u>52,051</u>	<u>(21,788)</u>	<u>(132,483)</u>	<u>(102,220)</u>
Nonoperating revenues (expenses):				
Investment income (loss)	6,523	(3,735)	16,899	19,687
Interest expense	(939)	-	(14,561)	(15,500)
Other federal sources	1	-	18,120	18,121
State revenue sharing	-	-	65	65
Gain on disposal of capital assets	<u>-</u>	<u>-</u>	<u>5,013</u>	<u>5,013</u>
Net nonoperating revenues (expenses)	<u>5,585</u>	<u>(3,735)</u>	<u>25,536</u>	<u>27,386</u>
Income/(loss) before transfers	57,636	(25,523)	(106,947)	(74,834)
Transfers in	-	-	498,282	498,282
Transfers out	<u>-</u>	<u>-</u>	<u>(60,465)</u>	<u>(60,465)</u>
Total transfers	<u>-</u>	<u>-</u>	<u>437,817</u>	<u>437,817</u>
Change in net position	57,636	(25,523)	330,870	362,983
Net position, beginning of year	<u>3,645,737</u>	<u>2,027,368</u>	<u>12,882,237</u>	<u>18,555,342</u>
Net position, end of year	<u>\$ 3,703,373</u>	<u>\$ 2,001,845</u>	<u>\$ 13,213,107</u>	<u>\$ 18,918,325</u>

City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds Combining Statement of Cash Flows Year Ended June 30, 2013

	Airport Terminal Building	Marine Service Center	Sawmill Cove Industrial Park	Total Nonmajor Enterprise Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 613,855	\$ 255,040	\$ 540,428	\$ 1,409,323
Payments to suppliers	(276,329)	(91,261)	(167,493)	(535,083)
Payments for interfund services used	(95,737)	(22,063)	(105,532)	(223,332)
Payments to employees	-	-	(18)	(18)
Net cash flows from operating activities	<u>241,789</u>	<u>141,716</u>	<u>267,385</u>	<u>650,890</u>
Cash flows from noncapital financing activities:				
Other federal sources	1	-	18,120	18,121
State revenue sharing	-	-	65	65
Repayment of advances	(31,300)	-	(49,782)	(81,082)
Transfers to other funds	-	-	(60,465)	(60,465)
Transfers from other funds	-	-	498,282	498,282
Net cash flows from noncapital financing activities	<u>(31,299)</u>	<u>-</u>	<u>406,220</u>	<u>374,921</u>
Cash flows from capital and related financing activities:				
Capital expenditures	(1,147)	(63,278)	(223,477)	(287,902)
Interest paid	(939)	-	(14,561)	(15,500)
Government grants and loans for construction	19,912	297	24,577	44,786
Proceeds from sale of capital assets	-	-	5,013	5,013
Net cash flows from capital and related financing activities	<u>17,826</u>	<u>(62,981)</u>	<u>(208,448)</u>	<u>(253,603)</u>
Cash flows from investing activities - interest received (loss)				
	<u>6,523</u>	<u>(3,735)</u>	<u>16,899</u>	<u>19,687</u>
Net increase in cash and cash equivalents	234,839	75,000	482,056	791,895
Cash and cash equivalents, beginning	<u>449,490</u>	<u>1,166,216</u>	<u>455,078</u>	<u>2,070,784</u>
Cash and cash equivalents, ending	<u>\$ 684,329</u>	<u>\$ 1,241,216</u>	<u>\$ 937,134</u>	<u>\$ 2,862,679</u>
Reconciliation of operating income/(loss) to net cash flows from operating activities:				
Operating income/(loss)	\$ 52,051	\$ (21,788)	\$ (132,483)	\$ (102,220)
Adjustments to reconcile operating income/(loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	178,130	150,386	267,116	595,632
(Increase)/decrease in assets:				
Accounts receivable (net)	(18)	12,866	(13,349)	(501)
Prepaid expenses	(262)	-	(461)	(723)
Increase/(decrease) in liabilities:				
Accounts payable and accrued liabilities	11,888	252	(3,420)	8,720
Compensated absences	-	-	(18)	(18)
Deposits	-	-	150,000	150,000
Net cash flows from operating activities	<u>\$ 241,789</u>	<u>\$ 141,716</u>	<u>\$ 267,385</u>	<u>\$ 650,890</u>

City and Borough of Sitka, Alaska

Internal Service Funds

Combining Statement of Net Position

June 30, 2013

	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Assets				
Current assets - equity in central treasury	\$ 577,009	\$ 1,634,229	\$ 2,478,723	\$ 4,689,961
Noncurrent assets - capital assets:				
Property, plant and equipment	1,547,637	7,659,140	32,459	9,239,236
Less accumulated depreciation	<u>(1,089,823)</u>	<u>(4,189,757)</u>	<u>(19,031)</u>	<u>(5,298,611)</u>
Total capital assets, net of accumulated depreciation	<u>457,814</u>	<u>3,469,383</u>	<u>13,428</u>	<u>3,940,625</u>
 Total assets	 <u>\$ 1,034,823</u>	 <u>\$ 5,103,612</u>	 <u>\$ 2,492,151</u>	 <u>\$ 8,630,586</u>
Liabilities and Net Position				
Current liabilities - accounts payable and accrued liabilities	\$ 93,932	\$ 58,719	\$ 27,271	\$ 179,922
Noncurrent liabilities:				
Compensated absences	20,823	5,552	18,368	44,743
Advances from other funds	238,000	400,000	-	638,000
Total noncurrent liabilities	<u>258,823</u>	<u>405,552</u>	<u>18,368</u>	<u>682,743</u>
Total liabilities	<u>352,755</u>	<u>464,271</u>	<u>45,639</u>	<u>862,665</u>
Net position:				
Investment in capital assets	457,814	3,469,383	13,428	3,940,625
Unrestricted	<u>224,254</u>	<u>1,169,958</u>	<u>2,433,084</u>	<u>3,827,296</u>
Total net position	<u>682,068</u>	<u>4,639,341</u>	<u>2,446,512</u>	<u>7,767,921</u>
 Total liabilities and net position	 <u>\$ 1,034,823</u>	 <u>\$ 5,103,612</u>	 <u>\$ 2,492,151</u>	 <u>\$ 8,630,586</u>

City and Borough of Sitka, Alaska

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2013

	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Operating revenues:				
Charges for services	\$ 772,863	\$ 1,622,543	\$ 455,224	\$ 2,850,630
Operating lease revenue	-	33,504	-	33,504
Total operating revenues	<u>772,863</u>	<u>1,656,047</u>	<u>455,224</u>	<u>2,884,134</u>
Operating expenses:				
Wages and benefits	353,358	187,240	385,842	926,440
Travel and training	12,696	100	1,873	14,669
Utilities	3,836	22,911	1,551	28,298
Repair and maintenance	149,492	95,028	103,659	348,179
Contracted/purchased services	90,593	381,658	165,153	637,404
Interdepartmental services	99,667	158,413	161,100	419,180
Other	-	846	-	846
Depreciation and amortization	89,552	372,888	2,497	464,937
Total operating expenses	<u>799,194</u>	<u>1,219,084</u>	<u>821,675</u>	<u>2,839,953</u>
Operating income (loss)	<u>(26,331)</u>	<u>436,963</u>	<u>(366,451)</u>	<u>44,181</u>
Nonoperating revenues (expenses):				
Investment income (loss)	5,386	5,101	(32,463)	(21,976)
Interest expense	-	(22,500)	-	(22,500)
State PERS relief	29,616	16,289	26,654	72,559
Other	-	21,466	-	21,466
Loss on disposal of capital assets	-	(11,999)	-	(11,999)
Net nonoperating revenues (expenses)	<u>35,002</u>	<u>8,357</u>	<u>(5,809)</u>	<u>37,550</u>
Income (loss) before transfers	8,671	445,320	(372,260)	81,731
Transfers in	238,000	1,059	87,347	326,406
Transfers out	-	-	(78,000)	(78,000)
Total transfers	<u>238,000</u>	<u>1,059</u>	<u>9,347</u>	<u>248,406</u>
Change in net position	246,671	446,379	(362,913)	330,137
Net position, beginning of year	<u>435,397</u>	<u>4,192,962</u>	<u>2,809,425</u>	<u>7,437,784</u>
Net position, end of year	<u>\$ 682,068</u>	<u>\$ 4,639,341</u>	<u>\$ 2,446,512</u>	<u>\$7,767,921</u>

City and Borough of Sitka, Alaska

Internal Service Funds

Combining Statement of Cash Flows

Year Ended June 30, 2013

	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 772,863	\$ 1,678,763	\$ 455,224	\$ 2,906,850
Payments to suppliers	(171,412)	(449,459)	(260,643)	(881,514)
Payments for interfund services used	(99,667)	(158,413)	(161,100)	(419,180)
Payments to employees	(329,214)	(170,540)	(363,006)	(862,760)
Net cash flows from operating activities	<u>172,570</u>	<u>900,351</u>	<u>(329,525)</u>	<u>743,396</u>
Cash flows from noncapital financing activities:				
Receipt (repayment) of advances	238,000	(50,000)	-	188,000
Transfers to other funds	-	-	(78,000)	(78,000)
Transfers from other funds	238,000	1,059	87,347	326,406
Net cash flows from noncapital financing activities	<u>476,000</u>	<u>(48,941)</u>	<u>9,347</u>	<u>436,406</u>
Cash flows from capital and related financing activities:				
Capital expenditures	(350,440)	(422,544)	2	(772,982)
Interest paid	-	(22,500)	-	(22,500)
Net cash flows from capital and related financing activities	<u>(350,440)</u>	<u>(445,044)</u>	<u>2</u>	<u>(795,482)</u>
Cash flows from investing activities - interest received (loss)	<u>5,386</u>	<u>5,101</u>	<u>(32,463)</u>	<u>(21,976)</u>
Net increase (decrease) in cash and cash equivalents	303,516	411,467	(352,639)	362,344
Cash and cash equivalents, beginning	<u>273,493</u>	<u>1,222,762</u>	<u>2,831,362</u>	<u>4,327,617</u>
Cash and cash equivalents, ending	<u>\$ 577,009</u>	<u>\$ 1,634,229</u>	<u>\$ 2,478,723</u>	<u>\$ 4,689,961</u>
Reconciliation of operating income/(loss) to net cash flows from operating activities:				
Operating income/(loss)	\$ (26,331)	\$ 436,963	\$ (366,451)	\$ 44,181
Adjustments to reconcile operating income/(loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	89,552	372,888	2,497	464,937
State PERS relief	29,616	16,289	26,654	72,559
Other income	-	21,466	-	21,466
(Increase)/decrease in assets:				
Accounts receivable (net)	-	1,250	-	1,250
Prepaid expenses	-	12,341	-	12,341
Increase/(decrease) in liabilities:				
Accounts payable and accrued liabilities	85,205	38,743	11,593	135,541
Compensated absences	(5,472)	411	(3,818)	(8,879)
Net cash flows from operating activities	<u>\$ 172,570</u>	<u>\$ 900,351</u>	<u>\$ (329,525)</u>	<u>\$ 743,396</u>

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City and Borough of Sitka, Alaska

Net Position by Component
Last ten fiscal years
(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	\$ 49,721,205	\$ 43,447,919	\$ 47,513,951	\$ 60,634,380	\$ 69,697,438	\$ 74,535,296	\$ 77,625,556	\$ 84,221,307	\$ 69,758,706	\$ 81,140,841
Restricted	34,600,586	42,399,886	34,876,513	27,232,833	23,079,443	25,807,768	24,564,026	33,185,178	28,065,049	28,969,693
Unrestricted	<u>23,008,724</u>	<u>24,570,103</u>	<u>27,326,743</u>	<u>24,911,229</u>	<u>24,517,713</u>	<u>20,598,517</u>	<u>25,166,380</u>	<u>31,105,881</u>	<u>31,751,885</u>	<u>28,940,773</u>
Total governmental activities net position	<u>\$ 107,330,515</u>	<u>\$ 110,417,908</u>	<u>\$ 109,717,207</u>	<u>\$ 112,778,442</u>	<u>\$ 117,294,594</u>	<u>\$ 120,941,581</u>	<u>\$ 127,355,962</u>	<u>\$ 148,512,366</u>	<u>\$ 129,575,640</u>	<u>\$ 139,051,307</u>
Business-type activities:										
Net investment in capital assets	\$ 75,562,287	\$ 74,266,170	\$ 77,014,024	\$ 85,395,684	\$ 91,260,956	\$ 92,657,290	\$ 96,906,077	\$ 89,514,065	\$ 89,725,575	\$ 103,467,052
Restricted	6,283,579	6,314,011	6,346,372	6,875,784	6,929,086	7,280,721	7,047,685	7,917,319	3,495,431	7,359,839
Unrestricted	<u>18,599,533</u>	<u>20,937,251</u>	<u>20,864,296</u>	<u>20,257,056</u>	<u>21,864,845</u>	<u>21,170,279</u>	<u>22,938,329</u>	<u>47,488,067</u>	<u>48,724,671</u>	<u>50,906,747</u>
Total business-type activities net position	<u>\$ 100,445,399</u>	<u>\$ 101,517,432</u>	<u>\$ 104,224,692</u>	<u>\$ 112,528,524</u>	<u>\$ 120,054,887</u>	<u>\$ 121,108,290</u>	<u>\$ 126,892,091</u>	<u>\$ 144,919,451</u>	<u>\$ 141,945,677</u>	<u>\$ 161,733,638</u>
Primary government:										
Net investment in capital assets	\$ 125,283,492	\$ 117,714,089	\$ 124,527,975	\$ 146,030,064	\$ 160,958,394	\$ 167,192,586	\$ 174,531,633	\$ 173,735,372	\$ 159,484,281	\$ 184,607,893
Restricted	40,884,165	48,713,897	41,222,885	34,108,617	30,008,529	33,088,489	31,611,711	41,102,497	31,560,480	36,329,532
Unrestricted	<u>41,608,257</u>	<u>45,507,354</u>	<u>48,191,039</u>	<u>45,168,285</u>	<u>46,382,558</u>	<u>41,768,796</u>	<u>48,104,709</u>	<u>78,593,948</u>	<u>80,476,556</u>	<u>79,847,520</u>
Total primary government net position	<u>\$ 207,775,914</u>	<u>\$ 211,935,340</u>	<u>\$ 213,941,899</u>	<u>\$ 225,306,966</u>	<u>\$ 237,349,481</u>	<u>\$ 242,049,871</u>	<u>\$ 254,248,053</u>	<u>\$ 293,431,817</u>	<u>\$ 271,521,317</u>	<u>\$ 300,784,945</u>

City and Borough of Sitka, Alaska
Fund Balances of Governmental Funds
Last ten fiscal years
(modified accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Nonspendable	\$ 5,982,362	\$ 5,783,434	\$ 5,942,604	\$ 6,588,483	\$ 5,090,933	\$ 3,903,247	\$ 4,288,190	\$ 3,935,798	\$ 225	\$ 49,486
Restricted	1,444,099	1,811,285	2,082,931	2,420,946	2,538,050	2,602,648	2,760,462	2,087,478	522,444	520,742
Committed	276,497	237,753	423,698	355,150	234,876	226,501	229,579	1,205,833	9,987,028	7,904,460
Assigned	516,827	-	-	-	-	-	-	-	-	-
Unassigned	1,572,064	2,708,387	1,848,816	1,260,240	240,185	2,004,500	3,229,470	4,332,784	3,075,401	5,843,192
Total General Fund	<u>\$ 9,791,849</u>	<u>\$ 10,540,859</u>	<u>\$ 10,298,049</u>	<u>\$ 10,624,819</u>	<u>\$ 8,104,044</u>	<u>\$ 8,736,896</u>	<u>\$ 10,507,701</u>	<u>\$ 11,561,893</u>	<u>\$ 13,585,098</u>	<u>\$ 14,317,880</u>
All other governmental funds:										
Nonspendable	\$ 4,237,649	\$ 4,419,393	\$ 3,747,246	\$ 5,104,011	\$ 4,382,568	\$ 14,160,361	\$ 2,721,071	\$ 1,758,633	\$ 1,855,781	\$ 2,743,313
Restricted	23,035,434	23,569,315	24,058,686	26,696,299	24,195,980	20,814,274	24,561,265	43,700,167	29,036,455	28,343,985
Committed	7,965	7,845	7,153	6,607	4,527	4,119	784	312,039	8,933,726	6,727,368
Assigned	17,583,713	24,888,070	17,492,872	6,833,283	8,034,057	6,297,154	13,734,819	2,584,104	3,016,000	2,391,280
Unassigned	-	-	-	-	-	-	-	(52,986)	(35,725)	(8,870)
Total all other governmental funds	<u>\$ 44,864,761</u>	<u>\$ 52,884,623</u>	<u>\$ 45,305,957</u>	<u>\$ 38,640,200</u>	<u>\$ 36,617,132</u>	<u>\$ 41,275,908</u>	<u>\$ 41,017,939</u>	<u>\$ 48,301,957</u>	<u>\$ 42,806,237</u>	<u>\$ 40,197,076</u>

City and Borough of Sitka, Alaska

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
Administration	\$ 4,860,559	\$ 3,959,674	\$ 4,892,060	\$ 1,815,845	\$ 1,890,573	\$ 1,758,063	\$ 1,709,428	\$ 1,762,495	\$ 1,620,189	\$ 1,724,076
Public safety	4,775,093	5,610,897	6,012,020	6,855,710	6,663,085	6,591,077	6,345,657	6,625,688	6,655,486	6,827,712
Public works	3,601,824	2,673,667	4,593,023	3,211,146	4,414,371	4,523,661	4,692,515	4,479,567	5,101,445	5,450,632
Public services	1,353,083	1,568,399	1,632,004	2,171,601	2,148,526	2,194,283	2,126,670	2,210,011	2,340,805	2,007,427
Support	6,481,145	6,168,184	7,079,752	9,688,383	8,654,152	9,149,431	9,830,856	9,070,397	9,141,153	9,054,114
Interest on long-term debt	985,291	1,191,459	1,491,450	1,277,355	1,283,847	1,540,287	1,475,884	1,420,056	1,329,359	1,376,917
Total governmental activities	22,056,995	21,172,280	25,700,309	25,020,040	25,054,554	25,756,802	26,181,010	25,568,214	26,188,437	26,440,878
Business-type activities:										
Electric Utility	10,304,815	10,853,130	10,861,738	11,134,199	11,889,771	12,368,552	11,872,652	15,810,783	12,990,060	10,981,793
Water Utility	*	*	*	*	*	*	*	*	*	1,873,635
Wastewater treatment	2,350,234	2,455,026	2,733,243	2,971,538	3,038,204	3,252,387	3,354,495	3,679,257	3,495,140	3,563,603
Solid waste disposal	2,621,621	2,627,283	2,659,147	2,760,649	2,889,416	2,938,042	3,114,822	3,077,032	3,131,311	3,319,109
Harbor	1,552,428	1,754,864	1,793,545	2,107,023	2,342,593	2,378,228	2,325,372	2,512,984	2,569,234	2,444,728
Other nonmajor business-type activities	1,425,092	1,581,911	1,532,770	1,761,423	1,888,662	3,298,547	1,400,040	3,156,084	1,624,293	1,270,621
Total business-type activities	18,254,190	19,272,214	19,580,443	20,734,832	22,048,646	24,235,756	22,067,381	28,236,140	25,683,673	23,784,494
Total primary government expenses	\$ 40,311,185	\$ 40,444,494	\$ 45,280,752	\$ 45,754,872	\$ 47,103,200	\$ 49,992,558	\$ 48,248,391	\$ 53,804,354	\$ 51,872,110	\$ 50,225,372
Program revenues:										
Governmental activities:										
Charges for services										
Administration	\$ 3,169,594	\$ 2,261,198	\$ 2,041,130	\$ 388,373	\$ 359,330	\$ 836,056	\$ 505,174	\$ 420,194	\$ 713,129	\$ 290,450
Public safety	160,651	846,837	664,808	766,622	544,296	717,543	745,265	737,414	763,278	729,406
Public works	656,809	695,432	838,965	730,674	872,070	838,119	925,240	730,766	855,816	988,231
Public services	70,583	168,372	109,252	143,906	102,327	112,414	108,340	178,638	248,229	502,571
Operating grants and contributions	2,591,177	1,033,517	2,896,673	4,777,346	6,046,603	4,563,651	5,503,356	4,962,723	6,012,861	5,979,832
Capital grants and contributions	1,067,034	704,205	654,540	1,082,284	4,057,066	3,317,782	3,667,956	2,794,677	856,161	8,177,359
Total governmental activities program revenues	7,715,848	5,709,561	7,205,368	7,889,205	11,981,692	10,385,565	11,455,331	9,824,412	9,449,474	16,667,849
Business-type activities:										
Charges for services:										
Electric Utility	10,520,806	10,987,020	11,413,574	11,627,554	11,996,378	12,823,113	11,947,812	12,973,046	11,611,319	12,077,554
Water Utility	*	*	*	*	*	*	*	*	*	1,383,411
Wastewater treatment	1,357,654	1,381,996	1,655,272	1,875,149	1,784,369	1,789,429	1,895,122	2,070,832	2,296,085	2,434,968
Solid waste disposal	2,994,090	3,044,535	2,990,550	3,080,503	3,026,943	2,926,079	2,997,497	3,291,086	3,101,682	2,988,758
Harbor	1,100,627	1,137,920	1,409,705	1,635,156	1,683,250	1,698,769	1,598,502	2,003,013	1,529,481	1,912,463
Other nonmajor business-type activities	723,444	754,840	1,104,236	1,371,782	1,324,881	1,178,091	958,986	973,501	934,857	1,264,837
Operating grants and contributions	645,721	698,084	681,749	-	-	1,660,737	1,201,350	1,490,571	2,322,441	2,411,944
Capital grants and contributions	270,270	949,993	2,426,587	6,773,860	6,440,790	1,296,997	5,874,475	24,470,807	5,237,360	17,934,438
Total business-type activities program revenues	17,612,612	18,954,388	21,681,673	26,364,004	26,256,611	23,373,215	26,473,744	47,272,856	28,416,636	42,586,792
Total primary government program revenues	\$ 25,328,460	\$ 24,663,949	\$ 28,887,041	\$ 34,253,209	\$ 38,238,303	\$ 33,758,780	\$ 37,929,075	\$ 57,097,268	\$ 37,866,110	\$ 59,254,641
Net revenue (expense):										
Governmental activities	(14,341,147)	(15,462,719)	(18,494,941)	(17,130,835)	(13,072,862)	(15,371,237)	(14,725,679)	(15,743,802)	(16,738,963)	(9,773,029)
Business-type activities	(641,578)	(317,826)	2,101,230	5,629,172	4,207,965	(862,541)	4,406,363	19,036,716	2,732,963	18,802,298
Total primary government net expense	\$ (14,982,725)	\$ (15,780,545)	\$ (16,393,711)	\$ (11,501,663)	\$ (8,864,897)	\$ (16,233,778)	\$ (10,319,316)	\$ 3,292,914	\$ (14,006,000)	\$ 9,029,269
General revenues and other changes in net position:										
Governmental activities:										
Taxes										
Property taxes	4,142,452	4,292,613	4,449,211	4,966,216	5,437,154	5,882,368	5,926,046	6,003,008	6,069,078	6,095,558
Sales and other taxes	8,722,858	8,981,251	9,838,887	10,338,689	10,224,623	9,850,321	8,950,243	9,722,879	9,544,100	9,583,109
Unrestricted grants and contributions	583,240	1,409,187	808,221	603,168	1,446,242	1,891,506	427,908	443,682	470,436	470,415
Investment earnings	1,135,699	2,749,412	1,420,136	4,895,110	577,934	(1,969,320)	3,649,352	4,348,650	2,266,133	2,243,289
Debt principal reimbursement	192,141	1,373,617	1,380,000	1,011,500	-	1,193,500	1,252,000	1,252,000	1,252,000	1,252,000
Transfers	276,182	(255,968)	(102,216)	679,590	(96,939)	(160,766)	(143,969)	(2,998,672)	(1,316,642)	(395,675)
Other	-	-	-	694,313	-	2,330,615	1,078,480	17,274	-	-
Special item - forgiveness of loan receivable	-	-	-	(900,000)	-	-	-	-	-	-
Total governmental activities	15,052,572	18,550,112	17,794,239	22,288,586	17,589,014	19,018,224	21,140,060	18,788,821	18,285,105	19,248,696
Business-type activities:										
Unrestricted grants and contributions	-	-	-	1,047,332	1,381,806	-	-	-	-	-
Investment earnings	104,485	1,133,880	503,815	1,416,362	1,839,653	1,297,612	1,139,012	799,620	1,413,015	494,317
Transfers	(276,182)	255,968	102,216	(679,590)	96,939	160,766	143,969	2,998,672	1,316,642	395,675
Other	-	-	-	317,992	-	457,566	94,457	(169,100)	-	95,671
Total business-type activities	(171,697)	1,389,848	606,031	2,102,096	3,318,398	1,915,944	1,377,438	3,629,192	2,729,657	985,663
Total primary government	\$ 14,880,875	\$ 19,939,960	\$ 18,400,270	\$ 24,390,682	\$ 20,907,412	\$ 20,934,168	\$ 22,517,498	\$ 22,418,013	\$ 21,014,762	\$ 20,234,359
Change in net position:										
Governmental activities	711,425	3,087,393	(700,702)	5,157,751	4,516,152	3,646,987	6,414,381	3,045,019	1,546,142	9,475,667
Business-type activities	(813,275)	1,072,022	2,707,261	7,731,268	7,526,363	1,053,403	5,783,801	22,665,908	5,462,620	19,787,961
Total primary government	\$ (101,850)	\$ 4,159,415	\$ 2,006,559	\$ 12,889,019	\$ 12,042,515	\$ 4,700,390	\$ 12,198,182	\$ 25,710,927	\$ 7,008,762	\$ 29,263,628

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

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	\$ 12,865,310	\$ 13,273,864	\$ 14,288,098	\$ 15,304,905	\$ 15,661,777	\$ 15,732,689	\$ 14,876,289	\$ 15,019,382	\$ 15,199,048	\$ 15,543,312
State sources	1,855,173	2,608,904	2,842,324	3,941,174	6,147,853	7,828,757	6,700,449	5,095,182	5,807,654	9,207,616
Federal sources	2,652,599	1,975,327	1,944,022	2,415,318	2,292,664	3,241,857	4,313,422	2,505,769	2,251,970	2,132,223
Charges for services	1,153,844	1,089,764	1,000,422	1,661,346	1,454,532	1,546,658	1,682,329	1,633,186	1,711,974	1,839,516
Interfund services	1,589,209	1,626,981	1,797,323	1,949,569	2,174,717	2,393,157	2,219,501	2,380,298	2,659,323	2,693,860
Fines and forfeitures	107,397	122,527	123,897	118,790	139,114	139,373	122,422	138,697	125,112	103,541
Investment income	1,203,654	2,623,018	1,434,345	4,793,289	442,652	(1,601,383)	3,507,550	4,624,136	2,166,885	2,262,808
Uses of property	273,500	309,796	279,302	343,041	429,154	936,532	600,545	579,670	834,309	788,961
Licenses and permits	159,272	182,580	212,244	188,510	171,572	140,879	131,963	140,371	223,422	177,221
Other	790,625	619,551	905,266	1,591,912	2,837,459	1,042,588	691,865	514,866	645,879	1,023,994
Total revenues	22,650,583	24,432,312	24,827,243	32,307,854	31,751,494	31,401,107	34,846,335	32,631,557	31,625,576	35,773,052
Expenditures:										
Administration	2,987,965	3,145,604	3,355,184	3,507,680	3,892,275	3,890,049	3,771,014	3,871,834	4,082,610	4,632,192
Public safety	4,637,173	5,429,736	5,740,455	6,472,614	6,410,146	6,329,311	6,412,581	6,427,515	6,402,097	6,552,240
Public works	3,545,025	2,383,051	2,597,964	3,084,784	3,528,597	3,774,964	3,891,905	3,835,904	4,194,363	3,746,518
Public services	1,095,447	1,151,131	1,354,623	1,871,984	1,894,344	1,938,102	1,854,978	1,876,970	2,026,506	1,792,692
Support	6,047,953	6,121,819	6,509,064	8,271,429	7,237,991	7,564,011	7,809,145	7,121,245	6,893,481	6,402,944
Capital outlay	4,808,992	3,341,128	9,897,027	11,854,462	10,380,742	6,244,449	5,807,256	2,845,124	7,710,853	10,112,520
Debt service:										
Principal	982,864	1,414,323	1,658,869	1,750,881	1,634,030	1,920,626	1,921,186	1,949,750	2,269,750	2,449,860
Interest and fiscal charges	973,728	1,115,986	1,505,826	1,450,987	1,341,498	1,675,888	1,530,218	1,450,183	1,375,318	1,317,335
Total expenditures	25,079,147	24,102,778	32,619,012	38,264,821	36,319,623	33,337,400	32,998,283	29,378,525	34,954,978	37,006,301
Excess (deficit) of revenues over (under) expenditures	(2,428,564)	329,534	(7,791,769)	(5,956,967)	(4,568,129)	(1,936,293)	1,848,052	3,253,032	(3,329,402)	(1,233,249)
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	12,755,000	-
Premium on bonds issued	-	-	-	318,030	-	121,482	-	30,239	2,074,582	-
Payment to refund bonds	-	-	-	(7,004,528)	-	-	-	-	(14,829,582)	-
Note Receivable forgiven	-	-	-	(900,000)	-	-	-	-	-	-
Transfers in	18,735,172	11,881,997	4,178,276	5,504,284	7,053,257	10,510,579	3,083,574	4,232,927	4,037,358	6,021,580
Transfers out	(18,845,572)	(12,359,239)	(4,508,451)	(5,074,807)	(7,223,972)	(10,554,140)	(3,418,790)	(4,867,988)	(4,180,470)	(6,664,709)
Net other financing sources (uses)	11,902,590	8,439,338	(29,707)	(382,021)	24,285	7,227,921	(335,216)	5,085,178	(143,112)	(643,129)
Net change in fund balances	\$ 9,474,026	\$ 8,768,872	\$ (7,821,476)	\$ (6,338,988)	\$ (4,543,844)	\$ 5,291,628	\$ 1,512,836	\$ 8,338,210	\$ (3,472,514)	\$ (1,876,378)
Debt service as a percentage of noncapital expenditures	9.7%	12.2%	13.9%	12.1%	11.5%	13.3%	12.7%	12.8%	13.4%	14.0%

City and Borough of Sitka, Alaska
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Personal Property</u>	<u>Less Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
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	305,317,150	77,029,224	69,000,750	985,073,129	0.006	1,152,462,400	85.48%
2012	760,785,518	175,868,354	141,113,024	86,836,658	990,930,238	0.006	1,151,376,900	86.06%
2013	772,425,015	189,487,200	146,333,667	107,179,098	1,001,066,784	0.006	1,162,987,200	86.08%

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>)
2004	6.00
2005	6.00
2006	6.00
2007	6.00
2008	6.00
2009	6.00
2010	6.00
2011	6.00
2012	6.00
2013	6.00

There are no overlapping property tax rates.

City and Borough of Sitka, Alaska
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Bed Tax</u>	<u>Fuel Flow Tax</u>	<u>Total</u>
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	8,646,598	303,655	-	14,876,299
2011	6,003,008	8,708,484	307,890	-	15,019,382
2012	6,069,078	8,804,619	325,351	-	15,199,048
2013	6,095,558	9,093,596	354,158	-	15,543,312

City and Borough of Sitka, Alaska

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Silver Bay Seafoods, Inc.	\$ 13,428,543	1	1.36%			
North Pacific Seafoods	9,932,773	2	1.00%	\$ 8,019,531	2	1.32%
Hames Corporation	8,894,083	3	0.90%	6,495,300	6	1.07%
Harbor Enterprises dba Petro Marine Services	8,042,720	4	0.81%	6,773,107	4	1.11%
The North West Company	7,115,400	5	0.72%			
Seafood Producers Co-op	6,454,000	6	0.65%	8,122,645	1	1.33%
Scojo, LLC	5,454,712	7	0.55%			
ACS	5,374,070	8	0.54%			
Halibut Point Marine Services	5,140,100	9	0.52%			
Shee Atika Incorporated	<u>5,130,300</u>	10	<u>0.52%</u>	7,716,988	3	1.27%
Lakeside Corporation				5,505,086	7	0.90%
Sitka Assoc/Admiralty Assoc				3,487,857	8	0.57%
Sitka Beverage				6,526,235	5	1.07%
Spenard Builders Supply				3,131,224	9	0.51%
K & R Enterprises				<u>2,769,130</u>	10	<u>0.45%</u>
Totals	<u>\$ 74,966,701</u>		<u>7.57%</u>	<u>\$ 58,547,103</u>		<u>9.60%</u>

City and Borough of Sitka, Alaska
Property Tax Levies and Collection
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Amount	Percentage of Levy
		Amount	Percentage of Levy			
2004	\$ 4,131,596	\$ 4,110,374	99.5%	\$ 20,152	\$ 4,130,526	100.0%
2005	4,361,674	4,338,881	99.5%	27,457	4,366,338	100.1%
2006	4,581,061	4,526,905	98.8%	8,319	4,535,224	99.0%
2007	5,003,463	4,983,438	99.6%	30,268	5,013,706	100.2%
2008	5,558,821	5,501,591	99.0%	24,062	5,525,653	99.4%
2009	5,735,000	5,689,030	99.2%	57,093	5,746,123	100.2%
2010	5,768,331	5,735,962	99.4%	65,860	5,801,822	100.6%
2011	5,799,400	5,753,039	99.2%	54,830	5,807,869	100.1%
2012	5,904,617	5,874,918	99.5%	34,403	5,909,321	100.1%
2013	5,957,735	5,893,452	98.9%	-	5,893,452	98.9%

City and Borough of Sitka, Alaska

Sales Tax Receipts by Industry
Last Ten Fiscal Years

Industry	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture, Forestry and Fishing	\$ 27,683	\$ 34,284	\$ 29,723	\$ 32,745	\$ 33,824	\$ 32,933	\$ 28,445	\$ 23,758	\$ 23,626	\$ 23,634
Construction	94,635	103,231	116,026	128,486	136,086	109,853	109,913	112,806	130,943	166,960
Manufacturing	146,737	160,720	170,095	243,432	259,072	288,990	264,131	332,598	318,827	346,702
Transportation & Public Utilities	653,813	750,445	808,255	841,748	908,367	923,834	773,276	747,953	681,166	692,582
Wholesale Trade	58,882	67,397	68,657	69,288	63,264	64,048	62,336	68,586	61,743	57,666
Retail Trade	4,329,946	5,033,791	5,329,649	5,569,676	5,535,101	5,376,039	4,991,535	4,989,084	5,138,245	5,141,931
Finance, Insurance & Real Estate	675,249	568,455	616,408	655,800	327,109	325,422	318,426	247,223	252,158	297,556
Services	1,404,306	1,590,018	1,679,299	1,692,615	1,702,447	1,577,816	1,350,528	1,438,445	1,475,440	1,604,007
Government - Local	369,521	472,356	505,448	644,416	659,584	591,821	595,154	543,385	722,471	762,558
Total Sales Tax Receipts	<u>\$ 7,760,772</u>	<u>\$ 8,780,697</u>	<u>\$ 9,323,560</u>	<u>\$ 9,878,206</u>	<u>\$ 9,624,854</u>	<u>\$ 9,290,756</u>	<u>\$ 8,493,744</u>	<u>\$ 8,503,838</u>	<u>\$ 8,804,619</u>	<u>\$ 9,093,596</u>

FY 2004 through 2012 - Sales tax rate during months of April through September at 6%, remainder of year at 5%

Gross Sales by Industry
Last Ten Fiscal Years

Industry	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture, Forestry and Fishing	\$ 2,005,112	\$ 1,943,416	\$ 1,600,658	\$ 1,805,939	\$ 2,206,402	\$ 2,741,284	\$ 2,205,318	\$ 1,886,260	\$ 5,933,107	\$ 3,676,800
Construction	61,125,945	68,419,307	80,454,390	78,323,778	70,339,462	77,213,089	71,402,438	86,964,824	86,689,548	91,354,782
Manufacturing	7,113,572	9,398,642	10,587,099	19,758,526	14,273,067	13,094,014	13,350,424	17,266,204	14,436,992	13,495,858
Transportation & Public Utilities	17,293,607	18,956,185	23,538,493	25,068,736	24,950,742	25,952,847	20,330,171	20,799,846	19,040,347	18,653,208
Wholesale Trade	11,414,713	15,604,123	16,307,414	18,070,392	15,942,727	17,115,448	15,518,232	15,832,946	21,443,717	18,266,103
Retail Trade	127,772,130	139,224,329	145,699,042	147,693,913	148,905,621	151,921,138	137,774,562	127,078,920	138,148,838	137,469,327
Finance, Insurance & Real Estate	21,221,800	18,984,834	21,467,153	22,994,647	19,750,880	23,071,451	31,606,652	21,265,902	21,992,145	22,787,879
Services	48,668,887	52,518,006	57,620,609	60,234,579	65,340,133	61,341,788	51,406,551	55,370,501	56,793,564	62,679,023
Government - Local	16,068,536	16,756,196	19,065,131	19,935,050	20,215,251	20,053,571	20,201,990	19,993,792	25,899,020	26,735,836
Total Gross Sales	<u>\$ 312,684,302</u>	<u>\$ 341,805,038</u>	<u>\$ 376,339,989</u>	<u>\$ 393,885,560</u>	<u>\$ 381,924,285</u>	<u>\$ 392,504,630</u>	<u>\$ 363,796,338</u>	<u>\$ 366,459,195</u>	<u>\$ 390,377,278</u>	<u>\$ 395,118,816</u>

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			
2004	\$ 25,600,000	\$ -	\$ 589,000	\$ 672,184	\$ 39,600,000	\$ 11,847,001	\$ -	\$ 47,595	\$ 78,355,780	25.11%	\$ 8,813
2005	33,385,000	-	339,000	555,244	38,050,000	11,845,725	-	39,440	84,214,409	28.07%	9,564
2006	32,005,000	-	177,000	438,875	36,390,000	13,116,392	-	30,878	82,158,145	29.98%	9,183
2007	30,540,000	-	-	316,342	34,570,000	14,055,608	-	21,892	79,503,842	26.76%	9,001
2008	29,035,000	195,000	-	187,312	32,550,000	17,697,039	-	12,457	79,676,808	25.06%	9,198
2009	34,410,000	185,250	-	51,436	30,395,000	20,122,064	-	2,553	85,166,303	22.06%	9,249
2010	32,550,000	175,500	-	-	28,090,000	20,377,078	-	-	81,192,578	25.89%	9,142
2011	36,300,000	165,750	-	-	48,700,000	20,107,401	-	-	105,273,151	37.46%	12,000
2012	32,290,000	156,000	-	-	47,570,000	21,023,411	-	-	101,039,411	35.85%	11,287
2013	31,020,000	146,250	-	-	85,285,000	20,860,822	-	-	137,312,072	47.80%	15,116

City and Borough of Sitka, Alaska
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amount Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Value of Property</u>	<u>Per Capita</u>
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	2.67%	3,298
2008	29,035,000	2,657,143	26,377,857	2.26%	3,062
2009	34,410,000	3,148,838	31,261,162	2.65%	3,624
2010	32,550,000	3,397,347	29,152,653	2.60%	3,283
2011	36,300,000	2,703,304	33,596,696	2.92%	3,830
2012	32,290,000	2,990,924	29,299,076	2.54%	3,273
2013	31,020,000	2,028,544	28,991,456	2.49%	3,191

City and Borough of Sitka, Alaska
Direct and Overlapping Governmental Activities Debt
Legal Debt Margin Information
As of June 30, 2013

<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	31,020,000	100%	<u>31,020,000</u>
Total direct and overlapping debt			<u>\$ 31,020,000</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.

City and Borough of Sitka, Alaska

Pledged Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	<u>Electric and Water Revenue Bonds and Notes</u>							
	<u>Electric and Water Revenue</u>	<u>Electric Revenue</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
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	7,967,421	5,721,435	2,709,411	1,738,453	4,447,864	1.29
2012	-	13,076,192	7,854,687	5,221,505	1,394,689	2,848,639	4,243,328	1.23
2013	-	13,412,647	7,127,520	6,285,127	1,770,000	2,296,332	4,066,332	1.55

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> <u>(,000s)</u>	<u>Per Capita</u> <u>Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2004	8,805	271,250	31,699	1,467	6.6%
2005	8,947	279,109	31,707	1,478	5.5%
2006	8,833	280,896	34,762	1,477	5.4%
2007	8,644	307,053	36,696	1,454	4.5%
2008	8,615	317,200	41,872	1,378	5.8%
2009	8,627	361,230	38,593	1,316	6.5%
2010	8,881	313,624	35,314	1,315	6.6%
2011	8,773	281,034	32,034	1,300	6.6%
2012	8,952	281,872	31,487	1,300	6.2%
2013	9,084	287,263	31,623	1,324	6.2%

City and Borough of Sitka, Alaska

Principal Employers
Current Year and Nine Years Ago

Employer	2013			2004		
	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	219	2	4.68%	225	2	5.55%
U.S. Coast Guard	209	3	4.47%	195	3	4.81%
Sitka Community Hospital	176	4	3.76%	95	10	2.34%
City and Borough of Sitka	155	5	3.31%	142	5	3.50%
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%

City and Borough of Sitka, Alaska

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

<u>Function</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>	<u>2012</u>	<u>2013</u>
General Government	40	40	42	41	41	41	43	29	29	28
Public Safety:										
Police	34	37	37	36	36	36	32	33	33	33
Fire and Ambulance	10	10	10	10	10	10	10	10	10	10
Public Works	12	12	12	11	11	11	13	25	25	25
Public Services:										
Library	6	6	7	7	7	7	7	7	7	7
Centennial Building	4	4	4	4	4	4	4	4	4	4
Electric	25	25	23	23	23	23	24	25	25	27
Water	4	4	4	4	4	4	4	5	5	5
Waste Water Treatment	6	6	7	7	7	7	7	6	6	6
Solid Waste Disposal	1	1	1	1	2	2	2	2	2	2
Harbor	8	8	8	8	8	9	9	9	9	9
Sawmill Cove Industrial Park	1	1	1	1	1	-	-	1	1	-
Totals	<u>151</u>	<u>154</u>	<u>156</u>	<u>153</u>	<u>154</u>	<u>154</u>	<u>155</u>	<u>156</u>	<u>156</u>	<u>156</u>

City and Borough of Sitka, Alaska
Average Number of Electrical Customers
Last Ten Fiscal Years

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Harbor</u>	<u>Public Authority</u>	<u>Sawmill Cove Industrial Park</u>	<u>Total</u>
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
2012	3,662	653	774	201	19	5,309
2013	3,728	677	760	217	21	5,403

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>
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
2012	47,583,037	32,012,255	3,214,648	22,778,544	5,460,139	111,048,623
2013	47,628,760	32,043,016	3,217,737	22,800,432	5,465,385	111,155,330

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