

# ***Ketchikan Gateway Borough*** *Ketchikan, Alaska*



***Comprehensive Annual Financial Report***  
*For the Fiscal Year Ended June 30, 2016*

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# KETCHIKAN GATEWAY BOROUGH

Ketchikan, Alaska

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2016

Prepared by:

Department of Finance

Cynna Gubatayao, Director  
Maureen Crosby-CPA, Controller  
1900 First Avenue, Suite 118  
Ketchikan, Alaska 99901



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**Ketchikan Gateway Borough, Alaska**  
**Comprehensive Annual Financial Report**  
**For The Year Ended June 30, 2016**

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# **INTRODUCTORY SECTION**



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# KETCHIKAN GATEWAY BOROUGH

1900 First Avenue, Suite 118, Ketchikan, Alaska 99901

Cynna Gubatayao, Finance Director

phone 907/228-6620 fax 907/247-6698

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Office of the Borough Finance Department

December 23, 2016

Honorable Mayor, Members of the Borough Assembly,  
and the Citizens of the Ketchikan Gateway Borough

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Ketchikan Gateway Borough for the year ended June 30, 2016. The CAFR is designed for the public to understand the operational accountability with the government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information.

The CAFR was prepared by the Ketchikan Gateway Borough Finance Department and subsequently audited by BDO USA, LLP. The accuracy of the data in this financial report, and the completeness and the fairness of the presentation, including all disclosures, is the responsibility of management. To provide a reasonable basis for making these representations, a comprehensive internal control framework has been established that is designed to protect the Borough's assets from loss, theft, or misuse and to maintain sufficient reliable information for the preparation of the Borough's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh the benefits, the 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 attest that to the best of our knowledge and belief this financial report is complete and reliable in all material aspects. The Borough's financial statements were also audited by BDO USA, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Borough for the year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the Borough's financial statements for the year ended June 30, 2016 are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require 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 Borough's MD&A can be found immediately following the independent auditor's report.

## **Profile of the Ketchikan Gateway Borough**

Located on Revillagigedo Island in southern Southeast Alaska, and within the boundaries of the Tongass National Forest, Ketchikan is 650 miles north of Seattle, Washington, and 200 miles south of Juneau, Alaska's capital. Its boundaries extend around Revillagigedo Island, Gravina Island, Pennock Island and other smaller islands with the defined boundaries. The Borough is situated at the southern end of the 16.8-million-acre Tongass National Forest (the Tongass). The Tongass is the largest national forest in the United States. Harvesting and promoting the natural resources of the Tongass provide employment opportunities,

directly or indirectly for the Borough. The City of Ketchikan and the City of Saxman are incorporated cities within the Borough.

The Borough was incorporated as a second-class borough on September 13, 1963, and has operated under the Assembly-Manager form of government since 1974. The Mayor and seven Assembly Members are elected by the voters at-large for staggered three-year terms. Local elections are held annually in October. The Assembly is responsible for enacting ordinances, adopting the annual budget, establishing policy, and appointing the Borough Manager, Borough Clerk, and Borough Attorney.

The School District is reported as a discretely presented component.

The Borough operates an enterprise fund for the Ketchikan International Airport including the airport ferry, and operates an enterprise fund for non-areawide services for wastewater. The Borough is responsible for property tax assessments, tax collection, and schools. Fire protection, emergency medical services, road maintenance, docks, and water utility service are provided through service areas. The transit system and Gateway Aquatic and Recreation Center, and parks are operated within the General Fund. Other areawide services include planning, platting, animal protection, and economic development. Other non-areawide services include library services and solid waste.

As part of the long term financial planning process, the Assembly holds an annual work session each January. During the session, the Assembly considers the fiscal impact on fund balances of potential legislation, local policy actions and economic conditions. A planning window of at least five years is used. During the work session, the Assembly sets the initial assumptions to be used in preparation of the next annual budget.

The annual budget serves as the foundation for the Borough's financial plan and control. The objective of the budgetary controls is to ensure compliance with legal provisions embodied in the annual budget adopted by the Ketchikan Gateway Borough Assembly. Departments are required to submit requests for appropriation to the Borough Manager. The Borough Manager uses these requests as a basis for developing a proposed annual budget that is submitted to the Borough Assembly by the first regular Assembly meeting in May. Upon adoption of the budget, the Manager may authorize the transfer of funds within a fund. The transfer of money between funds requires an action of the Assembly for ratification. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and all major special revenue funds of the Borough, this comparison is presented as part of the basic financial statements. For nonmajor governmental funds with appropriated budgets, this comparison is presented in the governmental fund subsection of this report.

### **IMPLEMENTATION OF GASB 68**

This is the Borough's second comprehensive annual financial report prepared under the new GASB 68 guidelines. GASB 68 requires a liability for pension obligations, or Net Pension Liability (NPL), to be reported on the balance sheets of the plan and participating employers. The State of Alaska's Public Employees' Retirement System (PERS) and Teachers' Retirement System are cost-sharing multi-employer plans, and under the new GASB rules, the NPL must be allocated among the plans and all employers in the plans, based on legal responsibility for payment of the NPL.

In recognition of the Special Funding Situation, the State of Alaska prepared schedules identifying, for each participating employer, the employer and non-employer portions of NPL. For external accounting and reporting, the Borough and its component unit the Ketchikan Gateway Borough School District have recorded only the employer's portion of NPL as calculated by the State, and have not recorded the non-employer portion.

However, Management of the Borough also contends that the State’s calculations for the employer portion of NPL are materially flawed. For PERS, Management of the Borough argues that the Borough’s and School District’s legal responsibility for the NPL is only the portion of the statutorily capped employer contribution that is greater than the normal cost rates for pension and other post-employment benefits (OPEB). The School District’s legal responsibility for the TRS NPL is arguably none.

At June 30, 2016, the amount of net pension liability recognized, with reservations, by the Borough and School District, and the related State proportion, were as follows:

	Borough	School District	Total
PERS Employer	\$ 9,029,795	13,672,195	22,701,990
PERS NonEmployer (State)	<u>2,417,411</u>	<u>3,660,677</u>	<u>6,078,088</u>
	11,447,206	17,332,872	28,780,078
TRs Employer	-	12,956,384	12,956,384
TRs NonEmployer (State)	<u>-</u>	<u>20,711,908</u>	<u>20,711,908</u>
	-	33,668,292	33,668,292
Total Employer	9,029,795	26,628,579	35,658,374
Total NonEmployer (State)	<u>2,417,411</u>	<u>24,372,585</u>	<u>26,789,996</u>
	<u>\$ 11,447,206</u>	<u>51,001,164</u>	<u>62,448,370</u>

GASB Statement No. 75, which takes effect for the Borough’s and School District’s fiscal year 2018, requires the recognition of liabilities related to other postemployment benefits. Implementation of GASB 75 is reasonably expected to increase the Borough’s and School District’s pension related liabilities by approximately 20%.

**Acknowledgements**

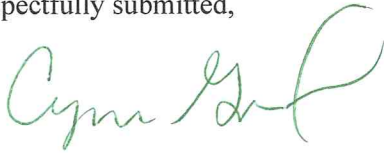
The Government Finance Officers Association of the United States and Canada (the GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Ketchikan Gateway Borough for its CAFR for the fiscal year ended June 30, 2015. This is the tenth consecutive year that the Borough has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievements Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

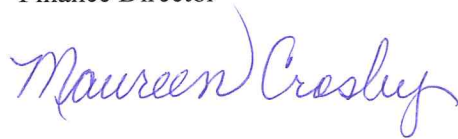
The preparation of the CAFR requires input from the professional staff of the Finance Department. Without their efforts, it would not have been possible to produce this report. We would like to thank the following staff members for their efforts and contributions:

Tracey Benner  
Brenda Bjork  
Claire Kelly  
Brenda Secrest  
Pam Srna  
Charlanne Thomas

Respectfully submitted,



Cynna Gubatayao  
Finance Director



Maureen Crosby, CPA  
Controller



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Ketchikan Gateway Borough  
Alaska**

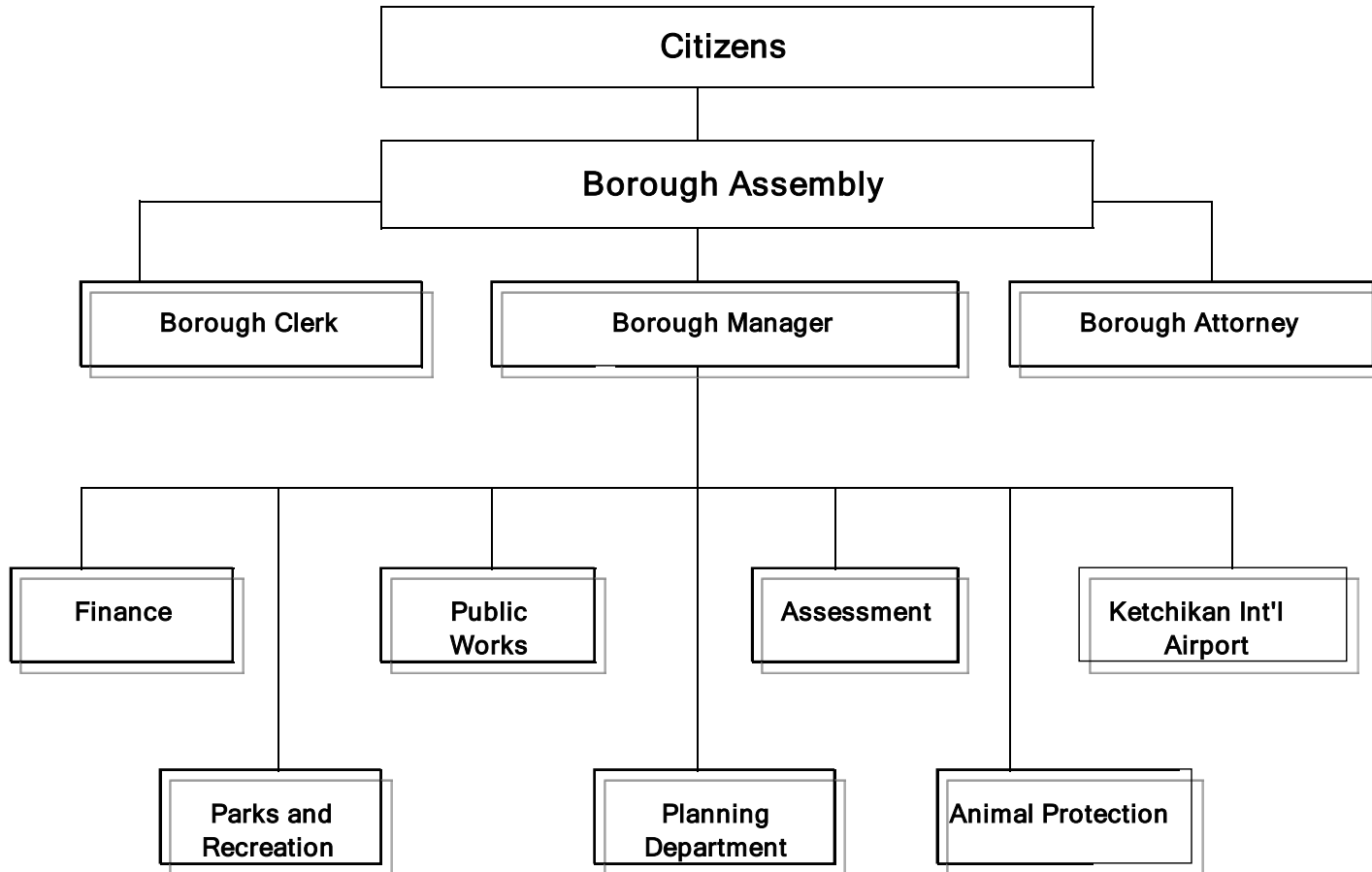
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

# KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2016



# KETCHIKAN GATEWAY BOROUGH

## PRINCIPAL BOROUGH OFFICIALS

June 30, 2016

### MAYOR AND ASSEMBLY

<i>Mayor</i>	David Landis
<i>Vice-Mayor</i>	Alan Bailey
<i>Assembly Member</i>	Stephen Bradford
<i>Assembly Member</i>	John Harrington
<i>Assembly Member</i>	Mike Painter
<i>Assembly Member</i>	Bill Rotecki
<i>Assembly Member</i>	Glen Thompson
<i>Assembly Member</i>	Felix Wong

The legislative power of the Ketchikan Gateway Borough is vested in an assembly of seven members. This assembly meets in regular session every first and third Monday of the month in the Assembly Chambers located in the White Cliff Building at 1900 First Avenue, Ketchikan, Alaska.

### BOROUGH STAFF

<i>Borough Manager</i>	Dan Bockhorst
<i>Assistant Borough Manager</i>	Deanna Garrison
<i>Borough Attorney</i>	Scott A. Brandt-Erichsen
<i>Borough Clerk</i>	Kacie Paxton
<i>Director of Animal Protection</i>	Eddie Blackwood
<i>Director of Assessment</i>	Jeff Hurt
<i>Director of Finance</i>	Cynna Gubatayao
<i>Director of Planning</i>	Chris French
<i>Airport Manager</i>	Mike Carney
<i>Director of Public Works</i>	Alex Peura
<i>Parks and Recreation Supervisor</i>	Wendy Miller



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# **FINANCIAL SECTION**



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

3601 C Street, Suite 600  
Anchorage, AK 99503

## Independent Auditor's Report

Honorable Mayor and Borough Assembly  
Ketchikan Gateway Borough

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ketchikan Gateway Borough, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ketchikan Gateway Borough School District. 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 the Ketchikan Gateway Borough School District, 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 of material misstatement.

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

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

## *Opinions*

In our opinion, based on our audit and the report of 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Ketchikan Gateway Borough, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Land Trust, School Bond Capital Improvements, and Economic Development Assistance Program, Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 13 through 30 and the Public Employees Retirement System Schedule of Net Pension Liability, and the Schedule of Pension Contributions, and the IBEW Pension Contributions on pages 93-96 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.

### *Supplementary Information*

Our audit for the year ended June 30, 2016 was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ketchikan Gateway Borough's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are 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 for the year ended June 30, 2016 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2016.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Ketchikan Gateway Borough as of and for the year ended June 30, 2015 (not presented herein), and have issued our report thereon dated December 29, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2015 financial statements. The information has been subjected to the auditing procedures applied in the audit of the June 30, 2015 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016, on our consideration of Ketchikan Gateway Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ketchikan Gateway Borough's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska  
December 23, 2016



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**Ketchikan Gateway Borough, Alaska**  
Management's Discussion and Analysis  
Year Ended June 30, 2016

Within this section of the Ketchikan Gateway Borough, Alaska (the Borough) annual financial report, the Borough's management is pleased to provide this narrative discussion and analysis of the financial activities of the Borough for the fiscal year ended June 30, 2016. The Borough's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**Financial Highlights**

- The Borough's net position exceeded its liabilities by \$173,118,218 for the fiscal year reported.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets of \$151,429,426 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net position of \$6,865,378 is restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net position of \$14,823,414 indicates that the Borough has available assets to maintain the Borough's continuing obligations to citizens and creditors.
- The Borough's governmental funds reported total ending fund balances of \$31,015,588 this year. This compares to the prior year ending fund balance of \$30,416,855, showing an increase of \$598,733 during the current year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$8,395,444 or 45.4% of total General Fund expenditures, exclusive of transfers to other funds.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

**Overview of the Financial Statements**

This Management's Discussion and Analysis document introduces the Borough's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Borough also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

***Government-wide Financial Statements***

The Borough's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Borough's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

**Ketchikan Gateway Borough, Alaska**  
Management's Discussion and Analysis  
Year Ended June 30, 2016

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the Borough's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Borough as a whole is improving or deteriorating. Evaluation of the overall health of the Borough would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of Borough infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Borough's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Borough's distinct activities or functions on revenues provided by the Borough's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Borough that are principally supported by taxes and intergovernmental revenues from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, library services, public services, fire and EMS, parks and recreation, public works, and education. Business-type activities include the airport and the wastewater systems.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Borough uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Borough's most significant funds rather than the Borough as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The Borough has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Borough's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives. The budgetary comparison statements for the General Fund, the Land Trust Fund, the School Bond/Capital Improvements Fund, and the Economic Development Assistance Program Fund are presented as basic financial statements. There are no budgetary comparison statements for the State & Federal Grants Fund or for the Capital Projects Fund. State and Federal grants are not budgeted for, since funds are not normally appropriated by the agency until after the completion of the local budget process. Grants from other agencies are approved and accepted by the Assembly by resolution. Major Capital Projects are also not budgeted through the normal budget process because they are budgeted and approved by the Assembly when contracts are awarded.

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Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the Borough charges customers a fee. The Borough has four proprietary funds. Two are classified as enterprise funds and two are internal service funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Borough organization for the airport operations and wastewater operations.

***Notes to the Basic Financial Statements***

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

***Other Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Borough's budget presentations, other than those funds referenced above. These statements and schedules demonstrate compliance with the Borough's adopted and final revised budget. As discussed, the Borough reports major funds in the basic financial statements.

**Financial Analysis of the Borough as a Whole**

The Borough's net position at fiscal year-end is \$173,118,218. The following table provides a summary of the Borough's net position.

*(This page continued on the subsequent page).*

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**Summary of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current assets	\$ 36,316,478	\$ 35,175,647	1,838,856	629,000	38,155,334	35,804,647
Receivable from Component Unit	463,628	416,538	-	-	463,628	416,538
Capital assets	163,117,942	164,928,197	28,320,766	28,156,141	191,438,708	193,084,338
Total Assets	199,898,048	200,520,382	30,159,622	28,785,141	230,057,670	229,305,523
<b>Deferred Outflows of Resources:</b>						
Loss on refunding	424,402	524,933	-	-	424,402	524,933
Related to pensions	1,056,256	494,413	454,280	212,639	1,510,536	707,052
Total Assets and Deferred Outflows of Resources	\$ 201,378,706	201,539,728	30,613,902	28,997,780	231,992,608	230,537,508
<b>Liabilities:</b>						
Current liabilities	\$ 10,223,943	\$ 9,948,656	396,292	375,221	10,620,235	10,323,877
Long-term liabilities	45,331,901	47,377,137	2,762,389	2,009,888	48,094,290	49,387,025
Total Liabilities	55,555,844	57,325,793	3,158,681	2,385,109	58,714,525	59,710,902
<b>Deferred Inflows of Resources:</b>						
Property tax revenues	-	1,736	-	-	-	1,736
Related to pensions	111,787	530,564	48,078	228,187	159,865	758,751
Total Liabilities and Deferred Inflows of Resources	55,667,631	57,858,093	3,206,759	2,613,296	58,874,390	60,471,389
<b>Net Position:</b>						
Net investment in capital assets	123,108,660	121,277,988	28,320,766	28,156,141	151,429,426	149,434,129
Restricted	6,865,378	6,819,220	-	-	6,865,378	6,819,220
Unrestricted (deficit)	15,737,037	15,584,427	(913,623)	(1,771,657)	14,823,414	13,812,770
Total Net Position	\$ 145,711,075	143,681,635	27,407,143	26,384,484	173,118,218	170,066,119

Approximately 15.4% or \$4,624,843, of Ketchikan Gateway Borough's cash and investments are subject to external restrictions on how they must be used. \$408,716 is restricted for debt in the Land Trust Fund, \$2,748,035 is restricted for capital projects, and \$1,468,092 is restricted for commercial passenger vessel related projects.

The largest component of the Borough's governmental total assets is invested in capital assets. Capital assets account for 81.8% of total assets and deferred outflows of resources and net investment in capital assets

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accounts for 87.5% of total net position. The Borough's capital assets include land, Borough buildings and improvements, School District buildings and improvements, vehicles, transit buses, and infrastructure. The Borough uses these capital assets to provide services to its citizens. However, with business type activities, the Borough has spent approximately 93.9% of its total assets on capital. Capital assets in the business-type activities provide airport and utility services, but they also generate revenues for these funds. 87.5% of the Borough's total net position is included in capital assets. The Borough's total net position increased by \$3,052,099 during fiscal year 2016. Net investment in capital assets for governmental activities increased by \$1,830,672 and net investment in capital assets for business type activities increased by \$164,625.

The current ratio for governmental activities is 3.6 to 1 and 4.64 to 1 for business type activities. The ratios for fiscal year 2015 were 3.6 to 1 for governmental activities and 1.68 to 1 for business type activities.

***Changes in Net Position***

The Borough's total net position increased by \$3,052,099 in 2016. The net position for governmental activities increased by \$2,029,440 and the net position for business-type activities increased \$1,022,659. The following table provides a summary of the changes in the Borough's net position:

*(This page continued on the subsequent page).*

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**Summary of Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program:						
Charges for services	\$ 8,006,966	7,719,556	5,728,006	5,350,496	13,734,972	13,070,052
Operating grants	3,330,138	3,181,765	3,332	7,386	3,333,470	3,189,151
Capital grants	5,189,749	5,828,520	1,731,076	487,172	6,920,825	6,315,692
General:						
Taxes	17,113,779	17,966,296	-	-	17,113,779	17,966,296
Other	4,691,727	3,916,102	122,265	167,786	4,813,992	4,083,888
Total revenues	<u>38,332,359</u>	<u>38,612,239</u>	<u>7,584,679</u>	<u>6,012,840</u>	<u>45,917,038</u>	<u>44,625,079</u>
Program Expenses:						
General government	3,517,224	4,037,970	-	-	3,517,224	4,037,970
Fire and EMS	1,438,761	1,545,356	-	-	1,438,761	1,545,356
Water treatment & distribution	224,652	324,110	-	-	224,652	324,110
Library services	390,575	405,199	-	-	390,575	405,199
Parks and recreation	3,432,887	3,340,866	-	-	3,432,887	3,340,866
Public works	1,168,318	1,027,166	-	-	1,168,318	1,027,166
Public services	5,306,734	8,890,872	-	-	5,306,734	8,890,872
Transit	2,384,212	2,221,390	-	-	2,384,212	2,221,390
Education	16,182,438	15,015,738	-	-	16,182,438	15,015,738
Interest	1,957,353	2,254,374	-	-	1,957,353	2,254,374
Airport	-	-	5,874,984	5,665,297	5,874,984	5,665,297
Wastewater	-	-	986,801	1,098,072	986,801	1,098,072
Total expenses	<u>36,003,154</u>	<u>39,063,041</u>	<u>6,861,785</u>	<u>6,763,369</u>	<u>42,864,939</u>	<u>45,826,410</u>
Excess (deficiency)	2,329,205	(450,802)	722,894	(750,529)	3,052,099	(1,201,331)
Transfers	(299,765)	(272,424)	299,765	272,424	-	-
Change in net position	2,029,440	(723,226)	1,022,659	(478,105)	3,052,099	(1,201,331)
Net Position Beginning of Year	<u>143,681,635</u>	<u>144,404,861</u>	<u>26,384,484</u>	<u>26,862,589</u>	<u>170,066,119</u>	<u>171,267,450</u>
Net Position End of Year	<u>\$ 145,711,075</u>	<u>143,681,635</u>	<u>27,407,143</u>	<u>26,384,484</u>	<u>173,118,218</u>	<u>170,066,119</u>

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**GOVERNMENTAL REVENUES**

The Borough is heavily reliant on property and sales taxes to support governmental operations and capital. Property taxes of \$8.5 million accounted for approximately 39.2% of the total general revenues. Sales taxes provided 39.3% of the Borough's total governmental general revenues. The Borough recognized \$36,483 in investment income for fiscal year 2016. The total income was from interest earnings on savings accounts, time certificates of deposit and interest charged on internal loans to other funds. Program revenues cover 45.9% of governmental operating expenses; this is an increase of 2.6% over the prior year. As a result, the general economy and the Borough businesses have a major impact on the Borough's revenue streams.

**GOVERNMENTAL FUNCTIONAL EXPENSES**

Public services account for 14.74% of our total costs. This is 8.02% decrease over the cost for public services for fiscal year 2015. The decrease over fiscal year 2015 was due to a payment from the Commercial Passenger Vessel Fund to the City of Ketchikan for a drive down dock and design costs for improvements to the dock at Hole in the Wall, and a payment from the Economic Development Fund to the City of Ketchikan for the Whitman Lake Hydroelectric Project that were made in fiscal year 2015. Library services account for 1.07% of our total cost, compared to 1.03% for fiscal year 2015. A total of 44.95% of our resources were used to fund the school district, compared to 38.44% for fiscal year 2015. General government costs were 9.77% of total cost. The total cost of services for all governmental functions decreased by \$3,059,887 or 7.8% from fiscal year 2015. The total net cost of governmental functions for fiscal year 2016 decreased by \$2,856,901 or 12.8%. There was a reduction in the net cost of providing general government, fire and ems, water treatment and distribution, library services, public services, interest, and an increase in the net cost of providing all other services. The net cost of services decreased from fiscal year 2015 due to the implementation of GASB 68 and payments made to the City of Ketchikan as described above that occurred in fiscal year 2015. The government's taxpayers and the Borough's other general governmental revenues fund 54.1% of governmental activities as compared to 57.2% for fiscal year 2015. The Borough received \$279,880 or 1.0% less in revenue and expended \$3,059,887 or 7.8% less in fiscal year 2016 than in 2015.

This table presents the cost of each of the Borough's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the Borough's taxpayers by each of these functions.

*(This page continued on the subsequent page).*

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	<b>Total Cost of Services</b>		<b>Net Cost (Benefit) of Services</b>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>
General government	\$ 3,517,224	9.77%	\$ 1,152,626
Fire and EMS	1,438,761	4.00%	1,097,888
Water treatment & distribution	224,652	0.62%	(61,820)
Library services	390,575	1.07%	390,575
Parks and recreation	3,432,887	9.53%	2,649,519
Public works	1,168,318	3.25%	1,130,050
Public services	5,306,734	14.74%	3,248,864
Transit	2,384,212	6.62%	931,430
Education	16,182,438	44.95%	7,587,417
Interest	<u>1,957,353</u>	<u>5.44%</u>	<u>1,349,752</u>
<b>Total</b>	<u>\$ 36,003,154</u>	<u>100%</u>	<u>\$ 19,476,301</u>

**BUSINESS-TYPE ACTIVITIES**  
**Revenues vs. Costs**

The primary enterprise fund of Ketchikan Gateway Borough is the Airport Enterprise Fund. This fund is used to account for the operations of the Ketchikan International Airport. The Airport Enterprise Fund is responsible for the operation and maintenance of the airport facilities and ferry system. The Ketchikan Gateway Borough owns and operates the terminal buildings and the airport ferries and leases the Ketchikan International Airport land reserve from the State of Alaska. (The lease with the State of Alaska is discussed at Note 3-G).

Operating revenues for the Airport Enterprise Fund increased by \$252,704 or 5.46% and operating expenses increased by \$284,027 or 5.1%. Operating grants decreased by \$49,575 and is attributable to a reduction in PERS on-behalf contributions.

Personnel services increased by \$283,515 or 9.4% over 2015. This increase is due to the allocation of pension expense allocated through GASB 68. Supplies and services decreased by \$29,990 or 2.4%. Insurance costs increased by \$10,634 or 4.7% and the calculated depreciation increased by \$19,868 or 1.8%. The increase in calculated depreciation is due to the addition of new assets at the end of fiscal year 2015 that were subject to depreciation for the first time in fiscal year 2016.

The Wastewater Enterprise Fund (WEF) is used to account for the operations of Ketchikan Gateway Borough's wastewater utility and sludge pumping program. The operating position of the WEF decreased during fiscal year 2016. Net position decreased by \$205,947 or 53.4% from fiscal year 2015. Operating revenues increased by \$124,806 or 19.0%, attributable to an increase in fees and customers. The operating expenses decreased by \$102,344 or 9.5%, attributable to reductions in personnel services and supplies. "Recovery of expenditures from other funds" increased by \$4,900 compared to fiscal year 2015. This increase is due to charges being assessed to the Airport Enterprise Fund. Personnel services decreased by \$48,320 or 22.3%. Supplies and services decreased by \$56,678 or 11.3% and insurance and depreciation increased nominally.

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**Financial Analysis of the Borough's Funds**

***Governmental Funds***

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$31,015,588. Of this year-end total, \$8,395,444 is unassigned. Legally restricted fund balances in the amount of \$8,888,164 including \$2,692,902 for capital projects, \$1,829,097 for commercial passenger vessel impact, \$15,851 for dock improvements, \$122,709 for library operations, \$706,084, for public safety and water, \$2,807,363 for recreation, \$326,225 for airport projects, and \$387,933 for road maintenance. Fund balances are committed in total for \$12,146,408; consisting of \$479,397 for interfund loans, \$3,799,206 for land management, and \$7,867,805 for education. Fund balances totaling \$1,585,572 are assigned for economic development.

The total ending fund balances of governmental funds shows an increase of \$598,733 or 2.0% more than the prior year. The General Fund decreased and Nonmajor funds increased due to the transfer of funds designated for education support as discussed in Note 3-E. The Land Trust Fund increased due to land sales, the Economic Development Assistance Fund decreased due to public service expenditures and no revenue stream for that fund. The Capital Projects Fund decreased as the completion of school construction projects continues. Fund balances for interfund loans decreased from fiscal year 2015, which is related to the negative cash in central treasury for the Airport Fund and the Passenger Facility Charges (PFC) Funds in fiscal year 2015. There was also a reservation of fund balance for a note receivable from Ocean Alaska in fiscal year 2015. The note receivable from Ocean's Alaska has increased to \$550,000, but it is now offset with an allowance to doubtful accounts.

***Major Governmental Funds***

***General Fund*** - The General Fund is the Borough's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance decreased by \$1,906,081, a 18.5% decrease largely due to the transfer of \$2,724,685 to the Schools Reserve Fund as disclosed in Note 3-E. FY 2016 expenditures and transfers out were more than the amended budget by \$673,757.

All general government departments with the exception of the Clerk, Finance, and Nondepartmental departments under spent their projected budgets. An unfavorable variance in revenue collections of \$243,843 and an unfavorable variance in expenditures and transfers out of \$2,299,054 increased the projected net change in fund balance by \$2,542,897 to \$(1,906,081). Sales tax collections were \$10,034 more than fiscal year 2015, but \$259,459 less than budgeted for fiscal year 2016. Property tax revenues were \$22,367 more than budgeted. Property tax collections decreased by \$13,349, or .2% from fiscal year 2015.

Intergovernmental revenues were \$79,926 more than budgeted and were \$1,870,158 less than fiscal year 2015. The decrease from fiscal year 2015 is due to a decrease in National Forest Receipts and a decrease in PERS relief funding. Management anticipated in fiscal year 2015 that the National Forest Receipts program would not be continued or that payments would not be made to municipalities, and budgeted accordingly in fiscal year 2015. \$1,059,382 was received in fiscal year 2015. The Borough budgeted \$1,707,593 based on information that the Borough would receive backdated payments for fiscal years 2014 and 2015 in fiscal year 2016; however, the amount that was received was \$993,052.

State revenue sharing of \$598,123 was received in fiscal year 2016. The State Legislature provided \$327,428 in PERS relief to Ketchikan Gateway Borough and \$206,142 of the total relief was recognized in the General Fund.

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Total General Fund expenditures decreased by \$644,859 or 3.4% over fiscal year 2015. The General Fund underspent the fiscal year 2016 budget by \$669,190, exclusive of transfers out to other funds.

**Land Trust Fund** – During fiscal year 2016, charges for services, land sales, investment earnings, and miscellaneous revenue brought total revenues to \$1,128,559. The Land Trust Fund expended \$247,530 for public services. The Land Trust Fund transferred \$252,574 to the Debt Service Fund for principal and interest payments on the certificates of participation for the White Cliff School Building, which houses the Borough's administrative offices, and transferred \$221,069 back to the General Fund for the budgeted office space rent for governmental offices in the White Cliff building. The net change in fund balance was a \$407,386 increase or 13.0%.

**School Bond/Capital Improvements Fund** - This fund is used to account for the receipt of revenues received from the State of Alaska for the School Debt Reimbursement Program and the ½ -cent sales tax approved by the voters to fund school projects. These funds are used to pay for school bond debt and school capital projects that would qualify for bonding. This fund recognized \$1,699,105 in sales tax revenue, \$2,530,287 in debt reimbursement revenues, and \$6,949 in penalties and interest. This fund transferred out \$3,651,729 for G.O. bond principal and interest payments into Debt Service Funds and \$163,217 to the Recreation CIP Fund. This fund also expended \$160,680 towards a generator at the Ketchikan High School. The ending fund balance increased by \$508,841 or 11.0%.

**Economic Development Assistance Program Fund (EDAPF)** – During fiscal year 2016, the only revenues credited were \$2,736 for PERS relief and \$456 in miscellaneous revenue. The EDAPF expended \$996,640 for public services and transferred \$144,650 to the General Fund. The majority of the public service expenditures was for the recognition of bad debt in the amount of \$391,000 for the Ocean's Alaska loan, \$253,405 in Community grants and \$89,640 for credit card processing fees. The net change in the fund balance was a decrease of \$1,138,098 or 41.8%. At current spending levels, the EDAPF will be exhausted by the end of FY 2018.

**State & Federal Grants Fund** – During the current fiscal year, the Borough received \$598,138 in State and Federal grants. The Borough expended \$415,821 on public services and \$182,317 towards governmental capital projects.

**Capital Projects Fund** – Construction continues on several school facility projects. Total construction costs were \$736,917 and \$47,576 for public services. Investment earnings of \$1,370 were received on the unspent bond proceeds.

**The Proprietary Funds** – The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Factors concerning the finances of Ketchikan Gateway Borough's proprietary funds have already been addressed in the discussion of the Borough's business-type activities.

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**Budgetary Highlights**

*The General Fund* – Total taxes collected were \$177,711 less than budgeted with sales tax showing the largest decrease. Taxes reported include: real property, automobile and boat, sales, and penalties and interest. The Borough recognized \$79,926 more than budgeted for intergovernmental revenues. While Federal Payment in Lieu of taxes was \$1,202,237 more than budgeted, it was more than offset by \$521,407 less than budgeted for State fisheries tax and \$714,541 less than budgeted for National forest receipts. The Borough recognized \$81,658 more than budgeted for transit system operating grants.

The expenditure side of the original budget for the General Fund was increased \$45,580 during 2016, of which \$40,000 was for the Education budget and was earmarked for “emergency response handbooks and development of a video surveillance program.” Budget amendments reduced the spending for all departments in the General Fund, with the exception of the: Mayor and Assembly, Manager, Automation and Transit departments.

In total, the Borough under expended the total General Fund's amended budget for expenditures by \$669,190.

Transfers out were \$2,968,244 more than budgeted due to a transfer of \$248,126 to the School Bond/Capital Improvements Fund to reimburse for school property insurance that had been transferred from that fund to the General Fund prior years. \$2,724,685 was also transferred from the General Fund to establish the new Schools Reserve Fund. This fund will be used to account for the receipt of property taxes, Secure Rural Schools revenues, and any future tobacco tax proceeds, if ratified by the voters, and to process payments for education local support. Revenues will be credited to this account in fiscal year 2017.

**Capital Assets and Debt Administration**

**Capital Assets**

The Borough's net investment in capital assets, for governmental and business-type activities as of June 30, 2016, was \$163,117,942 and \$28,320,766 respectively. The total change in net book value of capital assets was a decrease of 1.1% for governmental and a 1.0% increase for business-type activities. The overall change was a 1.0% decrease for the Borough as a whole. See Note 3-D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

*(This page continued on the subsequent page).*

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**Capital Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Non-depreciable assets:						
Land	\$ 39,910,399	37,733,137	-	-	39,910,399	37,733,137
Construction in progress	29,277	364,519	724,638	310,132	753,915	674,651
Total non-depreciable	<u>39,939,676</u>	<u>38,097,656</u>	<u>724,638</u>	<u>310,132</u>	<u>40,664,314</u>	<u>38,407,788</u>
Depreciable assets:						
Buildings and improvements	153,749,767	153,206,007	16,499,048	15,316,187	170,248,815	168,522,194
Vehicles, ferry and equipment	8,083,433	7,913,420	16,395,977	16,395,980	24,479,410	24,309,400
Wastewater assets	-	-	14,110,815	14,110,812	14,110,815	14,110,812
Infrastructure	<u>15,785,709</u>	<u>15,049,432</u>	<u>-</u>	<u>-</u>	<u>15,785,709</u>	<u>15,049,432</u>
Total depreciable assets	177,618,909	176,168,859	47,005,840	45,822,979	224,624,749	221,991,838
Less accumulated depreciation	<u>54,440,643</u>	<u>49,338,318</u>	<u>19,409,712</u>	<u>17,976,970</u>	<u>73,850,355</u>	<u>67,315,288</u>
Book value - depreciable assets	<u>123,178,266</u>	<u>126,830,541</u>	<u>27,596,128</u>	<u>27,846,009</u>	<u>150,774,394</u>	<u>154,676,550</u>
Percentage depreciated	31%	28%	41%	39%	33%	30%
Book value - all assets	<u>\$ 163,117,942</u>	<u>164,928,197</u>	<u>28,320,766</u>	<u>28,156,141</u>	<u>191,438,708</u>	<u>193,084,338</u>

At June 30, 2016, the depreciable capital assets for governmental activities were 31% depreciated. This is comparable to fiscal year 2015. This comparison indicates that the Borough is replacing its assets at the same rate as they are depreciating which is a positive indicator.

The balance remaining in construction-in-progress for business-type activities is for Ketchikan International Airport projects.

With the Borough's business type activities, 41% of the asset values were depreciated at June 30, 2016 compared to 39% at June 30, 2015. The accumulated depreciation for FY 16 increased 10.3% for governmental activities and increased 8.0% for business-type activities.

The Borough owns the school district's land and buildings, which is approximately 52.2% of the total cost of the Borough's governmental capital assets.

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*Major capital asset changes during 2016 included the following:*

General Governmental Assets:

- Contributed capital in the form of 2,882 acres of land capitalized at a value of \$2,277,100. The land was deeded to Ketchikan Gateway Borough by the State of Alaska through Patent No. 19194.
- Construction was completed on the Valley Park Bus Pullout project and capitalized at a cost of \$347,272 and funded through G.O. Bond proceeds.
- Construction was completed on the Dudley Field Tennis Court Repaving and capitalized at a cost of \$87,143 and funded through a Land and Water Conservation Fund (LWCF) grant and the Recreation CIP fund. The LWCF grant was a 50% match grant.
- Construction was started on Animal Shelter Building improvements in the amount of \$23,527 and funded through the General Fund.
- Construction was completed on the Valley Park Bus Pull-Out and capitalized at a cost of \$347,272 and funded through G.O Bond proceeds.
- Improvements to the Transit Facility drainage was started in the amount of \$143,036 and was funded through a State Designated Legislative grant and a Federal STP grant.
- A final contractor payment for the Aquatic Center was capitalized in the amount of \$199,181 and was funded through G.O. Bond proceeds.
- Prior year improvements to the Loring Dock were capitalized in the amount of \$244,552 and funded through a State of Alaska grant for dock improvements.
- Construction was completed on Monroe Tot Lot improvements and capitalized at a cost of \$57,308 and funded through the Recreation CIP fund.
- Carpet and flooring replacements were completed and the Houghtaling and Revilla schools and capitalized at a cost of \$201,543 and funded through G.O. Bond proceeds.
- A 2015 F250 Ford truck was purchased for the Recreation department and capitalized in the amount of \$29,121 and funded through the Recreation CIP fund.
- A forklift was purchased for the Public Works department in conjunction with the Ketchikan Gateway Borough School District's (KGBSD) Maintenance department. The KGBSD contributed \$18,000 towards the purchase. The forklift was capitalized in the amount of \$53,640 and the Borough's portion was funded through the General Fund.
- A 2015 Chevrolet Silverado was purchased for the Public Works department and was capitalized in the amount of \$21,745. and funded through the Commercial Passenger Vessel Fund.
- The Automation department purchased a Dell EqualLogic Server, a Dell PowerEdge Server, and a Kyocera copier and capitalized in the amount of \$34,530 and funded through the General Fund.

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- The South Tongass Fire department purchased rescue and extraction equipment for emergency rescue calls and they were capitalized at a cost of \$19,036 and they were funded through the South Tongass Fire department.

Enterprise Funds:

- Construction continued on the Airport Terminal Roof Replacement in the amount of \$479,570 and funded through State Designated Legislative grants. It is anticipated that the project will be completed in FY2017.
- Construction was started on the Airport Terminal Biomass Heating Project in the amount of \$1,192,678 and funded through a Federal Biomass grant, a State Designated Legislative grants, and an Alaska Energy Authority grant.
- A 2016 Chevrolet Silverado was purchased for the Airport Fields department and capitalized in the amount of \$29,868 and funded through the Airport Enterprise Fund.

***Long-term Debt***

The Borough currently reports four types of long-term debt: general obligation bonds, certificates of participation, compensated absences, and net pension liability.

During the year, the Borough retired \$3,480,000 of its existing G.O. bonds, and \$145,000 of certificates of participation.

See Note 3-H for additional information about the Borough's long-term debt.

*(This page continued on the subsequent page).*

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**Outstanding Long Term Debt**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 36,950,000	40,430,000	-	-	36,950,000	40,430,000
Certificates of participation	4,010,000	4,155,000	-	-	4,010,000	4,155,000
Compensated absences	691,599	645,579	220,121	224,818	911,720	870,397
Unamortized premiums	1,496,470	1,824,863	-	-	1,496,470	1,824,863
Unamortized loss on refunding	(424,402)	(524,933)	-	-	(424,402)	(524,933)
Net pension liability	<u>6,314,167</u>	<u>4,592,274</u>	<u>2,715,627</u>	<u>1,975,067</u>	<u>9,029,794</u>	<u>6,567,341</u>
Total	<u>\$ 49,037,834</u>	<u>51,122,783</u>	<u>2,935,748</u>	<u>2,199,885</u>	<u>51,973,582</u>	<u>53,322,668</u>

As discussed in Note 3-I to the financial statements, the Borough participates in the Alaska Public Employees Retirement System (PERS) plan. In 2015, the Borough adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the Borough's fiscal year 2015.

**Economic Conditions Affecting the Borough**

**Tourism Industry**

Ketchikan's tourism industry is expected to experience between 800,000 to 850,000 cruise ship visitors. In calendar year 2015, 856,653 cruise passengers visited Ketchikan. For purposes of the Commercial Passenger Vessel (CPV) Excise Tax Fund, it is conservatively estimated that 800,000 CPV excise taxpaying passengers will visit Ketchikan in calendar year 2016. A number of factors, including the health of the tourism industry, affect sales tax proceeds.

**Mining Projects**

**Bokan-Dotson Ridge**

The 2014 Alaska Legislature granted authority to the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Ucore Bokan-Dotson Ridge rare earth element project approximately 40 miles west of Ketchikan. The principal amount of the bonds provided by the Authority for the Bokan-Dotson Ridge rare earth element project may not exceed \$145 million. In May

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2015, Ucore announced favorable findings arising out of the deeper exploratory drilling conducted during the 2014 field season. The company upgraded and increased the mineral resource estimates for the project.

In July 2016, Senator Lisa Murkowski introduced S.3203, the Alaska Economic Development to Resources Act, and the Congressional Committee on Energy and Natural Resources held hearings on the bill. Section 401 of the bill provides for Department of Energy grants for the development of more environmentally acceptable and less expensive ways to separate and process rare earth elements, which would increase the likelihood of economic production of rare earth elements at the Bokan Mountain mining project near Ketchikan.

The Ketchikan Gateway Borough has long supported efforts to encourage production of rare earth elements through development of the Bokan-Dotson Ridge Rare Earth Element Project.

### **Marine Projects**

#### **Ward Cove**

In 2010, the State of Alaska acquired ownership of upland and tideland properties in Ward Cove from the Ketchikan Gateway Borough consisting of 9.5 acres of uplands and 20.5 acres of tidelands. The State subsequently contracted for a master plan and feasibility study of the acquired property and refurbished an existing building into new office space and storage areas, now being used for the marine engineering staff. Alaska Marine Highway System (AMHS) management and vessel operations staff continue to occupy an adjacent building.

An AMHS feasibility study document outlines various phases and costs. The estimated project costs for the development of all desired improvements are in excess of \$30 million and a phased approach is required to accommodate funding limitations.

Project development efforts are currently separated into the following primary phases:

- Phase 1A: Design, Permitting, Dredging and Uplands Development - \$7 million.
- Phase 1B: Marine Facilities (AMHS Working Berth) - \$20 million.
- Phase 1C: Terminal Building, AMHS Passenger Amenities & Uplands Paving - \$3 million.

Plans provide for the relocation of all Ketchikan based AMHS management and engineering functions to the new office space. Original plans also called for working and layup berths for AMHS vessels but uncertainty remains as to schedule and future availability of construction funding. There are ample funds for Phase 1A but identified funds are insufficient to construct the marine facilities. The Alaska Department of Transportation, Southeast Region is currently looking at a concept to reduce the scope of the marine facilities.

#### **US Coast Guard**

Two Fast Response Cutters (FRC's) in Ketchikan are scheduled to replace two 110-foot Island Class Patrol Boats in the third and fourth quarters of Federal Fiscal Year 2017. The two 154-foot Sentinel Class Cutters, CGC JOHN MCCORMICK and CGC BAILEY BARCO, require 24 crewmembers each (versus 16 each for the 110 foot vessels) and approximately 20 additional personnel for shoreside support

A \$29.7 million construction project to accommodate the vessels at the Ketchikan Coast Guard Base was completed in October 2015.

An interagency agreement between USCG and NOAA is in draft phases and is expected to be complete by the end of the first quarter of Federal Fiscal Year 2017. This agreement would enable NOAAS *Fairweather*

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and other large NOAA assets to moor at the Ketchikan Coast Guard Base for logistics for brief periods of time.

**Fiscal Challenges at the State Level Impact Borough**

**Debt Reimbursement for School Facilities**

The 2015 Legislature imposed a five-year moratorium on new municipal debt for school construction, additions to schools, and major rehabilitation projects that qualify for partial reimbursement from the State. Once the moratorium ends, the level of partial reimbursement by the State for new school-related debt will drop by 28.6% to 33.3% (depending on nature of project) compared to pre-moratorium levels.

Additionally, in June 2016, the Governor cut FY 2017 bond debt reimbursement by 25%. The Borough currently has \$20,610,454 in general obligation bonded indebtedness for schools and FY 2017 debt reimbursement from the State was expected to be \$2,691,451. The Governor's action will reduce reimbursement by an estimated \$672,680.

The Ketchikan Gateway Borough School District has identified capital needs in excess of \$12.5 million during the five-year moratorium.

**State Revenue Sharing**

In April, the State Revenue Sharing was renamed the Community Assistance Program. The formula used to determine the revenue share was modified to favor smaller communities. The Ketchikan Gateway Borough previously received about \$600,000 annually in State Revenue Sharing. That amounts to nearly one-half-mill (45/100ths of one mill) in areawide property tax proceeds. The revised formula reduces the amount to \$397,393 in FY 2017, and \$369,772 in FY 2018.

**Significant Cuts in State Capital Budget**

As shown in the Table below, during the five years from FY 2011 to FY 2015, the Ketchikan House District received an average of \$26.7 million in State General Fund appropriations in the State Capital Budget.

For FY 2016, Ketchikan received \$0 in State General Fund appropriations, and \$49 million in federal funds in the State Capital Budget. For FY 2017, Ketchikan received only \$1.5 million in federal funds and \$0 in State General Fund Appropriations.

**Ketchikan Gateway Borough, Alaska**  
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State Capital Budget

Fiscal Year	State General Fund*	Federal/ Other*	Total*
2011	\$ 3.7	12.2	15.9
2012	33.7	4.6	38.3
2013	60.8	1.4	62.2
2014	26.3	22.4	48.7
2015	9.1	8.5	17.6
2016	-	49.0	49.0
2017	-	1.5	1.5

\* \$(millions)

Reductions in State spending will have a trickle-down effect on all merchants from grocers to fuel distributors to retail sales. A contraction by the State causes a contraction down the line.

**Contacting the Borough's Financial Management**

This financial report is designed to provide a general overview of the Borough's finances, comply with finance-related laws and regulations, and demonstrate the Borough's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Borough's Finance Director at 1900 First Avenue, Suite 118, Ketchikan, Alaska, 99901. This report and others are available on the Borough's web site at [www.kgbak.us](http://www.kgbak.us).

**Contacting the Ketchikan Gateway Borough School District** (the School District) – The School District provides elementary and secondary educational services to Borough students. The School District's Board of Education is an elected body. However, the Borough has responsibility for all significant fiscal matters. The Borough must approve the School District's annual budget and it appropriates resources for School District operations. The Borough issues all debt for School District construction and the Borough owns all of the land and buildings that the School District uses. Separately issued financial statements for the School District are available at their administrative office: Pouch Z, Ketchikan, Alaska 99901, or on the School District web site at [www.kgbsd.org](http://www.kgbsd.org).



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**Ketchikan Gateway Borough, Alaska**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments	\$ 23,644,289	1,736,373	25,380,662	1,775,969
Restricted cash and investments	4,624,843	-	4,624,843	-
Prepaid items	-	11,718	11,718	-
Receivables	7,648,625	489,486	8,138,111	763,631
Receivable from trust fund	-	-	-	43,570
Internal balances	398,721	(398,721)	-	-
Inventory	-	-	-	42,092
<b>Total Current Assets</b>	<u>36,316,478</u>	<u>1,838,856</u>	<u>38,155,334</u>	<u>2,625,262</u>
<b>Noncurrent Assets</b>				
Long-term receivables:				
Receivable from component unit	463,628	-	463,628	-
Capital assets:				
Nondepreciable capital assets	39,939,676	724,638	40,664,314	354,857
Depreciable capital assets, net	<u>123,178,266</u>	<u>27,596,128</u>	<u>150,774,394</u>	<u>520,898</u>
<b>Total Noncurrent Assets</b>	<u>163,581,570</u>	<u>28,320,766</u>	<u>191,902,336</u>	<u>875,755</u>
<b>Total Assets</b>	<u>\$ 199,898,048</u>	<u>30,159,622</u>	<u>230,057,670</u>	<u>3,501,017</u>
<b>Deferred Outflows of Resources</b>				
Loss on refunding	424,402	-	424,402	-
Related to pensions	<u>1,056,256</u>	<u>454,280</u>	<u>1,510,536</u>	<u>6,869,134</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>201,378,706</u>	<u>30,613,902</u>	<u>231,992,608</u>	<u>10,370,151</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	1,124,385	222,933	1,347,318	143,559
Accrued salaries and benefits	14,070	-	14,070	96,455
Intergovernmental payable	3,515,813	-	3,515,813	-
Accrued interest payable	551,554	-	551,554	-
Due to component unit	280,157	-	280,157	-
Payable to agency fund	-	-	-	35,105
Deposits	94,499	-	94,499	-
Claims payable	305,134	-	305,134	-
Unearned revenue	207,996	-	207,996	17,315
Compensated absences payable	525,335	173,359	698,694	-
General obligation bonds payable	3,455,000	-	3,455,000	-
Certificates of participation payable	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
<b>Total Current Liabilities</b>	<u>10,223,943</u>	<u>396,292</u>	<u>10,620,235</u>	<u>292,434</u>
<b>Long-Term Liabilities, net of current portion</b>				
Compensated absences	166,264	46,762	213,026	250,000
Self insurance payable	-	-	-	463,628
Net pension liability	6,314,167	2,715,627	9,029,794	26,628,579
General obligations bonds payable, including unamortized premium	34,945,779	-	34,945,779	-
Certificates of participation payable, including unamortized premium	<u>3,905,691</u>	<u>-</u>	<u>3,905,691</u>	<u>-</u>
<b>Total Long-Term Liabilities</b>	<u>45,331,901</u>	<u>2,762,389</u>	<u>48,094,290</u>	<u>27,342,207</u>
<b>Total Liabilities</b>	<u>55,555,844</u>	<u>3,158,681</u>	<u>58,714,525</u>	<u>27,634,641</u>
<b>Deferred Inflows of Resources</b>				
Related to pensions	<u>111,787</u>	<u>48,078</u>	<u>159,865</u>	<u>469,572</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>55,667,631</u>	<u>3,206,759</u>	<u>58,874,390</u>	<u>28,104,213</u>
<b>Net Position</b>				
Net investment in capital assets	123,108,660	28,320,766	151,429,426	875,755
Restricted:				
Airport projects	326,225	-	326,225	-
Capital projects	670,116	-	670,116	-
Commercial passenger vessel impact	1,829,097	-	1,829,097	-
Dock improvements	15,851	-	15,851	-
Library operations	122,709	-	122,709	-
Public safety and water	706,084	-	706,084	-
Recreation	2,807,363	-	2,807,363	-
Road maintenance	387,933	-	387,933	-
Unrestricted (deficit)	<u>15,737,037</u>	<u>(913,623)</u>	<u>14,823,414</u>	<u>(18,609,817)</u>
<b>Total Net Position</b>	<u>\$ 145,711,075</u>	<u>27,407,143</u>	<u>173,118,218</u>	<u>(17,734,062)</u>

See accompanying notes to the basic financial statements.

**Ketchikan Gateway Borough, Alaska**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities</b>								
General government	\$ 3,517,224	-	104,398	2,260,200	(1,152,626)	-	(1,152,626)	
Fire and EMS	1,438,761	276,812	17,993	46,068	(1,097,888)	-	(1,097,888)	
Water treatment & distribution	224,652	286,472	-	-	61,820	-	61,820	
Library services	390,575	-	-	-	(390,575)	-	(390,575)	
Parks and recreation	3,432,887	725,988	17,816	39,564	(2,649,519)	-	(2,649,519)	
Public works	1,168,318	-	20,268	18,000	(1,130,050)	-	(1,130,050)	
Public services	5,306,734	1,615,691	442,179	-	(3,248,864)	-	(3,248,864)	
Transit	2,384,212	189,230	1,120,799	142,753	(931,430)	-	(931,430)	
Education	16,182,438	4,912,773	999,084	2,683,164	(7,587,417)	-	(7,587,417)	
Interest	1,957,353	-	607,601	-	(1,349,752)	-	(1,349,752)	
<b>Total Governmental Activities</b>	<u>36,003,154</u>	<u>8,006,966</u>	<u>3,330,138</u>	<u>5,189,749</u>	<u>(19,476,301)</u>	<u>-</u>	<u>(19,476,301)</u>	
<b>Business-Type Activities</b>								
Airport	5,874,984	4,947,152	3,332	1,731,076	-	806,576	806,576	
Wastewater	986,801	780,854	-	-	-	(205,947)	(205,947)	
<b>Total Business-Type Activities</b>	<u>6,861,785</u>	<u>5,728,006</u>	<u>3,332</u>	<u>1,731,076</u>	<u>-</u>	<u>600,629</u>	<u>600,629</u>	
<b>Total Primary Government</b>	<u>42,864,939</u>	<u>13,734,972</u>	<u>3,333,470</u>	<u>6,920,825</u>	<u>(19,476,301)</u>	<u>600,629</u>	<u>(18,875,672)</u>	
<b>Component Unit</b>								
Ketchikan Gateway Borough								
School District	\$ 46,614,390	200,560	7,805,201	360,568				\$ (38,248,061)
<b>General Revenues</b>								
Property taxes					\$ 8,545,890	-	8,545,890	-
Sales taxes					8,567,889	-	8,567,889	-
Payment in lieu of taxes					1,232,522	-	1,232,522	-
Grants and entitlements not restricted to specific programs					2,989,349	122,265	3,111,614	22,999,915
E-Rate					-	-	-	86,736
Primary government appropriation					-	-	-	8,529,765
Investment earnings					36,483	-	36,483	66
Miscellaneous					433,373	-	433,373	264,522
<b>Total General Revenues</b>					<u>21,805,506</u>	<u>122,265</u>	<u>21,927,771</u>	<u>31,881,004</u>
<b>Transfers</b>					<u>(299,765)</u>	<u>299,765</u>	<u>-</u>	<u>-</u>
<b>Total General Revenues and Transfers</b>					<u>21,505,741</u>	<u>422,030</u>	<u>21,927,771</u>	<u>31,881,004</u>
<b>Change in Net Position</b>					2,029,440	1,022,659	3,052,099	(6,367,057)
<b>Net Position Beginning of Year</b>					143,681,635	26,384,484	170,066,119	(11,367,005)
<b>Net Position End of Year</b>					\$ <u>145,711,075</u>	<u>27,407,143</u>	<u>173,118,218</u>	<u>(17,734,062)</u>

**Ketchikan Gateway Borough, Alaska**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2016**

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development Assistance Program</u>
<b>Assets</b>				
Cash and investments	\$ 6,183,726	3,239,170	4,630,652	1,639,794
Restricted cash and investments	-	408,716	-	-
Receivables:				
Accounts	200,345	3,855	-	-
Intergovernmental	373,360	-	27,777	-
Property taxes	117,691	-	-	-
Sales taxes	5,029,636	-	484,491	-
Interfund	682,037	-	-	-
Advances	-	668,094	-	-
<b>Total Assets</b>	<u>\$ 12,586,795</u>	<u>4,319,835</u>	<u>5,142,920</u>	<u>1,639,794</u>
<b>Liabilities</b>				
Accounts payable	\$ 313,323	15,324	-	54,222
Accrued salaries and benefits	14,070	-	-	-
Intergovernmental payable	3,515,813	-	-	-
Interfund payable	-	-	-	-
Interfund advances payable	-	-	-	-
Due to component unit	-	-	-	-
Deposits	66,591	25,908	-	-
Unearned revenues	163,863	-	-	-
<b>Total Liabilities</b>	4,073,660	41,232	-	54,222
<b>Deferred Inflows of Resources</b>				
Property tax revenues	117,691	-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>4,191,351</u>	<u>41,232</u>	<u>-</u>	<u>54,222</u>
<b>Fund Balances</b>				
Restricted:				
Airport projects	-	-	-	-
Capital projects	-	-	-	-
Commercial passenger vessel impact	-	-	-	-
Dock improvements	-	-	-	-
Library operations	-	-	-	-
Public safety and water	-	-	-	-
Recreation	-	-	-	-
Road maintenance	-	-	-	-
Committed:				
Advances receivable	-	479,397	-	-
Borough-owned land management	-	3,799,206	-	-
Education	-	-	5,142,920	-
Assigned:				
Economic development	-	-	-	1,585,572
Unassigned	8,395,444	-	-	-
<b>Total Fund Balances</b>	<u>8,395,444</u>	<u>4,278,603</u>	<u>5,142,920</u>	<u>1,585,572</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 12,586,795</u>	<u>4,319,835</u>	<u>5,142,920</u>	<u>1,639,794</u>

**Ketchikan Gateway Borough, Alaska**  
**Governmental Funds**  
**Balance Sheet, continued**

	<b>State &amp; Federal Grants</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and investments	\$ -	10,777	7,721,005	23,425,124
Restricted cash and investments	-	2,748,035	1,468,092	4,624,843
Receivables:				
Accounts	-	-	106,357	310,557
Intergovernmental	807,415	-	2,993	1,211,545
Property taxes	-	-	10,213	127,904
Sales taxes	-	-	484,492	5,998,619
Interfund	-	-	-	682,037
Advances	-	-	-	668,094
<b>Total Assets</b>	<b>\$ 807,415</b>	<b>2,758,812</b>	<b>9,793,152</b>	<b>37,048,723</b>
<b>Liabilities</b>				
Accounts payable	\$ 417,543	63,910	260,063	1,124,385
Accrued salaries and benefits	-	-	-	14,070
Intergovernmental payable	-	-	-	3,515,813
Interfund payable	389,872	-	-	389,872
Interfund advances payable	-	-	278,439	278,439
Due to component unit	-	-	280,157	280,157
Deposits	-	2,000	-	94,499
Unearned revenues	-	-	44,133	207,996
<b>Total Liabilities</b>	<b>807,415</b>	<b>65,910</b>	<b>862,792</b>	<b>5,905,231</b>
<b>Deferred Inflows of Resources</b>				
Property tax revenues	-	-	10,213	127,904
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>807,415</b>	<b>65,910</b>	<b>873,005</b>	<b>6,033,135</b>
<b>Fund Balances</b>				
Restricted:				
Airport projects	-	-	326,225	326,225
Capital projects	-	2,692,902	-	2,692,902
Commercial passenger vessel impact	-	-	1,829,097	1,829,097
Dock improvements	-	-	15,851	15,851
Library operations	-	-	122,709	122,709
Public safety and water	-	-	706,084	706,084
Recreation	-	-	2,807,363	2,807,363
Road maintenance	-	-	387,933	387,933
Committed:				
Advances receivable	-	-	-	479,397
Borough-owned land management	-	-	-	3,799,206
Education	-	-	2,724,885	7,867,805
Assigned:				
Economic development	-	-	-	1,585,572
Unassigned	-	-	-	8,395,444
<b>Total Fund Balances</b>	<b>-</b>	<b>2,692,902</b>	<b>8,920,147</b>	<b>31,015,588</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 807,415</b>	<b>2,758,812</b>	<b>9,793,152</b>	<b>37,048,723</b>

**Ketchikan Gateway Borough, Alaska**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2016*

<b>Total Governmental Fund Balances</b>	\$	31,015,588
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	\$ 217,558,585	
Less accumulated depreciation	<u>(54,440,643)</u>	163,117,942
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. This consists of deferred property taxes receivable.		
		127,904
An internal service fund is used by management to charge the costs of insurance to individual funds and the component unit. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
		85,494
The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.		
		9,066
Accrued interest payable is not reported at the fund financial reporting level.		
		(551,554)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(36,950,000)	
Certificates of participation	(4,010,000)	
Premium for GO bonds	(1,450,779)	
Premium for certificates of participation	(45,691)	
Deferred loss on refunding	424,402	
Compensated absences	(691,599)	
Net pension liability	<u>(6,314,167)</u>	
Total long-term liabilities		<u>(49,037,834)</u>
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows of resources related to pensions	1,056,256	
Deferred inflows of resources related to pensions	<u>(111,787)</u>	
Total deferred pension items		<u>944,469</u>
 <b>Net Position Of Governmental Activities</b>	 \$	 <u><u>145,711,075</u></u>

See accompanying notes to the basic financial statements.



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**Ketchikan Gateway Borough, Alaska**  
**Governmental Funds**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*For the Year Ended June 30, 2016*

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development Assistance Program</u>
<b>Revenues</b>				
Taxes	\$ 12,056,425	-	1,706,054	-
Intergovernmental	4,361,090	1,363	2,530,287	2,736
Licenses and permits	366	-	-	-
Charges for services	1,925,182	492,252	-	-
Water fees	-	-	-	-
Commercial passenger vessel tax	-	-	-	-
Interest subsidy	-	-	-	-
Investment earnings	1,008	32,875	-	-
Proceeds from sale of property	-	571,512	-	-
Miscellaneous	-	30,557	-	456
<b>Total Revenues</b>	<u>18,344,071</u>	<u>1,128,559</u>	<u>4,236,341</u>	<u>3,192</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	3,226,042	-	-	-
Library services	-	-	-	-
Fire and EMS	-	-	-	-
Water treatment and distribution	-	-	-	-
Public services	1,029,295	247,530	-	996,640
Parks and recreation	2,242,488	-	-	-
Public works	1,076,951	-	-	-
Transit	2,012,331	-	-	-
Education	8,529,765	-	160,680	-
Nondepartmental	266,125	-	-	-
<b>Capital Outlay</b>	93,979	-	-	-
<b>Debt Service</b>				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<u>18,476,976</u>	<u>247,530</u>	<u>160,680</u>	<u>996,640</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(132,905)	881,029	4,075,661	(993,448)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,267,498	-	248,126	-
Transfers out	(3,040,674)	(473,643)	(3,814,946)	(144,650)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,773,176)</u>	<u>(473,643)</u>	<u>(3,566,820)</u>	<u>(144,650)</u>
<b>Net Change in Fund Balances</b>	(1,906,081)	407,386	508,841	(1,138,098)
<b>Fund Balances Beginning of Year</b>	<u>10,301,525</u>	<u>3,871,217</u>	<u>4,634,079</u>	<u>2,723,670</u>
<b>Fund Balances End of Year</b>	<u>\$ 8,395,444</u>	<u>4,278,603</u>	<u>5,142,920</u>	<u>1,585,572</u>

See accompanying notes to the basic financial statements.

**Ketchikan Gateway Borough, Alaska**  
**Governmental Funds**  
*Statement of Revenues, Expenditures and Changes in Fund Balances, continued*

	<u>State &amp; Federal Grants</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ -	-	3,348,865	17,111,344
Intergovernmental	598,138	-	269,137	7,762,751
Licenses and permits	-	-	-	366
Charges for services	-	-	389,921	2,807,355
Water fees	-	-	286,472	286,472
Commercial passenger vessel tax	-	-	2,141,633	2,141,633
Interest subsidy	-	-	607,601	607,601
Investment earnings	-	1,370	1,230	36,483
Proceeds from sale of property	-	-	-	571,512
Miscellaneous	-	-	402,360	433,373
<b>Total Revenues</b>	<u>598,138</u>	<u>1,370</u>	<u>7,447,219</u>	<u>31,758,890</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	3,226,042
Library services	-	-	390,575	390,575
Fire and EMS	-	-	1,171,095	1,171,095
Water treatment and distribution	-	-	224,652	224,652
Public services	415,821	47,576	1,729,106	4,465,968
Parks and recreation	-	-	-	2,242,488
Public works	-	-	-	1,076,951
Transit	-	-	-	2,012,331
Education	-	-	-	8,690,445
Nondepartmental	-	-	-	266,125
<b>Capital Outlay</b>	182,317	736,917	192,480	1,205,693
<b>Debt Service</b>				
Principal retirement	-	-	3,625,000	3,625,000
Interest and fiscal charges	-	-	2,263,027	2,263,027
<b>Total Expenditures</b>	<u>598,138</u>	<u>784,493</u>	<u>9,595,935</u>	<u>30,860,392</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	(783,123)	(2,148,716)	898,498
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	8,510,857	10,026,481
Transfers out	-	-	(2,852,333)	(10,326,246)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>5,658,524</u>	<u>(299,765)</u>
<b>Net Change in Fund Balances</b>	-	(783,123)	3,509,808	598,733
<b>Fund Balances Beginning of Year</b>	<u>-</u>	<u>3,476,025</u>	<u>5,410,339</u>	<u>30,416,855</u>
<b>Fund Balances End of Year</b>	\$ <u>-</u>	<u>2,692,902</u>	<u>8,920,147</u>	<u>31,015,588</u>

See accompanying notes to the basic financial statements.

**Ketchikan Gateway Borough, Alaska**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2016*

<b>Net Changes In Fund Balances - Total Governmental Funds</b>	\$	598,733
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		
Depreciation expense	\$ (5,102,325)	
Capital outlay	<u>1,205,693</u>	(3,896,632)
The book value of capital assets relating to the disposition is not reported at the fund financial reporting level, but is reported at the government-wide financial reporting level.		
		(208,723)
Capital assets activity relating to:		
The acquisition of land deeded to Ketchikan Gateway Borough by the State of Alaska per Patent 2014-002028.		
	2,277,100	
Equipment purchased jointly with the Component Unit.		
	<u>18,000</u>	2,295,100
Internal service funds are used by management to charge the costs of self-insurance to individual funds. A portion of the net gain of their activity is reported with governmental activities.		
		95,146
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase in deferred property taxes.		
		2,435
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to 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, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items:		
Principal payments on long-term debt	3,625,000	
Net decrease in premium	328,393	
Decrease in accrued interest	77,812	
Net decrease in deferred loss on bonds	<u>(100,531)</u>	3,930,674
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued leave	(46,020)	
Increase in net pension obligation and related accounts	<u>(741,273)</u>	<u>(787,293)</u>
<b>Change In Net Position of Governmental Activities</b>	\$	<u>2,029,440</u>

See accompanying notes to the basic financial statements.

**Ketchikan Gateway Borough, Alaska**  
*General Fund*  
*Statement of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*

	<b>2016</b>			<b>Variance on Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 12,234,136	12,234,136	12,056,425	(177,711)
Licenses and permits	-	-	366	366
Intergovernmental	4,281,164	4,281,164	4,361,090	79,926
Charges for services	1,982,614	1,982,614	1,925,182	(57,432)
Investment earnings	<u>5,000</u>	<u>5,000</u>	<u>1,008</u>	<u>(3,992)</u>
<b>Total Revenues</b>	<u>18,502,914</u>	<u>18,502,914</u>	<u>18,344,071</u>	<u>(158,843)</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	3,272,429	3,284,970	3,226,042	58,928
Public services	1,128,255	1,118,503	1,029,295	89,208
Parks and recreation	2,431,881	2,428,002	2,242,488	185,514
Public works	1,195,242	1,194,392	1,076,951	117,441
Transit - bus system	2,049,687	2,054,207	2,012,331	41,876
Nondepartmental	262,911	262,911	266,125	(3,214)
Education	8,495,767	8,535,767	8,529,765	6,002
<b>Capital Outlay</b>	<u>267,414</u>	<u>267,414</u>	<u>93,979</u>	<u>173,435</u>
<b>Total Expenditures</b>	<u>19,103,586</u>	<u>19,146,166</u>	<u>18,476,976</u>	<u>669,190</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(600,672)	(643,252)	(132,905)	510,347
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,352,498	1,352,498	1,267,498	(85,000)
Transfers out	<u>(72,430)</u>	<u>(72,430)</u>	<u>(3,040,674)</u>	<u>(2,968,244)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>1,280,068</u>	<u>1,280,068</u>	<u>(1,773,176)</u>	<u>(3,053,244)</u>
<b>Net Change in Fund Balance</b>	\$ <u>679,396</u>	<u>636,816</u>	(1,906,081)	<u>(2,542,897)</u>
<b>Fund Balance Beginning of Year</b>			<u>10,301,525</u>	
<b>Fund Balance End of Year</b>			\$ <u><u>8,395,444</u></u>	

See accompanying notes to the basic financial statements.

**Ketchikan Gateway Borough, Alaska**  
*Land Trust Special Revenue Fund*  
*Statement of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*

	<b>2016</b>			<b>Variance on Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues</b>				
Charges for services	\$ 496,946	496,946	492,252	(4,694)
Intergovernmental	1,184	1,184	1,363	179
Investment earnings	33,391	33,391	32,875	(516)
Proceeds from sale of property	100,000	100,000	571,512	471,512
Miscellaneous	-	-	30,557	30,557
<b>Total Revenues</b>	<u>631,521</u>	<u>631,521</u>	<u>1,128,559</u>	<u>497,038</u>
<b>Expenditures</b>				
<b>Current</b>				
Public services	734,964	734,504	247,530	486,974
<b>Capital Outlay</b>	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
<b>Total Expenditures</b>	<u>884,964</u>	<u>884,504</u>	<u>247,530</u>	<u>636,974</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(253,443)	(252,983)	881,029	1,134,012
<b>Other Financing (Uses)</b>				
Transfers out	<u>(575,603)</u>	<u>(515,603)</u>	<u>(473,643)</u>	<u>41,960</u>
<b>Net Change in Fund Balance</b>	\$ <u>(829,046)</u>	<u>(768,586)</u>	407,386	<u>1,175,972</u>
<b>Fund Balance Beginning of Year</b>			<u>3,871,217</u>	
<b>Fund Balance End of Year</b>		\$	<u><u>4,278,603</u></u>	

See accompanying notes to the basic financial statements.

**Ketchikan Gateway Borough, Alaska**  
*School Bond Capital Improvements Special Revenue Fund*  
*Statement of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*

	<b>2016</b>			<b>Variance on Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 1,785,120	1,785,120	1,699,105	(86,015)
Intergovernmental	2,558,553	2,558,553	2,530,287	(28,266)
Penalties and interest	-	-	6,949	6,949
<b>Total Revenues</b>	<u>4,343,673</u>	<u>4,343,673</u>	<u>4,236,341</u>	<u>(107,332)</u>
<b>Expenditures</b>				
<b>Current</b>				
Education	-	-	160,680	(160,680)
<b>Capital Outlay</b>	<u>150,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
<b>Total Expenditures</b>	<u>150,000</u>	<u>300,000</u>	<u>160,680</u>	<u>139,320</u>
<b>Excess of Revenues Over Expenditures</b>	4,193,673	4,043,673	4,075,661	31,988
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	248,126	248,126
Transfers out	<u>(3,903,293)</u>	<u>(3,903,293)</u>	<u>(3,814,946)</u>	<u>88,347</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(3,903,293)</u>	<u>(3,903,293)</u>	<u>(3,566,820)</u>	<u>336,473</u>
<b>Net Change in Fund Balance</b>	\$ <u>290,380</u>	<u>140,380</u>	508,841	<u>368,461</u>
<b>Fund Balance Beginning of Year</b>			<u>4,634,079</u>	
<b>Fund Balance End of Year</b>			\$ <u>5,142,920</u>	

See accompanying notes to the basic financial statements.

**Ketchikan Gateway Borough, Alaska**  
*Economic Development Assistance Program Special Revenue Fund*  
*Statement of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*

	<b>2016</b>			<b>Variance on Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 2,362	2,362	2,736	374
Miscellaneous	-	-	456	456
<b>Total Revenues</b>	<u>2,362</u>	<u>2,362</u>	<u>3,192</u>	<u>830</u>
<b>Expenditures</b>				
<b>Current</b>				
Public services	<u>677,207</u>	<u>716,274</u>	<u>996,640</u>	<u>(280,366)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(674,845)	(713,912)	(993,448)	(279,536)
<b>Other Financing Uses</b>				
Transfers out	<u>(144,650)</u>	<u>(144,650)</u>	<u>(144,650)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	\$ <u>(819,495)</u>	<u>(858,562)</u>	(1,138,098)	<u>(279,536)</u>
<b>Fund Balance Beginning of Year</b>			<u>2,723,670</u>	
<b>Fund Balance End of Year</b>			\$ <u>1,585,572</u>	

See accompanying notes to the basic financial statements.



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**Ketchikan Gateway Borough, Alaska**  
*Proprietary Funds*  
*Statement of Net Position*  
*June 30, 2016*

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments	\$ 1,143,601	592,772	1,736,373	219,165
Prepaid items	11,718	-	11,718	-
Receivables:				
Accounts	369,997	89,583	459,580	-
Intergovernmental	29,906	-	29,906	-
<b>Total Current Assets</b>	<u>1,555,222</u>	<u>682,355</u>	<u>2,237,577</u>	<u>219,165</u>
<b>Noncurrent Assets</b>				
Longterm Receivables:				
Note receivable from component unit	-	-	-	463,628
<b>Capital Assets</b>				
Nondepreciable	724,638	-	724,638	-
Depreciable, net	<u>18,508,283</u>	<u>9,087,845</u>	<u>27,596,128</u>	-
<b>Total Noncurrent Assets</b>	<u>19,232,921</u>	<u>9,087,845</u>	<u>28,320,766</u>	<u>463,628</u>
<b>Total Assets</b>	<u>20,788,143</u>	<u>9,770,200</u>	<u>30,558,343</u>	<u>682,793</u>
<b>Deferred Outflows of Resources</b>				
Related to pensions	454,280	-	454,280	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 21,242,423</u>	<u>9,770,200</u>	<u>31,012,623</u>	<u>682,793</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 185,783	37,150	222,933	-
Interfund advances payable	30,204	38,016	68,220	-
Compensated absences payable	173,359	-	173,359	-
Claims payable	-	-	-	305,134
<b>Total Current Liabilities</b>	<u>389,346</u>	<u>75,166</u>	<u>464,512</u>	<u>305,134</u>
<b>Long-Term Liabilities, net of current portion</b>				
Compensated absences payable	46,762	-	46,762	-
Net pension liability	2,715,627	-	2,715,627	-
Interfund advances payable	96,275	225,160	321,435	-
Interfund payable	-	-	-	292,165
<b>Total Long-Term Liabilities</b>	<u>2,858,664</u>	<u>225,160</u>	<u>3,083,824</u>	<u>292,165</u>
<b>Total Liabilities</b>	<u>3,248,010</u>	<u>300,326</u>	<u>3,548,336</u>	<u>597,299</u>
<b>Deferred Inflows of Resources</b>				
Related to pensions	48,078	-	48,078	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>3,296,088</u>	<u>300,326</u>	<u>3,596,414</u>	<u>597,299</u>
<b>Net Position</b>				
Net investment in capital assets	19,232,921	9,087,845	28,320,766	-
Unrestricted (deficit)	<u>(1,286,586)</u>	<u>382,029</u>	<u>(904,557)</u>	<u>85,494</u>
<b>Total Net Position - Fund Level</b>	<u>\$ 17,946,335</u>	<u>9,469,874</u>	<u>27,416,209</u>	<u>85,494</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			<u>(9,066)</u>	
<b>Total Net Position - Government-wide Statement of Net Position</b>			<u>\$ 27,407,143</u>	

See accompanying notes to the basic financial statements.

**Ketchikan Gateway Borough, Alaska**  
*Proprietary Funds*  
*Statement of Revenues, Expenses and Changes in Net Position (Deficit)*  
*For the Year Ended June 30, 2016*

	<b>Business-type Activities</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Airport</b>	<b>Wastewater</b>	<b>Total</b>	
<b>Operating Revenues</b>				
Charges for services	\$ 4,947,152	780,854	5,728,006	7,342,438
<b>Operating Expenses</b>				
Personnel services	3,299,490	168,118	3,467,608	-
Supplies and services	1,247,799	444,678	1,692,477	-
Insurance	235,627	6,599	242,226	-
Administration	-	-	-	940,848
Claims and premiums	-	-	-	6,280,123
Depreciation	1,114,563	357,864	1,472,427	-
<b>Total Operating Expenses</b>	<b>5,897,479</b>	<b>977,259</b>	<b>6,874,738</b>	<b>7,220,971</b>
Less recovery of expenses from other funds	-	(6,496)	(6,496)	-
<b>Net Operating Expenses</b>	<b>5,897,479</b>	<b>970,763</b>	<b>6,868,242</b>	<b>7,220,971</b>
<b>Operating Income (Loss)</b>	<b>(950,327)</b>	<b>(189,909)</b>	<b>(1,140,236)</b>	<b>121,467</b>
<b>Non-Operating Revenues (Expenses)</b>				
Interest and fiscal charges	(4,359)	(16,038)	(20,397)	-
Gain on disposal of capital assets	533	-	533	-
Operating grants	125,597	-	125,597	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>121,771</b>	<b>(16,038)</b>	<b>105,733</b>	<b>-</b>
<b>Income (Loss) before Capital Contributions and Transfers</b>	<b>(828,556)</b>	<b>(205,947)</b>	<b>(1,034,503)</b>	<b>121,467</b>
Capital contributions	1,731,076	-	1,731,076	-
Transfers in	299,765	-	299,765	-
<b>Change in Net Position</b>	<b>1,202,285</b>	<b>(205,947)</b>	<b>996,338</b>	<b>121,467</b>
<b>Net Position Beginning of Year</b>	<b>16,744,050</b>	<b>9,675,821</b>		<b>(35,973)</b>
<b>Net Position End of Year</b>	<b>\$ 17,946,335</b>	<b>9,469,874</b>		<b>85,494</b>
<b>Reconciliation of the fund level operating statement to the government-wide statement of activities:</b>				
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			26,321	
<b>Change in net position of business-type activities</b>			<b>\$ 1,022,659</b>	

See accompanying notes to the basic financial statements.

**Ketchikan Gateway Borough, Alaska**  
*Proprietary Funds*  
*Statement of Cash Flows*  
*For the Year Ended June 30, 2016*

	<b>Business-type Activities</b>			<b>Governmental</b>
	<b>Airport</b>	<b>Wastewater</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 5,431,123	735,152	6,166,275	7,295,348
Cash payments to employees for services	(2,985,377)	(168,118)	(3,153,495)	-
Cash payments for goods and services	(1,428,840)	(440,334)	(1,869,174)	(1,279,022)
Cash payments for claims	-	-	-	(5,896,221)
<b>Net Cash Provided by Operating Activities</b>	<u>1,016,906</u>	<u>126,700</u>	<u>1,143,606</u>	<u>120,105</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Interfund payables	(376,854)	-	(376,854)	43,834
Operating grants	142,889	-	142,889	-
Transfers in	299,765	-	299,765	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>65,800</u>	<u>-</u>	<u>65,800</u>	<u>43,834</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Sale of capital assets	532	-	532	-
Capital grant	1,731,076	-	1,731,076	-
Interest paid on debt service	(4,359)	(16,038)	(20,397)	-
Interfund advance payable	(29,303)	(41,387)	(70,690)	-
Payments for capital acquisitions	(1,637,051)	-	(1,637,051)	-
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>60,895</u>	<u>(57,425)</u>	<u>3,470</u>	<u>-</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,143,601	69,275	1,212,876	163,939
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>-</u>	<u>523,497</u>	<u>523,497</u>	<u>55,226</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 1,143,601</u>	<u>592,772</u>	<u>1,736,373</u>	<u>219,165</u>

(continued)

See accompanying notes to the basic financial statements.

**Ketchikan Gateway Borough, Alaska**

*Proprietary Funds*

*Statement of Cash Flows, continued*

*For the Year Ended June 30, 2016*

	<b>Business-type Activities</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Airport</b>	<b>Wastewater</b>	<b>Total</b>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
<b>Operating Income (Loss)</b>	\$ (950,327)	(189,909)	(1,140,236)	121,467
<b>Adjustments:</b>				
Depreciation	1,114,563	357,864	1,472,427	-
Amortization of deferred outflows of resources for pensions	(241,641)	-	(241,641)	-
Amortization of deferred inflows of resources for pensions	(180,109)	-	(180,109)	-
<b>(Increase) Decrease in Assets:</b>				
Accounts receivable	483,971	(45,702)	438,269	-
Prepaid items	21,324	-	21,324	-
Note receivable	-	-	-	(47,090)
<b>Increase (Decrease) in Liabilities:</b>				
Accounts payable	33,262	4,447	37,709	-
Compensated absences payable	(4,697)	-	(4,697)	-
Net pension liability	740,560	-	740,560	-
Claims payable	-	-	-	45,728
<b>Net Cash Provided by Operating Activities</b>	\$ <u>1,016,906</u>	<u>126,700</u>	<u>1,143,606</u>	<u>120,105</u>

See accompanying notes to the basic financial statements.



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**Ketchikan Gateway Borough, Alaska**  
**Notes to the Basic Financial Statements**  
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**For the Year Ended June 30, 2016**

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**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

The Ketchikan Gateway Borough, Alaska (the “Borough”) was incorporated September 13, 1963, under the provisions of the State of Alaska Borough Act of 1961, as a Second Class Borough. The Borough operates under a seven-member elected Assembly and a Manager form of government.

***Note 1 - Summary of Significant Accounting Policies***

The financial statements of the Borough have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the Borough’s accounting policies are described below.

***1-A. Reporting Entity***

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Borough consists of all funds, departments, boards and agencies that are not legally separate from the Borough.

Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, levies their taxes or issues their debt.

The component unit columns included on the government-wide financial statements identify the financial data of the Borough’s discretely presented component unit. It is reported separately to emphasize that it is legally separate from the Borough.

A brief description of the discretely presented component unit follows:

**Ketchikan Gateway Borough School District** (the School District) – The School District provides elementary and secondary educational services to Borough students. The School District’s Board of Education is an elected body. However, the Borough has responsibility for all significant fiscal matters. The Borough must approve the School District’s annual budget and it appropriates resources for School District operations. The Borough issues all debt for School District construction and the Borough owns all of the land and buildings that the School District uses. Separately issued financial statements for the School District are available on-line at [www.kgbsd.org](http://www.kgbsd.org) or from the District’s administrative office:

Pouch Z  
Ketchikan, AK 99901

***1-B. Basis of Presentation***

The Borough’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

**Government-wide Financial Statements** - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Borough as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and Borough's general revenues, from business-type activities, generally financed in whole or in part with airport and sewer fees charged to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the Borough and its discretely presented component unit at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Borough's governmental activities and for each identifiable activity of the business-type activities of the Borough. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The Borough does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers who purchase, use, or directly benefit from the services provided by the program; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying which functional program to which revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the Borough. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Borough.

**Fund Financial Statements** - During the year, the Borough segregates transactions related to certain Borough functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Borough at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns. The internal service funds are aggregated into a single column.

**Fund Accounting** - The Borough uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Borough uses two categories of funds: governmental and proprietary.

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

The Borough reports the difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources as fund balance. The following are the Borough's major governmental funds:

***The General Fund*** - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the Borough for any purpose provided it is expended or transferred according to the general laws of the State of Alaska.

***Land Trust Special Revenue Fund*** - This fund is used to account for revenues from land sales, office space leases, and loans to other Borough funds and related expenditures.

***Economic Development Assistance Program Special Revenue Fund*** - This fund is used to account for economic development assistance which would include but not be limited to: preservation of existing living wage jobs within the Borough, creation of new long-term living wage jobs within the Borough, establishment of economic development related infrastructure, provide a foundation of promoting private enterprise, diversification of the local economy, provide leverage to bring in other economic development funding or resources, stimulation of the local economy through the purchase of local goods and services, and the preservation or creation of other living wage and/or seasonal jobs within the Borough. Revenue sources for this fund are charges for services and investment earnings. Management of the Borough has chosen to reflect this fund as a major fund for consistency purposes.

***School Bond/Capital Improvements Special Revenue Fund*** - This fund is used to account for the receipt of revenues from the State of Alaska for the School Debt Reimbursement Program and the ½ -cent sales tax that was approved by the voters to fund school projects. These funds are used to pay for school bond debt, school building insurance, and school capital projects that would qualify for bonding.

***Capital Projects Fund*** - This fund is used to account for the acquisition and construction of major school and other capital facilities other than those financed by proprietary funds. Management of the Borough has chosen to reflect this fund as a major fund for consistency purposes.

***State and Federal Grants Special Revenue Fund*** - This fund is used to account for the expenditures and receipts of all State and Federal grant programs. State and Federal grant expenditures are governed by the requirements of the individual grant agreements. Management of the Borough has chosen to reflect this fund as a major fund for consistency purposes.

***Proprietary Funds*** - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds and internal service funds. The major enterprise funds follow.

***Airport Fund*** - This fund accounts for the operations of the Ketchikan International Airport.

***Wastewater Fund*** - This fund is used to account for the Borough's wastewater program and sewer systems.

***Internal Service Fund*** - The Borough's internal service funds account for the Borough's and its discretely presented component unit's self-insurance programs.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

***1-C. Measurement Focus***

***Government-wide Financial Statements*** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities, and all deferred inflows/outflows associated with the operation of the Borough are included on the statement of net position. The statement of activities reports revenues and expenses.

***Fund Financial Statements*** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and all deferred inflows/outflows are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Borough finances and meets the cash flow needs of its proprietary activities.

***1-D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Borough, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

***Revenues - Non-exchange Transactions*** - Non-exchange transactions in which the Borough receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 3-C) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Borough must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be subject to accrual: property taxes, sales taxes, interest and federal and state grants.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

***Unearned Grant Revenue*** - Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as unearned revenue.

***Expenses/Expenditures*** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

***1-E. Assets, Liabilities and Fund Equity***

***1-E-1 Cash, Cash Equivalents and Investments***

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Borough and all investments in the cash central treasury. For purposes of the statement of cash flows, the Borough has defined cash and cash equivalents as the demand deposits and all investments maintained in the cash central treasury regardless of maturity period, since the various funds use the central treasury essentially as a demand deposit account.

The Borough utilizes a central treasury to aggregate cash from all funds for cash management and investment purposes. Each fund has an account titled "cash in central treasury" which is the cash balance of that particular fund. Each fund whose monies are deposited in the central treasury has equity therein. Investment earnings are allocated monthly to participating funds based on their ending equity balance.

Investments are stated at fair value based on quoted market prices.

The Borough is authorized to invest in:

- Obligations of the U. S. Treasury, its agencies and instrumentalities;
- Bankers' acceptances of the fifty largest banks;
- The highest rated commercial paper;
- Repurchase agreements;
- Fully collateralized certificates of deposits; and
- The highest rated bonds and notes issued by a state or political subdivision thereof.

Borough ordinance places limitations on maturity of investments, and Borough investment procedures limit the level of investment by type.

Certain long-term investments are made in the equity market, not to exceed 25 percent of the portfolio and stock investments restricted to companies with assets greater than \$5 billion. These investments are managed through an account with Wells Fargo Advisors. The equity investments are cash assets that will not be expended within the next three to ten years.

***1-E-2 Receivables***

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges are accrued as receivables and revenue at June 30, 2016.

***1-E-3 Interfund Balances***

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." Long-term loans between funds are classified as "advances receivable/advances payable." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

***1-E-4 Consumable Inventories***

On the government-wide financial statements, Borough inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method). Component unit inventories are presented at cost using the first-in, first-out basis.

On the fund financial statements, inventories of governmental and proprietary funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditure in the governmental fund types when consumed. Inventories of the proprietary funds are expensed when consumed.

***1-E-5 Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is shown as nonspendable; as this amount is not available for general appropriation.

***1-E-6 Restricted Assets***

The investment account within the capital projects fund segregates cash and investments that are restricted for school construction projects. Cash and investments restricted for debt service payments are segregated in the revenue bond current debt service account for debt service payments over the next 12 months, and in the revenue bond future debt service account for debt service payments beyond that period. The revenue bond renewal and replacement account segregates cash and investments reserved to cover unexpected contingencies or to fund asset renewals and replacements. The customer deposits account reflects cash from security deposits in the Borough's Planning Department that will eventually be returned to customers.

***1-E-7 Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Borough reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Borough maintains a capitalization threshold of five thousand dollars for capital assets consisting of equipment, and fifty thousand dollars for buildings, building improvements, land improvements, and infrastructure. The Borough's infrastructure consists of roads, bridges, airport runways, and water and sewer lines. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Borough's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
For the Year Ended June 30, 2016

Asset Class	Estimated Lives	
	Governmental Activities	Business-type Activities
Buildings	50 Years	40 Years
Machinery and equipment	6-15 Years	6-10 Years
Vehicles and moving equipment	5-10 Years	5-10 Years
Fields	20 Years	---
Infrastructure	10-20 Years	---
Land Improvements	20 Years	---
Pool	25 Years	---
South Tongass Water	50 Years	---
Buses	12 Years	---
Airport field facilities	---	15-30 Years
Ferry slip	---	40 Years
Ferries	---	20 Years

Works of art are not depreciated if the artwork is removable from the building. Artwork that has become part of the building, ceramic walls for example, is depreciated over 50 years.

At the inception of capital leases at the governmental fund reporting level, expenditures and an “other financing source” of an equal amount are reported at the net present value of future minimum lease payments.

***1-E-8 Compensated Absences***

It is the Borough's policy to permit employees to accumulate paid time off (PTO) benefits up to a maximum of 720 hours at calendar year-end.

PTO benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. All PTO liabilities include salary-related payments, where applicable.

The total PTO liability is reported on the government-wide financial statements. Proprietary funds report the total PTO liability in each individual fund at the fund reporting level. Governmental funds report the PTO liability at the fund reporting level only “*when due.*”

***1-E-9 Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are “due for payment” during the current year. Bonds payable are recognized as a liability in the governmental fund financial statements when due.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

***1-E-10 Bond Premiums, Discounts and Issuance Costs***

On the government-wide and the proprietary fund type statements of net position, bond premiums and discounts are netted against bonds payable. Any gain or loss on refunding is reported as a deferred charge. On the government-wide and proprietary fund type statement of activities, bond premiums, and discounts are deferred and amortized over the life of the bonds using the straight-line method. At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure/expense in both the government wide statement of activities and at the fund level.

***1-E-11 Fund Equity***

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

The Ketchikan Gateway Borough Assembly adopted Resolution 2553 on August 4, 2014 to be implemented with preparation of the FY 2014 CAFR, adopting fund balance classification and spending prioritization.

***Fund Balance*** - In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items, inventories, long term advances and receivables; or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

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

***Committed fund balance*** – These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the Borough Assembly - the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Borough Assembly removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned fund balance*** — This classification reflects the amounts constrained by the Borough's "intent" to be used for specific purposes, but are neither restricted nor committed. The Borough Assembly has delegated the assignment ability to the Finance Director through Resolution 2553. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

***Unassigned fund balance*** – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Borough’s policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

**Ketchikan Gateway Borough, Alaska**  
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**Net Position** - Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

***1-E-12 Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Borough, these revenues are charges for services for the wastewater and the airport enterprise funds and premiums for the self-insurance internal service funds. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of each fund. Nonoperating revenues include investment earnings and operating grants, and nonoperating expenses include interest expense and the loss on the disposition of capital assets.

***1-E-13 Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

***1-E-14 Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues and eliminated from the total column. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

***1-E-15 Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***1-E-16 Comparative Data***

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. In addition, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

**Ketchikan Gateway Borough, Alaska**  
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**1-E-17 Pensions**

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees’ Retirement System (PERS) and additions to/from PERS’s fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability has been allocated between the governmental activities, business-type activities, and the applicable enterprise funds based on PERS covered payroll during the fiscal year.

**Note 2 – Stewardship, Compliance and Accountability**

**2-A. Budgetary Information** – The Borough adopts an annual operating budget for the following funds: General Fund, Land Trust, Commercial Passenger Vessel, Recreation Sales Tax, School Bond/Capital Improvement, Economic Development Assistance Program, Airport PFC Fund, and the following Service Areas: Mud Bight, South Tongass, Loring, Waterfall, Nichols View, Forest Park, Gold Nugget, Gold Nugget Special Assessment, Homestead Special Assessment, North Tongass Fire and EMS, and Nonareawide Library. A project budget is adopted for each capital projects fund. The budget resolution reflects the total budget of each fund.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is the individual fund. Borough department heads may make transfers of appropriations within a department and the Borough Manager may authorize transfers of appropriations between departments within an individual fund. Transfers of appropriations between funds require the approval of the Borough Assembly.

During the year the Borough Assembly approved budget revisions.

All unexpended annual appropriations lapse at year-end, with exception for appropriations made for a capital project or grant project in the budget ordinance, or in an ordinance for a prior budget year, are valid for the life of the project or grant term, and the unexpended balance for all such appropriations shall be carried forward to subsequent fiscal years.

At June 30, 2016, the Borough had open encumbrances as follows:

Fund	Encumbrances
General Fund	\$ 43,114
School Bond CIP	150,000
Economic Development Assistance Program	49,183
State and Federal Grants	6,981,554
Nonmajor	55,389
Total	\$ 7,279,240

**Ketchikan Gateway Borough, Alaska**  
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**2-B. Excess of Expenditures over Appropriations**

The following individual fund had an excess of expenditures over appropriations at June 30, 2016:

Economic Development Assistance Program

**2-C. Deficit Fund Equities**

No individual funds had a deficit fund balance at the fund reporting level at June 30, 2016.

**Note 3 - Detailed Notes on All Funds**

**3-A. Cash and Investments**

Cash and investments for Ketchikan Gateway Borough consist of governmental and business-type activities. The balances at June 30, 2016 are as follows:

Cash on hand	\$	3,650
Deposits with financial institutions		29,460,120
Investments		<u>541,735</u>
Total	\$	<u>30,005,505</u>

		<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Unrestricted	\$	23,644,289	1,736,373
Restricted		<u>4,624,843</u>	<u>-</u>
Total	\$	<u>28,269,132</u>	<u>1,736,373</u>

The restricted cash and investments are comprised of investments in construction funds for school projects and commercial passenger vessel revenues for commercial passenger vessel related expenditures.

**Deposits – Custodial credit risk-deposits** - This is the risk that in the event of a bank failure, the Borough’s deposits may not be returned to it. The Borough’s deposit policy is in accordance with guidelines established by the Borough’s Code of Ordinances, the Borough Assembly and its bond ordinances. All deposits are covered by federal depository insurance up to \$250,000 and collateralized with eligible securities to secure at least 100 percent of the book value of deposits. As of June 30, 2016, the carrying value of all the Borough’s deposits was \$29,460,120, and the bank value was \$29,430,618 per bank confirmations. All collateral securities were held by third parties in the Borough’s name, and were not exposed to custodial credit risk.

**Investments** – All investment pool cash purchases and sales are part of the Borough’s cash management activity and considered cash and cash equivalents. Interest earned from the pooled investments is allocated to each fund based on an average earnings rate and monthly cash balance of each fund. The Borough has recorded investments at the current portfolio value. The Borough’s investment policy is in accordance with guidelines established by the Borough’s Code of Ordinances.

The Borough has investments in certificates of deposits totaling \$541,735 that are not held at fair value, but instead recorded at amortized cost as of June 30, 2016.

**Ketchikan Gateway Borough, Alaska**  
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The following investments are permitted under the Borough’s Code of Ordinances Section 4.10.060:

- U.S. government obligations, U.S. government agency obligations and U.S. government instrumentality obligations which have a liquid market with a readily determinable market value;
- Certificates of deposit and other evidences of deposit at financial institutions, bankers’ acceptances and commercial paper rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency;
- Investment-grade obligations of U.S. corporations, state and local governments and public authorities;
- Repurchase agreements whose underlying purchased securities consist of the foregoing;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities;
- Local government investment pools, either state-administered or through joining powers statutes and other intergovernmental agreement legislation;
- Mutual funds whose investments are limited to U.S. government securities or treasury securities;
- A majority of the equity position will be invested in common stock issued by U.S. corporations with market capitalization in excess of five billion dollars (\$5,000,000,000) at time of purchase which trade on NASDAQ or New York Stock Exchange. A maximum of ten (10) percent of the equity allocation may be invested in mutual funds that invest in small capitalization companies or individual companies whose market capitalization is less than one billion dollars (\$1,000,000,000). Small capitalization is defined as one billion dollars (\$1,000,000,000) or less;
- A maximum of ten (10) percent of the equity allocation may be invested in international mutual funds or individual companies that are non-U.S.-based.

**Concentration of credit risk.** The Borough’s investments as of June 30, 2016 were held in a time certificate of deposit (TCD) with First Bank. The term of the TCD is 24 months and it matures February 18, 2018.

The Borough has no formal policy relating to credit risk or the concentration of credit risk.

**Interest rate risk.** As of June 30, 2016, the weighted average maturity of the Borough’s investment portfolio was less than one year. To minimize interest rate risk, the Borough’s investment policy limits the portfolio to a maximum weighted average maturity of 24 months to meet the Borough’s cash flow requirements.

The Borough’s investments subject to categorization are as follows:

Investment Type	Investment Maturity (in years)		
	Current Market Value	Less than 1	1 - 5
Certificate of Deposit	\$ 541,735	-	541,735

**Ketchikan Gateway Borough, Alaska**  
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**3-B. Receivables**

Receivables at June 30, 2016, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the Borough's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

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

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**Ketchikan Gateway Borough, Alaska**  
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	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Economic Development</u>	<u>State &amp; Federal Grants</u>
Receivables:					
Accounts	\$ 318,376	3,855	484,491	-	-
Intergovernmental	373,360	-	27,777	-	807,415
Property taxes	117,691	-	-	-	-
Sales taxes	5,029,636	-	-	-	-
Note	-	-	-	550,000	-
Interfund	682,037	668,094	-	-	-
Total receivables	<u>6,521,100</u>	<u>671,949</u>	<u>512,268</u>	<u>550,000</u>	<u>807,415</u>
Allowance for doubtful accounts	<u>(118,322)</u>	<u>-</u>	<u>-</u>	<u>(550,000)</u>	<u>-</u>
Net receivables	<u>\$ 6,402,778</u>	<u>671,949</u>	<u>512,268</u>	<u>-</u>	<u>807,415</u>

	<u>Nonmajor Governmental</u>	<u>Airport Enterprise</u>	<u>Wastewater Enterprise</u>	<u>Internal Service Fund</u>	<u>Totals</u>
Receivables:					
Accounts	\$ 267,517	407,985	222,424	-	1,704,648
Intergovernmental	2,993	29,906	-	-	1,241,451
Property taxes	10,213	-	-	-	127,904
Sales taxes	484,492	-	-	-	5,514,128
Note	-	-	-	463,628	1,013,628
Interfund	-	-	-	-	1,350,131
Total receivables	<u>765,215</u>	<u>437,891</u>	<u>222,424</u>	<u>463,628</u>	<u>10,951,890</u>
Allowance for doubtful accounts	<u>(161,160)</u>	<u>(37,988)</u>	<u>(132,841)</u>	<u>-</u>	<u>(1,000,311)</u>
Net receivables	<u>\$ 604,055</u>	<u>399,903</u>	<u>89,583</u>	<u>463,628</u>	<u>9,951,579</u>

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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. As of the end of the current fiscal year, the various components of deferred inflows and unearned revenue reported in the governmental funds were as follows:

	Deferred -	
	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 117,691	-
Delinquent property taxes receivable (Nonmajor Funds)	10,213	-
Unearned revenue (General Fund)	-	163,863
Unearned revenues (Nonmajor)	<u>-</u>	<u>44,133</u>
 Total deferred/unearned revenue for governmental funds	 \$ <u>127,904</u>	 <u>207,996</u>

**3-C. Property and Sales Taxes**

The Borough levies its real property taxes on July 1 of each fiscal year based upon the assessed valuation as of the previous January 1. Property taxes are considered due the following July 1 and are considered delinquent on October 1, which is also the lien date. The Borough collects its own sales tax as well as that of the cities within the Borough. The Borough-wide sales tax rate is 2.5% while the rate for the City of Ketchikan and the City of Saxman is 4.0%.

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**Ketchikan Gateway Borough, Alaska**  
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**3-D. Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance 7/1/2015	Additions	Deductions	Balance 6/30/2016
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land - Borough	\$ 29,948,964	2,489,568	326,695	32,111,837
Land - School	7,784,173	14,389	-	7,798,562
Construction in progress - Borough	244,552	29,277	244,552	29,277
Construction in progress - School	119,967	-	119,967	-
Total nondepreciable capital assets	<u>38,097,656</u>	<u>2,533,234</u>	<u>691,214</u>	<u>39,939,676</u>
Depreciable capital assets:				
Buildings - Borough	24,756,280	143,036	-	24,899,316
Buildings - School	105,677,697	201,543	-	105,879,240
Equipment	5,268,575	170,014	-	5,438,589
Fields	4,350,971	-	-	4,350,971
Infrastructure	1,111,122	301,860	-	1,412,982
Land improvements	1,251,507	434,416	-	1,685,923
Pool	22,772,030	199,181	-	22,971,211
South Tongass Water	8,335,833	-	-	8,335,833
Transit - Buses	2,644,844	-	-	2,644,844
Total depreciable capital assets	<u>176,168,859</u>	<u>1,450,050</u>	<u>-</u>	<u>177,618,909</u>
Total cost of capital assets	<u>214,266,515</u>	<u>3,983,284</u>	<u>691,214</u>	<u>217,558,585</u>
Accumulated depreciation:				
Buildings - Borough	5,031,979	642,532	-	5,674,511
Buildings - School	34,866,546	2,535,103	-	37,401,649
Equipment	3,080,578	362,363	-	3,442,941
Fields	1,792,709	172,401	-	1,965,110
Infrastructure	727,652	47,490	-	775,142
Land improvements	114,929	62,575	-	177,504
Pool	1,821,762	913,145	-	2,734,907
South Tongass Water	670,892	166,717	-	837,609
Transit - Buses	1,231,271	199,999	-	1,431,270
Total accumulated depreciation	<u>49,338,318</u>	<u>5,102,325</u>	<u>-</u>	<u>54,440,643</u>
Governmental activities capital assets, net	\$ <u>164,928,197</u>	<u>(1,119,041)</u>	<u>691,214</u>	<u>163,117,942</u>

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<b>Governmental activities depreciation:</b>	
General Government	\$ 82,203
Education	2,579,220
Fire and EMS	241,421
Parks and Recreation	1,128,355
Public Services	775,542
Public Works	25,911
Transit	<u>269,673</u>
 Total governmental activities depreciation expense	 \$ <u><u>5,102,325</u></u>

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**Ketchikan Gateway Borough, Alaska**  
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For the Year Ended June 30, 2016

	<u>Balance</u> <u>7/1/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2016</u>
<b>Business-type activities:</b>				
Nondepreciable capital assets				
Construction in progress	\$ 310,132	479,571	65,065	724,638
Depreciable capital assets:				
Ferry	16,187,177	-	-	16,187,177
Field	4,273,983	29,868	-	4,303,851
Terminal building	11,042,204	1,192,678	39,685	12,195,197
Murphy's landing	208,800	-	-	208,800
Wastewater	285,626	-	-	285,626
Mountain Point wastewater	13,792,489	-	-	13,792,489
Forest Park wastewater	32,700	-	-	32,700
 Total depreciable capital assets	 <u>45,822,979</u>	 <u>1,222,546</u>	 <u>39,685</u>	 <u>47,005,840</u>
 Total capital assets	 <u>46,133,111</u>	 <u>1,702,117</u>	 <u>104,750</u>	 <u>47,730,478</u>
Accumulated depreciation:				
Ferry	4,621,934	792,553	-	5,414,487
Field	2,803,550	89,575	-	2,893,125
Terminal building	5,677,581	232,435	39,685	5,870,331
Murphy's landing	208,800	-	-	208,800
Wastewater	237,127	15,236	-	252,363
Mountain Point wastewater	4,396,351	342,628	-	4,738,979
Forest Park wastewater	31,627	-	-	31,627
 Total accumulated depreciation	 <u>17,976,970</u>	 <u>1,472,427</u>	 <u>39,685</u>	 <u>19,409,712</u>
 Business-type activities capital assets, net	 \$ <u>28,156,141</u>	 <u>229,690</u>	 <u>65,065</u>	 <u>28,320,766</u>
<b>Business-type activities depreciation:</b>				
Airport		\$ 1,114,563		
Wastewater		<u>357,864</u>		
		\$ <u>1,472,427</u>		

**Ketchikan Gateway Borough, Alaska**  
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**3-E. Interfund Balances and Transfers**

Interfund balances at June 30, 2016, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The Borough expects to repay interfund balances due to the Economic Development Fund over five years. The balances due to the Land Trust Fund are interfund loans and payment schedules have been established for the various funds and the balances are scheduled to be repaid in years 2017 through 2022.

	Payable From:		
Payable to:	State and Federal Grants	Airport Enterprise Fund	Wastewater Enterprise Fund
General Fund	\$ 389,872	-	-
Land Trust Fund - Advances Receivable	-	126,479	263,176
Total	\$ 389,872	126,479	263,176

	Payable From:		
Payable to:	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	\$ -	292,165	682,037
Land Trust Fund - Advances Receivable	278,439	-	668,094
Total	\$ 278,439	292,165	1,350,131

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Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfers to:	Transfers From:		
	General Fund	Land Trust Fund	School Bond Capital Imp. Fund
General Fund	\$ -	221,069	-
School Bond	248,126	-	-
Non-Major Debt Service Non-Major	-	252,574	3,651,729
Special Revenue	2,787,048	-	163,217
Airport Enterprise	<u>5,500</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>3,040,674</u></b>	<b><u>473,643</u></b>	<b><u>3,814,946</u></b>

Transfers to:	Transfers From:		
	Economic Development Fund	Non-Major Special Revenue Funds	Total
General Fund	\$ 144,650	901,779	1,267,498
School Bond	-	-	248,126
Non-Major Debt Service Non-Major	-	1,370,799	5,275,102
Special Revenue	-	285,490	3,235,755
Airport Enterprise	<u>-</u>	<u>294,265</u>	<u>299,765</u>
<b>Total</b>	<b>\$ <u>144,650</u></b>	<b><u>2,852,333</u></b>	<b><u>10,326,246</u></b>

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

All Borough transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

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In fiscal year 2014, a Schools Reserve Fund was established through Ordinance 1712; creating Chapter 4.65 “Schools Reserve Fund” under Title 4 of the Ketchikan Gateway Borough Code of Ordinances. As initially established, the only identified revenue potential was from pending litigation, and dependent on a favorable outcome. At the June 2, 2014 Borough Assembly adopted Ordinance 1718, moving \$1.1 million from the General Fund into the Schools Reserve Fund. The fund was not established until fiscal year 2016, because prior to Ordinance 1793-A, there was no funding source identified for the fund. In order to carry out the Assembly’s intent, and remain consistent with GAAP, a separate bank account within the General Fund was established to segregate funds dedicated by the Assembly for the Schools Reserve Fund. With the adoption of Ordinance 1793-A in June 2016, separate revenues were identified and dedicated for school funding, namely a property tax of 5.0 mills, Secure Rural Schools revenues, and any future tobacco tax proceeds, if ratified by the voters. With the passage of Ordinance 1793-A, \$2,724,685 was transferred out of the General Fund to the Schools Reserve Fund, which is a Nonmajor Special Revenue fund.

**3-F. Compensated Absences**

Employees may receive cash payments for unused compensated absences only upon termination or for hours in excess of 720 at the end of any calendar year. Employees may also request “leave buy outs” from their personal leave bank and those requests are at the discretion of the Borough Manager.

**3-G. Operating Leases**

The Borough leases the Ketchikan International Airport from the State of Alaska at the rate of one dollar per year under a 42-year lease agreement that expires May 31, 2027. Under the terms of this lease, the Borough is required to operate the airport for the use and benefit of the public and to perform all routine maintenance and repairs to the building and landing field. The lease further provides that the first \$10,000 of the cost of repairs to a State of Alaska owned facilities are to be paid by the Borough and the balance of the cost of major repairs are to be paid by the State of Alaska. In addition, the lease requires the Borough to maintain an airport enterprise fund and to account for all of the revenues, costs and expenses of operating the airport in this fund. Any excess of specified revenues over specified expenses, both of which are defined in the lease, must be credited to a separate reserve account and can only be used for certain purposes. No excess of specified revenues over specified expense exists in the airport enterprise fund as of June 30, 2016. The leases that are in place as of June 30, 2016 have expiration dates through 2020. One long term land lease extends through 2049. The Borough also collects rents from land, seaplane dock, floatplane pullout, aircraft tie-downs, ARFF/maintenance building, aircraft parking, and Murphy’s Pullout. The Borough collects these rents on a month-to-month basis. Current airport terminal leases generate annual revenues of \$630,258 on 170,867 square feet. Land leases generate annual revenues of \$24,654 on 209,350 square feet.

**3-H. Long-Term Debt**

The Borough has numerous bond issues outstanding. A summary of the governmental activities follows:

**Borough General Obligation Bonds, 2009B&C Taxable Series** - General obligation bonds, Series 2009B&C, denominations of \$5,000 or integral multiples thereof, dated December 18, 2009, \$16,681,000 taxable Build America Bond (2009B) and \$3,744,000 taxable Recovery Zone Development Bond (2009C), total issue \$20,425,000. The bond proceeds were used to construct a community aquatic center of which 17.848% is considered a school facility. Interest rates range from 1.53% to 6.118%. The bonds mature February 1, 2039. Annual debt service requirements as of June 30, 2016 are as follows:

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<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
2017	\$	590,000	1,185,519	(437,838)	747,681	1,337,681
2018		610,000	1,158,232	(428,287)	729,945	1,339,945
2019		625,000	1,129,104	(418,092)	711,012	1,336,012
2020		645,000	1,098,479	(407,374)	691,105	1,336,105
2021		665,000	1,066,390	(396,142)	670,248	1,335,248
2022-2026		3,690,000	4,783,867	(1,788,882)	2,994,985	6,684,985
2027-2031		4,450,000	3,627,125	(1,384,023)	2,243,102	6,693,102
2032-2036		5,395,000	2,164,854	(872,228)	1,292,626	6,687,626
2037-2039		<u>3,755,000</u>	<u>464,662</u>	<u>(209,031)</u>	<u>255,631</u>	<u>4,010,631</u>
Total	\$	<u>20,425,000</u>	<u>16,678,232</u>	<u>(6,341,897)</u>	<u>10,336,335</u>	<u>30,761,335</u>

***Borough General Obligation Bonds, 2010A Series*** - General obligation bonds, Series 2010, denominations of \$5,000, dated March 11, 2010, total issue \$5,990,000. The bond proceeds were used to construct school facilities, and advance refund \$5,900,000 of the 2000 general obligation bonds. Interest rates range from 2.00% to 5.00%. Net present value savings on the refunding is \$530,120 over the term. The bonds mature March 1, 2020. Annual debt service requirements as of June 30, 2016 follow:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	620,000	105,800	725,800
2018		650,000	81,000	731,000
2019		675,000	55,000	730,000
2020		<u>700,000</u>	<u>28,000</u>	<u>728,000</u>
Total	\$	<u>2,645,000</u>	<u>269,800</u>	<u>2,914,800</u>

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***Borough General Obligation Bonds, 2010B Four Taxable Series*** - General obligation bonds, Series 2010B, denominations of \$5,000, dated December 9, 2010, total issue \$3,270,000. The bond proceeds were used for repairs and improvements to the Ketchikan High School roof. Interest rates range from 1.422% to 5.759%. The bonds mature August 1, 2025. Annual debt service requirements as of June 30, 2016 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
2017	\$ 220,000	112,198	(50,489)	61,709	281,709
2018	220,000	104,287	(46,929)	57,358	277,358
2019	225,000	95,209	(42,844)	52,365	277,365
2020	230,000	85,233	(38,355)	46,878	276,878
2021	240,000	74,574	(33,559)	41,016	281,016
2022-2026	<u>1,290,000</u>	<u>182,566</u>	<u>(82,155)</u>	<u>100,411</u>	<u>1,390,411</u>
Total	\$ <u>2,425,000</u>	<u>654,067</u>	<u>(294,331)</u>	<u>359,736</u>	<u>2,784,736</u>

***Certificate of Participation 2010A-1 - White Cliff Tax-Exempt*** – Debt issued December 21, 2010, in the amount of \$1,065,000. The debt was used to purchase the White Cliff Building, which is the home of Ketchikan Gateway Borough’s administrative offices. Interest rates range from 3.00% to 4.00%. The debt will be paid off July 1, 2018. Annual debt service requirements as of June 30, 2016 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 150,000	12,400	162,400
2018	<u>160,000</u>	<u>6,400</u>	<u>166,400</u>
Total	\$ <u>310,000</u>	<u>18,800</u>	<u>328,800</u>

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***Certificate of Participation 2010A-2- White Cliff Taxable*** – Debt issued December 21, 2010, in the amount of \$3,700,000. The debt was used to purchase the White Cliff Building, which is the home of Ketchikan Gateway Borough’s administrative offices. Interest rates range from 5.781% to 6.863%. The debt will be paid off July 1, 2035. Annual debt service requirements as of June 30, 2016 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
2017	\$ -	240,244	(108,110)	132,134	132,134
2018	-	240,244	(108,110)	132,134	132,134
2019	165,000	240,244	(108,110)	132,134	297,134
2020	170,000	230,705	(103,817)	126,888	296,888
2021	175,000	220,877	(99,395)	121,482	296,482
2022-2026	960,000	946,566	(425,954)	520,612	1,480,612
2027-2031	1,150,000	612,866	(275,790)	337,076	1,487,076
2032-2035	<u>1,080,000</u>	<u>188,733</u>	<u>(84,929)</u>	<u>103,804</u>	<u>1,183,804</u>
Total	\$ <u>3,700,000</u>	<u>2,920,479</u>	<u>(1,314,215)</u>	<u>1,606,264</u>	<u>5,306,264</u>

***Borough General Obligation Bonds, 2011 III Series*** - General obligation bonds, Series 2011, denominations of \$5,000, dated November 30, 2011, total issue \$4,900,000. The bond proceeds were used to advance refund \$5,900,000 of the 2003 general obligation bonds. Interest rates range from 2.00% to 5.00%. Net present value savings on the refunding is \$375,553 over the term. The bonds mature September 1, 2022. Annual debt service requirements as of June 30, 2016 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 450,000	166,300	616,300
2018	475,000	143,175	618,175
2019	500,000	118,800	618,800
2020	520,000	95,900	615,900
2021	545,000	71,875	616,875
2022-2023	<u>1,165,000</u>	<u>58,875</u>	<u>1,223,875</u>
Total	\$ <u>3,655,000</u>	<u>654,925</u>	<u>4,309,925</u>

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***Borough General Obligation Bonds, 2012 II Series*** - General obligation bonds, Series 2012, denominations of \$5,000, dated May 24, 2012, total issue \$3,080,000. The bond proceeds were used to advance refund \$3,090,000 of the 2005 general obligation bonds. Interest rates range from 2.00% to 5.00%. Net present value savings on the refunding is \$187,620 over the term. The bonds mature September 1, 2019. Annual debt service requirements as of June 30, 2016 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 585,000	101,150	686,150
2018	605,000	77,350	682,350
2019	640,000	49,250	689,250
2020	<u>665,000</u>	<u>16,625</u>	<u>681,625</u>
Total	\$ <u>2,495,000</u>	<u>244,375</u>	<u>2,739,375</u>

***Borough General Obligation Bonds, 2013 One Series*** - General obligation bonds, Series 2013, denominations of \$5,000, dated March 12, 2013, total issue \$4,875,000. The bond proceeds were used for school district facility upgrades. Interest rates range from 2% - 5%. The bonds mature February 1, 2023. Annual debt service requirements as of June 30, 2016 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 460,000	150,550	610,550
2018	475,000	132,150	607,150
2019	495,000	113,150	608,150
2020	520,000	88,400	608,400
2021	540,000	67,600	607,600
2022-2023	<u>1,150,000</u>	<u>69,400</u>	<u>1,219,400</u>
Total	\$ <u>3,640,000</u>	<u>621,250</u>	<u>4,261,250</u>

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**Borough General Obligation Bonds, 2015A One Series** - General obligation refunding bonds, Series 2015 denominations of \$5,000, dated March 20, 2015, total issue \$2,185,000. The bond proceeds refunded the remaining balance of the 2005B bonds in the amount of \$2,235,000. The refunding resulted in a cash flow savings of \$235,568 and an economic gain of \$201,219. However for accounting purposes, this transaction resulted in a deferred loss, in the amount of \$57,344, which has been included in deferred charges on refunding in the Statement of Net Position. Interest rates range from 2.0% - 4.0%. The bonds mature October 1, 2018. Annual debt service requirements as of June 30, 2016 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 530,000	53,350	583,350
2018	560,000	34,200	594,200
2019	<u>575,000</u>	<u>11,500</u>	<u>586,500</u>
Total	\$ <u>1,665,000</u>	<u>99,050</u>	<u>1,764,050</u>

**Defeased Bonds** – All refunded bonds have been fully defeased and paid to bondholders.

**Changes in Long-term Debt** - Changes in the Borough's long-term obligations consisted of the following for the year ended June 30, 2016:

<b>Governmental Activities</b>	<u>Outstanding 7/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2016</u>	<u>Amounts Due in One Year</u>
GO Bonds - 2006A	\$ 130,000	-	130,000	-	-
GO Bonds - 2009A	575,000	-	575,000	-	-
GO Bonds - 2009B & C	20,425,000	-	-	20,425,000	590,000
GO Bonds - 2010A One	3,245,000	-	600,000	2,645,000	620,000
GO Bonds - 2010B Four	2,640,000	-	215,000	2,425,000	220,000
GO Bonds - 2011 III	4,090,000	-	435,000	3,655,000	450,000
GO Bonds - 2012 II	3,060,000	-	565,000	2,495,000	585,000
GO Bonds - 2013 One	4,080,000	-	440,000	3,640,000	460,000
GO Bonds - 2015A One	2,185,000	-	520,000	1,665,000	530,000
Certificates of Participation					
C of P 2010A-1	455,000	-	145,000	310,000	150,000
C of P 2010A-2	3,700,000	-	-	3,700,000	-
Compensated absences	<u>645,579</u>	<u>571,355</u>	<u>525,335</u>	<u>691,599</u>	<u>525,335</u>
Total Governmental Activities	\$ <u>45,230,579</u>	<u>571,355</u>	<u>4,150,335</u>	<u>41,651,599</u>	<u>4,130,335</u>
<b>Business-Type Activities</b>					
Compensated absences	\$ <u>224,818</u>	<u>168,662</u>	<u>173,359</u>	<u>220,121</u>	<u>173,359</u>
Total Business-Type Activities	\$ <u>224,818</u>	<u>168,662</u>	<u>173,359</u>	<u>220,121</u>	<u>173,359</u>

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The general obligation bonds and certificates of participation for governmental activities are being retired by the general obligation bond debt service and certificate of participation funds.

The compensated absences liability is being liquidated from the fund from which the employees' salaries are paid. These funds include the General Fund, Land Trust Fund, Commercial Passenger Vessel Fund, Economic Development Assistance Program Fund, South Tongass Service Area, North Tongass Fire & EMS Service Area, and the Airport Enterprise Fund.

### **3-1. Pensions**

#### **Defined Benefit (DB) Pension Plan**

##### ***General Information About the Plan***

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

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

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

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

##### ***Historical Context and Special Funding Situation***

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

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

The Borough recorded the related on-behalf contributions as revenue and expense or expenditures as

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prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

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

***Employee Contribution Rates***

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

***Employer and Other Contribution Rates***

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

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

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

*On-behalf Contribution Rate:* This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the on-behalf contribution in 2015 was significantly higher than the statutory amount. In 2016, the on-behalf contribution has returned to “normal” levels and generally equals the statutory calculation. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

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

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

Contribution rates for the year ended June 30, 2016 were determined in the June 30, 2013 actuarial valuation.

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	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
Pension	13.25%	16.38%	3.63%	37.79%
Postemployment healthcare (see Defined Benefits OPEB below)	<u>8.75%</u>	<u>10.81%</u>	<u>1.56%</u>	<u>58.73%</u>
Total Contribution Rates	<u><u>22.00%</u></u>	<u><u>27.19%</u></u>	<u><u>5.19%</u></u>	<u><u>96.52%</u></u>

	<u>Measurement Period Borough</u>	
	<u>FY 15</u>	<u>FY 16</u>
Employer contributions (including DBUL)	\$ 555,712	\$ 594,216
Nonemployer contributions (on-behalf)	<u>2,551,377</u>	<u>327,428</u>
Total Contributions	\$ <u><u>3,107,089</u></u>	\$ <u><u>921,644</u></u>

In addition, employee contributions to the plan totaled \$219,798 during the Borough fiscal year.

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

At June 30, 2016, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

	<u>2016</u>
Borough proportionate share of NPL	\$ 9,029,795
State's proportionate share of NPL associated with the Borough	<u>2,417,411</u>
Total Net Pension Liability	\$ <u><u>11,447,206</u></u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2016, the Borough's proportion was .18618 %, which was an increase of .045375 or 24.437% from its proportion measured as of the prior measurement date.

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For the year ended June 30, 2016, the Borough recognized pension expense of \$1,675,119 and \$333,837 on-behalf revenue for support provided by the State. At June 30, 2016, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 10,525	-
Changes in assumptions	527,981	-
Net difference between projected and actual earnings on pension plan investments	-	(159,865)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	377,814	-
Borough contributions subsequent to the measurement date	<u>594,216</u>	<u>-</u>
<b>Total Deferred Outflows and Deferred Inflows Related to Pensions</b>	<b>\$ <u>1,510,536</u></b>	<b><u>(159,865)</u></b>

The \$594,216 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2017	\$ 733,523
2018	(22,543)
2019	(102,670)
2020	148,145

***Actuarial Assumptions***

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

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

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

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

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***Discount Rate***

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

***Discount Rate Sensitivity***

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Borough's proportionate share of the net pension liability	\$ 12,004,348	9,029,795	6,525,529

***Pension Plan Fiduciary Net Position***

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

**Defined Contribution (DC) Pension Plan**

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

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

***Benefit Terms***

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

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***Employee Contribution Rate***

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

***Employer Contribution Rate***

For the year ended June 30, 2016, the Borough was required to contribute 5.0% of covered salary into the Plan. In addition, during 2016, the State on-behalf contribution rate for OPEB was 1.56%.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2016 were \$530,304 and \$198,742, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

**Other Post-Employment Benefit (OPEB) Plans**

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

***Employer Contribution Rate***

The Borough is required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

***Annual Postemployment Healthcare Cost***

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. In 2015 there were no on-behalf contributions to the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2016 and 2014 were \$98,174 and \$348,170, respectively.

Year Ended June 30,	Annual OPEB Costs	Borough Contributions	% of Costs Contributed
2016	\$ 392,449	392,449	100%
2015	429,917	429,917	100%
2014	527,826	527,826	100%

***Defined Contribution OPEB***

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

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*For the Year Ended June 30, 2016*

***Employer Contribution Rates***

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

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

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2015, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$2,005 per year for each full-time employee, and \$1.28 per hour for part-time employees.

***Annual Postemployment Healthcare Cost***

In 2016, the Borough contributed \$135,862 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

**International Brotherhood of Electrical Workers**

***General Information About the Plan***

The Borough is a participant in a “collective bargaining agreement” with the International Brotherhood of Electrical Workers, Local 1547, AFL-CIO (IBEW). The Borough recognizes the Union as the sole and exclusive bargaining agent for all full-time and part-time regular employees in the job classifications identified by the agreement.

The Borough makes contributions to the Alaska Electrical Pension Trust (AEPT) retirement plan on behalf of regular employees covered under a collective bargaining agreement. For the purpose of computing the Borough’s contribution, compensable hours include overtime hours, vacation, holiday hours, PTO, jury duty, and funeral leave for which the employee receives compensation except when those benefits are paid on the termination of employment. The Borough’s contribution rate is \$3.25 per hour. The trustees of the respective plans approve all proposed changes.

AEPT does issue a publicly available financial report. To obtain a copy of the full annual report, or any part, write or call the Administrative Office.

Alaska Electrical Pension Trust  
 Administrator  
 2600 Denali Street, Suite 200  
 Anchorage, Alaska 99503  
 Phone: (907) 276-1246

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

The Borough has 19 covered IBEW employees. The pension plan provides for retirement, death and disability, and post-employment health care benefits. Benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. AEPT is a defined benefit pension plan.

The current collective-bargaining agreement ends on March 31, 2017, and will continue in full force and be effect from year to year, unless a notice of desire to amend the agreement is served by either party upon the other at least 90 days prior to the date of expiration. If notice to amend is given, negotiations will commence within 30 days following the date of the notice, and the agreement shall remain in effect until the terms of a new or amended agreement are agreed upon; provided, however, that if a notice to amend is timely given, either party may at any time notify the other in writing of its desire to terminate the agreement as of a date stated in a notice to terminate, and the date of termination shall be at least ten days subsequent to the giving of the notice to terminate.

If any Article, Section or provisions in the agreement is declared invalid by reason of any existing or subsequently enacted statute, ordinance or other law, or by a judgment of any court, the invalidation of any such Article, Section or provision will not affect the remaining portions and the other parts and provisions will remain in effect. Upon the invalidation of any Article, Section or provision, the parties will meet and negotiate the parts and provisions affected within 30 days from the date the invalidation is communicated to them; as long as the parties mutually agree to extend the time for negotiations.

In 2016 the Borough contributed \$99,825 in contributions to the plan.

***3-J. Net Investment in Capital Assets***

The “Net Investment in Capital Assets” on the government-wide statement of net position as of June 30, 2016 is as follows:

*(This page continued on the subsequent page)*

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
For the Year Ended June 30, 2016

<u>Net investment in capital assets</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Cost of capital assets	\$ 217,558,585	\$ 47,730,478
Less accumulated depreciation	<u>(54,440,643)</u>	<u>(19,409,712)</u>
Book value	163,117,942	28,320,766
Less capital related debt	(42,456,470)	-
Plus deferred loss on refunding	424,402	-
Plus unspent bond proceeds	<u>2,022,786</u>	<u>-</u>
 Net investment in capital assets	 \$ <u><u>123,108,660</u></u>	 \$ <u><u>28,320,766</u></u>

Restricted net position for governmental activities consists of the following at June 30, 2016:

<u>Net Position</u>	<u>Governmental Activities</u>
Restricted:	
Airport projects	326,225
Capital projects	670,116
Commercial passenger vessel impact	1,829,097
Dock improvements	15,851
Library operations	122,709
Public safety and water	706,084
Recreation	2,807,363
Road maintenance	<u>387,933</u>
 Total Restricted Net Position	 6,865,378
 Unspent bond funds related to capital projects	 <u>2,022,786</u>
 Total Restricted Fund Balance	 \$ <u><u>8,888,164</u></u>

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

**Note 4 - Other Notes**

**4-A. Risk Management**

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The Borough has purchased insurance through commercial carriers to cover these risks. Insurance coverage includes general liability, property and casualty coverage, Worker's Compensation at statutory amounts, and marine coverage for the Borough's vessels.

The Ketchikan Gateway Borough and Ketchikan Gateway Borough School District (component unit) established a partially self-funded health plan to cover its employees' health care coverage (including dental and vision) effective September 1, 1996. It purchases stop loss insurance at \$150,000 per covered individual and in an aggregate amount based on employee coverage. It also purchases life and accidental death and dismemberment insurance for eligible employees.

Both the School District and Borough participate in the internal service fund established to record transactions involving the partially self-funded health plan. The Borough and the School District contribute to the Borough's internal service fund and the payments from the fund are used to pay administration and employee health care claims.

The Ketchikan Gateway Borough provides an accounting of the internal service fund balances for the Borough and the School District on a quarterly basis. Meritain's plan is based on actuarially determined monthly fixed costs and actual claims up to the stop loss of \$150,000 per person. The difference between the liability recorded and actual incurred but unrecorded claims may be material.

Ketchikan Gateway Borough booked a liability for claims for services provided to Borough and School District employees prior to June 30, 2016, but not billed until after fiscal year end. The amount booked for the Borough was \$133,671 and \$171,463 was booked for the School District.

The liability booked for claims was based on actual claims for services provided prior to fiscal year-end and was provided by Meritain.

Effective FY 2004, the International Brotherhood of Electrical Workers (IBEW) elected to have its membership enroll in the Alaska Electrical Health & Welfare Fund (AEH&WF). The Borough contributes to the IBEW plan based on the membership of the union. Currently the Borough contributes \$1,739 per month per member. The portion paid on behalf of IBEW employees is reported at the Fund level as "premiums."

There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the Borough's insurance coverage during the past three years.

A schedule of the changes in the claims liability for the years ended June 30, 2015 and June 30, 2016 follows:

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
For the Year Ended June 30, 2016

		Ketchikan Gateway Borough	Borough School District	Total
		<u>                    </u>	<u>                    </u>	<u>                    </u>
Claims payable at June 30, 2014	\$	60,200	265,577	325,777
Premiums expense		349,679	-	349,679
Claims expense		1,902,812	3,914,838	5,817,650
Claims and premiums paid		<u>(2,221,492)</u>	<u>(4,012,208)</u>	<u>(6,233,700)</u>
Claims payable at June 30, 2015		91,199	168,207	259,406
Premiums expense		338,174	-	338,174
Claims expense		1,699,881	4,242,068	5,941,949
Claims and premiums paid		<u>(1,995,583)</u>	<u>(4,238,812)</u>	<u>(6,234,395)</u>
Claims payable at June 30, 2016	\$	<u>133,671</u>	<u>171,463</u>	<u>305,134</u>

**4-B. Contingent Liabilities**

**Unasserted Claims** - The Borough has no active disputes.

**Grants** - The Borough has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Borough believes such disallowances, if any, will be immaterial.

**Note 5 – New Accounting Pronouncements**

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

**GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68** - Effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. This statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

**GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans** – Effective for year-end June 30, 2017. This statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decision and assessing accountability.

**Ketchikan Gateway Borough, Alaska**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2016*

**GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions -** Effective for year-end June 30, 2018. This statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pension (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

**GASB 77 - Tax Abatement Disclosures –** Effective for year-end June 30, 2017. This statement requires governments that enter into tax abatement agreements to disclose the following information about agreements: brief descriptive information, gross dollar amount of taxes abated during the period, commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

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

**GASB 80 – Blending Requirements for Certain Component Units –** Effective for year-end June 30, 2017. This statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

**GASB 81 – Irrevocable Split-Interest Agreements – Effective for year-end June 30, 2018.** This statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

**GASB 82 – Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 –** Effective for year-end June 30, 2017. This statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68.

## REQUIRED SUPPLEMENTARY INFORMATION



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**Ketchikan Gateway Borough, Alaska**  
**Schedule of the Borough's Information on the Net Pension Liability**  
**Public Employees Retirement System**

**Table 1**

Year Ended June 30, Measurement Date June 30,	2016 2015	2015 2014	*
Borough's proportion of the net pension liability	0.18618%	0.14080501%	
Borough's proportionate share of the net pension liability	\$ 9,029,795	6,567,341	
State of Alaska proportionate share of the net pension liability	<u>2,417,411</u>	<u>5,516,963</u>	
Total net pension liability	<u>\$ 11,447,206</u>	<u>12,084,304</u>	
Borough's covered-employee payroll	\$ 5,783,658	5,023,087	
Borough's proportionate share of the net pension liability as a percentage of covered-employee payroll	156%	131%	
Plan fiduciary net position as a percentage of the total pension liability	63.96%	62.37%	

*See accompanying notes to Required Supplementary Information.*

\* The schedules are intended to show information for ten years, and additional years' information will be displayed as it becomes available.

**Ketchikan Gateway Borough, Alaska  
Schedule of Borough Contributions  
Public Employees Retirement System**

**Table 2**

Year Ended June 30,	2016	2015	*
Contractually required contribution	\$ 594,216	576,131	
Contributions in relation to the contractually required contribution	<u>594,216</u>	<u>576,131</u>	
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	
Borough's covered-employee payroll	\$ 5,647,489	5,783,658	
Contributions as a percentage of covered-employee payroll	10.522%	9.961%	

*See accompanying notes to Required Supplementary Information.*

\* The schedules are intended to show information for ten years, and additional years' information will be displayed as it becomes available.

**Ketchikan Gateway Borough, Alaska**  
**Schedule of Borough Contributions**  
**International Brotherhood of Electrical Workers (IBEW)**  
**Last 10 Fiscal Years**

**Table 3**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 99,825	109,054	108,190	113,469	113,830	104,883	121,065	124,377	104,081	97,110
Contributions in relation to the contractually required contribution	\$ <u>99,825</u>	<u>109,054</u>	<u>108,190</u>	<u>113,469</u>	<u>113,830</u>	<u>104,883</u>	<u>121,065</u>	<u>124,377</u>	<u>104,081</u>	<u>97,110</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Borough's covered-employee payroll	\$ 672,428	709,780	742,885	837,252	696,453	646,618	706,466	734,761	666,362	684,757
Contributions as a percentage of covered-employee payroll	14.85%	15.36%	14.56%	13.55%	16.34%	16.22%	17.14%	16.93%	15.62%	14.18%

*See accompanying notes to Required Supplementary Information.*

**Ketchikan Gateway Borough, Alaska**  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2016

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

Table 1 is presented based on the Plan measurement date. For June 30, 2016, the plan measurement date is June 30, 2015.

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

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

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

**Schedule of Borough Contributions – Public Employees Retirement System**

Table 2 is based on the Borough's contributions during fiscal year 2016. These contributions are reported as a deferred outflow on the June 30, 2016 basic financial statements.

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

**International Brotherhood of Electrical Workers (IBEW)**

Table 3 is based on the Borough's contributions based on the Borough's fiscal year. All contributions are recognized in expense/expenditures when paid. There is no net pension liability associated with this plan at this time.



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## NONMAJOR SPECIAL REVENUE FUNDS

**Airport Passenger Facilities Charges (PFC)** – This fund is used to account for PFC revenues received from varying airlines. These funds are used to pay for the principal and interest payments of the Airport revenue bonds.

**Commercial Passenger Vessel Fund (CPV)** – This fund is used to account for CPV revenues received from the State of Alaska. These funds will be used to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to enhance the safety and efficiency of interstate and foreign commerce.

**Forest Park Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Gold Nugget Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Homestead Service Area Fund** – This fund is used to account for revenues assessed on property owners to pay for road maintenance within the Homestead Service Area.

**Loring Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Mud Bight Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Nichols View Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Non-Areawide Library Fund** – This fund is used to account for the collection of property and motor vehicle taxes, which are used to pay the allocated cost for the City of Ketchikan Library operations.

**North Tongass Fire & EMS Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Recreation Sales Tax Fund** – This fund is used to account for the receipt of twenty percent (20%) of all Borough sales tax revenues. These revenues may only be expended for bonafide recreation costs in the following proportion: eighty percent (80%) for recreation capital improvement projects, and twenty percent (20%) for maintenance and operation costs of Borough recreation facilities.

**Schools Reserve Fund** – This fund will begin to be used in fiscal year 2017 and will be used to account for the receipt of property taxes, Secure Rural Schools revenues, and any future tobacco tax proceeds, if ratified by the voters, and to process payments for education local support.

**South Tongass Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Waterfall Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Ketchikan Gateway Borough, Alaska**

*Nonmajor Governmental Funds*

*Combining Balance Sheet*

*June 30, 2016*

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Debt Service Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>			
Cash and investments	\$ 7,721,005	-	7,721,005
Restricted cash and investments	1,468,092	-	1,468,092
Receivables:			
Accounts	106,357	-	106,357
Intergovernmental	2,993	-	2,993
Property taxes	10,213	-	10,213
Sales taxes	<u>484,492</u>	<u>-</u>	<u>484,492</u>
<b>Total Assets</b>	\$ <u>9,793,152</u>	<u>-</u>	<u>9,793,152</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 260,063	-	260,063
Due to component unit	280,157	-	280,157
Interfund advances payable	278,439	-	278,439
Unearned revenue	<u>44,133</u>	<u>-</u>	<u>44,133</u>
<b>Total Liabilities</b>	862,792	-	862,792
<b>Deferred Inflows of Resources</b>			
Property tax revenues	<u>10,213</u>	<u>-</u>	<u>10,213</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>873,005</u>	<u>-</u>	<u>873,005</u>
<b>Fund Balances</b>			
Restricted	<u>8,920,147</u>	<u>-</u>	<u>8,920,147</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	\$ <u>9,793,152</u>	<u>-</u>	<u>9,793,152</u>

**Ketchikan Gateway Borough, Alaska**  
*Nonmajor Governmental Funds*  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*For the Year Ended June 30, 2016*

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Debt Service Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 3,348,865	-	3,348,865
Intergovernmental	269,137	-	269,137
Charges for services	389,921	-	389,921
Water fees	286,472	-	286,472
Commercial passenger vessel tax	2,141,633	-	2,141,633
Interest subsidy	-	607,601	607,601
Investment earnings	1,230	-	1,230
Miscellaneous	402,360	-	402,360
<b>Total Revenues</b>	<u>6,839,618</u>	<u>607,601</u>	<u>7,447,219</u>
<b>Expenditures</b>			
<b>Current</b>			
Library services	390,575	-	390,575
Fire and EMS	1,171,095	-	1,171,095
Water treatment and distribution	226,452	-	226,452
Public services	1,729,106	-	1,729,106
<b>Capital Outlay</b>	192,480	-	192,480
<b>Debt Service</b>			
Principal retirement	-	3,625,000	3,625,000
Interest and fiscal charges	-	2,263,027	2,263,027
<b>Total Expenditures</b>	<u>3,709,708</u>	<u>5,888,027</u>	<u>9,597,735</u>
Less recovery of expenditures from other funds	<u>(1,800)</u>	<u>-</u>	<u>(1,800)</u>
<b>Net Expenditures</b>	<u>3,707,908</u>	<u>5,888,027</u>	<u>9,595,935</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	3,131,710	(5,280,426)	(2,148,716)
<b>Other Financing Sources (Uses)</b>			
Transfers in	3,235,755	5,275,102	8,510,857
Transfers out	(2,852,333)	-	(2,852,333)
<b>Total Other Financing Sources (Uses)</b>	<u>383,422</u>	<u>5,275,102</u>	<u>5,658,524</u>
<b>Net Change in Fund Balances</b>	3,515,132	(5,324)	3,509,808
<b>Fund Balances Beginning of Year</b>	<u>5,405,015</u>	<u>5,324</u>	<u>5,410,339</u>
<b>Fund Balances End of Year</b>	\$ <u>8,920,147</u>	<u>-</u>	<u>8,920,147</u>

**Ketchikan Gateway Borough, Alaska**  
*Nonmajor Special Revenue Funds*  
*Combining Balance Sheet*  
*June 30, 2016*

	<b>Airport PFC</b>	<b>Commercial Passenger Vessel</b>	<b>Forest Park Service Area</b>	<b>Gold Nugget Service Area</b>	<b>Homestead Service Area</b>	<b>Loring Service Area</b>	<b>Mud Bight Service Area</b>
<b>Assets</b>							
Cash and investments	\$ 251,017	541,735	168,040	83,140	80,411	59,960	63,434
Restricted cash and investments	-	1,468,092	-	-	-	-	-
Receivables:							
Accounts	75,208	-	-	259	-	-	1,631
Intergovernmental	-	-	146	-	-	24	-
Property taxes	-	-	257	-	-	-	-
Sales taxes	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 326,225</b>	<b>2,009,827</b>	<b>168,443</b>	<b>83,399</b>	<b>80,411</b>	<b>59,984</b>	<b>65,065</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	180,730	24,958	-	87	-	-
Due to component unit	-	-	-	-	-	-	-
Interfund advances payable	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	44,133	-
<b>Total Liabilities</b>	<b>-</b>	<b>180,730</b>	<b>24,958</b>	<b>-</b>	<b>87</b>	<b>44,133</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>							
Property tax revenues	-	-	257	-	-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>-</b>	<b>180,730</b>	<b>25,215</b>	<b>-</b>	<b>87</b>	<b>44,133</b>	<b>-</b>
<b>Fund Balances</b>							
Restricted	326,225	1,829,097	143,228	83,399	80,324	15,851	65,065
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 326,225</b>	<b>2,009,827</b>	<b>168,443</b>	<b>83,399</b>	<b>80,411</b>	<b>59,984</b>	<b>65,065</b>

**Ketchikan Gateway Borough, Alaska**  
*Nonmajor Special Revenue Funds*  
*Combining Balance Sheet, continued*

	<b>Nichols View Service Area</b>	<b>Non- areawide Library</b>	<b>North Tongass Fire and EMS</b>	<b>Recreation Sales Tax</b>	<b>Schools Reserve</b>	<b>South Tongass Service Area</b>	<b>Waterfall Service Area</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>Assets</b>								
Cash and investments	\$ 6,034	121,949	449,204	2,340,722	3,005,042	502,457	47,860	7,721,005
Restricted cash and investments	-	-	-	-	-	-	-	1,468,092
Receivables:								
Accounts	-	-	19,026	-	-	7,209	3,024	106,357
Intergovernmental	-	760	892	-	-	1,171	-	2,993
Property taxes	-	2,459	4,236	-	-	3,261	-	10,213
Sales taxes	-	-	-	484,492	-	-	-	484,492
<b>Total Assets</b>	<b>\$ 6,034</b>	<b>125,168</b>	<b>473,358</b>	<b>2,825,214</b>	<b>3,005,042</b>	<b>514,098</b>	<b>50,884</b>	<b>9,793,152</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ -	-	19,624	17,851	-	14,708	2,105	260,063
Due to component unit	-	-	-	-	280,157	-	-	280,157
Interfund advances payable	-	-	239,543	-	-	-	38,896	278,439
Unearned revenue	-	-	-	-	-	-	-	44,133
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>259,167</b>	<b>17,851</b>	<b>280,157</b>	<b>14,708</b>	<b>41,001</b>	<b>862,792</b>
<b>Deferred Inflows of Resources</b>								
Property tax revenues	-	2,459	4,236	-	-	3,261	-	10,213
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>-</b>	<b>2,459</b>	<b>263,403</b>	<b>17,851</b>	<b>280,157</b>	<b>17,969</b>	<b>41,001</b>	<b>873,005</b>
<b>Fund Balances</b>								
Restricted	6,034	122,709	209,955	2,807,363	2,724,885	496,129	9,883	8,920,147
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 6,034</b>	<b>125,168</b>	<b>473,358</b>	<b>2,825,214</b>	<b>3,005,042</b>	<b>514,098</b>	<b>50,884</b>	<b>9,793,152</b>

**Ketchikan Gateway Borough, Alaska**  
*Nonmajor Special Revenue Funds*  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)  
 For the Year Ended June 30, 2016

	<u>Airport PFC</u>	<u>Commercial Passenger Vessel</u>	<u>Forest Park Service Area</u>	<u>Gold Nugget Service Area</u>	<u>Homestead Service Area</u>	<u>Loring Service Area</u>	<u>Mud Bight Service Area</u>
<b>Revenues</b>							
Taxes	\$ -	-	63,953	-	-	2,431	-
Intergovernmental	-	3,771	-	-	-	-	-
Charges for services	-	-	-	23,571	31,601	-	13,726
Water fees	-	-	-	-	-	-	-
Commercial passenger vessel tax	-	2,141,633	-	-	-	-	-
Investment earnings	-	1,030	-	-	-	-	-
Miscellaneous	397,403	-	-	-	-	-	67
<b>Total Revenues</b>	<u>397,403</u>	<u>2,146,434</u>	<u>63,953</u>	<u>23,571</u>	<u>31,601</u>	<u>2,431</u>	<u>13,793</u>
<b>Expenditures</b>							
<b>Current</b>							
Library services	-	-	-	-	-	-	-
Fire and EMS	-	-	-	-	-	-	-
Water treatment and distribution	-	-	-	-	-	-	-
Public services	-	1,506,183	60,090	5,112	17,868	1,866	6,058
<b>Capital Outlay</b>	<u>-</u>	<u>21,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>1,527,927</u>	<u>60,090</u>	<u>5,112</u>	<u>17,868</u>	<u>1,866</u>	<u>6,058</u>
Less recovery of expenditures from other funds	-	-	-	-	-	-	-
<b>Net Expenditures</b>	<u>-</u>	<u>1,527,927</u>	<u>60,090</u>	<u>5,112</u>	<u>17,868</u>	<u>1,866</u>	<u>6,058</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	397,403	618,507	3,863	18,459	13,733	565	7,735
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	-	-	3,869	-	-
Transfers out	-	(1,035,254)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(1,035,254)</u>	<u>-</u>	<u>-</u>	<u>3,869</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances (Deficits)</b>	397,403	(416,747)	3,863	18,459	17,602	565	7,735
<b>Fund Balances (Deficits) Beginning of Year</b>	<u>(71,178)</u>	<u>2,245,844</u>	<u>139,365</u>	<u>64,940</u>	<u>62,722</u>	<u>15,286</u>	<u>57,330</u>
<b>Fund Balances End of Year</b>	<u>\$ 326,225</u>	<u>1,829,097</u>	<u>143,228</u>	<u>83,399</u>	<u>80,324</u>	<u>15,851</u>	<u>65,065</u>

**Ketchikan Gateway Borough, Alaska**  
*Nonmajor Special Revenue Funds*  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), continued

	Nichols View Service Area	Nonarewide Library	North Tongass Fire and EMS	Recreation Sales Tax	Schools Reserve	South Tongass Service Area	Waterfall Service Area	Total Nonmajor Special Revenue Funds
<b>Revenues</b>								
Taxes	\$ -	404,794	598,316	1,706,054	-	573,317	-	3,348,865
Intergovernmental	-	-	11,191	247,374	-	6,801	-	269,137
Charges for services	-	-	208,446	-	-	68,366	44,211	389,921
Water fees	-	-	-	-	-	286,472	-	286,472
Commercial passenger vessel tax	-	-	-	-	-	-	-	2,141,633
Investment earnings	-	-	-	-	200	-	-	1,230
Miscellaneous	-	552	1,328	-	-	2,852	158	402,360
<b>Total Revenues</b>	<u>-</u>	<u>405,346</u>	<u>819,281</u>	<u>1,953,428</u>	<u>200</u>	<u>937,808</u>	<u>44,369</u>	<u>6,839,618</u>
<b>Expenditures</b>								
<b>Current</b>								
Library services	-	390,575	-	-	-	-	-	390,575
Fire and EMS	-	-	631,262	-	-	539,833	-	1,171,095
Water treatment and distribution	-	-	-	-	-	226,452	-	226,452
Public services	500	-	-	120,038	-	-	11,391	1,729,106
<b>Capital Outlay</b>	<u>-</u>	<u>-</u>	<u>11,679</u>	<u>140,021</u>	<u>-</u>	<u>19,036</u>	<u>-</u>	<u>192,480</u>
<b>Total Expenditures</b>	<u>500</u>	<u>390,575</u>	<u>642,941</u>	<u>260,059</u>	<u>-</u>	<u>785,321</u>	<u>11,391</u>	<u>3,709,708</u>
Less recovery of expenditures from other funds	-	-	-	-	-	(1,800)	-	(1,800)
<b>Net Expenditures</b>	<u>500</u>	<u>390,575</u>	<u>642,941</u>	<u>260,059</u>	<u>-</u>	<u>783,521</u>	<u>11,391</u>	<u>3,707,908</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>								
	(500)	14,771	176,340	1,693,369	200	154,287	32,978	3,131,710
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	25,910	106,919	177,956	2,724,685	196,416	-	3,235,755
Transfers out	-	-	-	(1,817,079)	-	-	-	(2,852,333)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>25,910</u>	<u>106,919</u>	<u>(1,639,123)</u>	<u>2,724,685</u>	<u>196,416</u>	<u>-</u>	<u>383,422</u>
<b>Net Change in Fund Balances (Deficits)</b>	(500)	40,681	283,259	54,246	2,724,885	350,703	32,978	3,515,132
<b>Fund Balances (Deficits) Beginning of Year</b>	<u>6,534</u>	<u>82,028</u>	<u>(73,304)</u>	<u>2,753,117</u>	<u>-</u>	<u>145,426</u>	<u>(23,095)</u>	<u>5,405,015</u>
<b>Fund Balances End of Year</b>	<u>\$ 6,034</u>	<u>122,709</u>	<u>209,955</u>	<u>2,807,363</u>	<u>2,724,885</u>	<u>496,129</u>	<u>9,883</u>	<u>8,920,147</u>



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## **DEBT SERVICE FUNDS**

**Debt Service Funds** – These funds are used to account for transfers in from other funds and for principal and interest payments made on the Borough’s General Obligation Debt and Certificates of Participation Debt.

**Ketchikan Gateway Borough, Alaska**  
*Nonmajor Debt Service Funds*  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*For the Year Ended June 30, 2016*

	<b>2006A G.O. Bond Redemption Fund</b>	<b>2009-4 G.O. Bond Redemption Fund</b>	<b>2009-4 G.O. Bond Redemption Fund</b>	<b>2010A One Certificate of Participation Fund</b>
<b>Revenues</b>				
Intergovernmental - interest subsidy	\$ -	-	406,971	-
<b>Expenditures</b>				
<b>Debt Service</b>				
Principal retirement	130,000	575,000	-	145,000
Interest and fiscal charges	5,200	17,250	1,185,519	18,200
<b>Total Expenditures</b>	<u>135,200</u>	<u>592,250</u>	<u>1,185,519</u>	<u>163,200</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(135,200)	(592,250)	(778,548)	(163,200)
<b>Other Financing Sources (Uses)</b>				
Transfers in	135,200	592,250	778,548	163,200
<b>Net Change in Fund Balances</b>	-	-	-	-
<b>Fund Balances Beginning of Year</b>	-	-	-	-
<b>Fund Balances End of Year</b>	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Ketchikan Gateway Borough, Alaska**

*Nonmajor Debt Service Funds*

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

	<b>2010B One Certificate of Participation Fund</b>	<b>2010B 2 Four G.O. Bond Redemption Fund</b>	<b>2010 One G.O. Bond Redemption Fund</b>	<b>2011 III G.O. Bond Redemption Fund</b>
<b>Revenues</b>				
Intergovernmental - interest subsidy	\$ 150,869	49,761	-	-
<b>Expenditures</b>				
<b>Debt Service</b>				
Principal retirement	-	215,000	600,000	435,000
Interest and fiscal charges	240,244	118,976	129,800	186,250
<b>Total Expenditures</b>	<b>240,244</b>	<b>333,976</b>	<b>729,800</b>	<b>621,250</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(89,375)</b>	<b>(284,215)</b>	<b>(729,800)</b>	<b>(621,250)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	89,375	284,215	729,800	621,250
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances End of Year</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Ketchikan Gateway Borough, Alaska**

*Nonmajor Debt Service Funds*

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

	<b>2012 Two G.O. Bond Redemption Fund</b>	<b>2013 One G.O. Bond Redemption Fund</b>	<b>2015A One G.O. Bond Redemption Fund</b>	<b>Total Nonmajor Debt Service Funds</b>
<b>Revenues</b>				
Intergovernmental - interest subsidy	\$ -	-	-	607,601
<b>Expenditures</b>				
<b>Debt Service</b>				
Principal retirement	565,000	440,000	520,000	3,625,000
Interest and fiscal charges	124,150	168,150	69,288	2,263,027
<b>Total Expenditures</b>	689,150	608,150	589,288	5,888,027
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(689,150)	(608,150)	(589,288)	(5,280,426)
<b>Other Financing Sources (Uses)</b>				
Transfers in	689,150	608,150	583,964	5,275,102
<b>Net Change in Fund Balances</b>	-	-	(5,324)	(5,324)
<b>Fund Balances Beginning of Year</b>	-	-	5,324	5,324
<b>Fund Balances End of Year</b>	\$ -	-	-	-

# **GENERAL FUND and MAJOR SPECIAL REVENUE FUNDS**

**General Fund** – This fund accounts for all financial resources except those required to be accounted for in another fund. The general fund’s fund balance is available to the Borough for any purpose provided it is expended or transferred according to the general laws of the State of Alaska.

**Land Trust Fund** – This fund is used to account for revenues from land sales, loans to other Borough funds, and related expenditures.

**School Bond/Capital Improvements Fund** – This fund is used to account for the receipt of revenues received from the State of Alaska for the School Debt Reimbursement Program and the ½ - cent sales tax that was approved to fund school projects. These funds are used to pay for school bond debt, school building insurance, and school capital projects that would qualify for bonding.

**Economic Development Assistance Program Fund** – This fund is used to account for economic development assistance type expenditures as deemed appropriate by the Borough’s Code of Ordinances.

**State & Federal Grants Fund** – This fund is used to account for the expenditures and receipts of all State and Federal grant programs. State and Federal grant expenditures are governed by the requirements of the individual grant agreements.

**Ketchikan Gateway Borough, Alaska**  
*General Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 6,183,726	7,673,753
Receivables:		
Accounts	200,345	85,180
Intergovernmental	373,360	237,342
Property taxes	117,691	127,696
Sales taxes	5,029,636	5,026,978
Interfund	<u>682,037</u>	<u>1,532,852</u>
<b>Total Assets</b>	\$ <u>12,586,795</u>	<u>14,683,801</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 313,323	318,553
Accrued salaries and benefits	14,070	12,040
Unearned revenues	163,863	54,994
Intergovernmental payable	3,515,813	3,542,518
Due to component unit	-	250,739
Deposits payable	<u>66,591</u>	<u>79,727</u>
<b>Total Liabilities</b>	4,073,660	4,258,571
<b>Deferred Inflows of Resources</b>		
Property tax revenues	<u>117,691</u>	<u>123,705</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>4,191,351</u>	<u>4,382,276</u>
<b>Fund Balance</b>		
Unassigned	<u>8,395,444</u>	<u>10,301,525</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	\$ <u>12,586,795</u>	<u>14,683,801</u>



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**Ketchikan Gateway Borough, Alaska**  
*General Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	<b>2016</b>			<b>Variance</b>	<b>2015</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>On Final Budget</b>	<b>Actual</b>
<b>Revenues</b>					
Taxes:					
Real and personal property	\$ 6,738,896	6,738,896	6,761,263	22,367	6,774,612
Automobile and boat	50,000	50,000	65,214	15,214	59,301
Sales	5,415,240	5,415,240	5,155,781	(259,459)	5,145,747
Penalties and interest	30,000	30,000	74,167	44,167	17,814
Total taxes	<u>12,234,136</u>	<u>12,234,136</u>	<u>12,056,425</u>	<u>(177,711)</u>	<u>11,997,474</u>
Licenses and permits					
Zoning fees	-	-	366	366	275
Intergovernmental:					
State fisheries tax	771,000	771,000	249,593	(521,407)	804,961
State revenue sharing	595,633	595,633	598,123	2,490	629,205
PERS relief	176,938	176,938	206,142	29,204	1,608,073
State and local PILT	30,000	30,000	30,165	165	35,324
Federal payment in lieu of taxes	-	-	1,202,357	1,202,357	1,017,188
State operating grant - transit system	1,000,000	1,000,000	1,081,658	81,658	1,077,115
National forest receipts	1,707,593	1,707,593	993,052	(714,541)	1,059,382
Total intergovernmental	<u>4,281,164</u>	<u>4,281,164</u>	<u>4,361,090</u>	<u>79,926</u>	<u>6,231,248</u>
Charges for services:					
Animal control	43,200	43,200	40,047	(3,153)	38,033
Bus system revenue	250,000	250,000	189,230	(60,770)	200,588
Parks and recreation	775,000	775,000	725,988	(49,012)	775,960
Other revenues	914,414	914,414	969,917	55,503	943,775
Total charges for services	<u>1,982,614</u>	<u>1,982,614</u>	<u>1,925,182</u>	<u>(57,432)</u>	<u>1,958,356</u>
Investment earnings	5,000	5,000	1,008	(3,992)	6,156
<b>Total Revenues</b>	<u>18,502,914</u>	<u>18,502,914</u>	<u>18,344,071</u>	<u>(158,843)</u>	<u>20,193,509</u>
<b>Other Financing Sources</b>					
Transfers In:					
Commercial Passenger Vessel Fund	455,499	455,499	455,499	-	626,272
Economic Development Assistance					
Program Fund	144,650	144,650	144,650	-	120,000
Land Trust Fund	221,069	221,069	221,069	-	221,069
Recreation Sales Tax Fund	446,280	446,280	446,280	-	450,688
School Bond Capital Improvements Fund	85,000	85,000	-	(85,000)	82,600
Total Other Financing Sources	<u>1,352,498</u>	<u>1,352,498</u>	<u>1,267,498</u>	<u>(85,000)</u>	<u>1,500,629</u>
<b>Total Revenues and Other Financing Sources</b>	<u>\$ 19,855,412</u>	<u>19,855,412</u>	<u>19,611,569</u>	<u>(243,843)</u>	<u>21,694,138</u>

**Ketchikan Gateway Borough, Alaska**  
*General Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual, continued*

	<b>2016</b>			<b>2015</b>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance On Final Budget</u>	<u>Actual</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government:					
Mayor and assembly	\$ 174,214	174,214	134,181	40,033	147,182
Manager	871,619	877,159	843,805	33,354	1,015,392
Clerk	443,105	441,021	445,954	(4,933)	404,960
Law	407,007	405,632	390,852	14,780	460,567
Finance	1,280,358	1,267,832	1,289,232	(21,400)	1,608,231
Assessment	706,839	700,109	672,847	27,262	790,599
Automation	436,985	466,701	435,581	31,120	440,128
Total general government	<u>4,320,127</u>	<u>4,332,668</u>	<u>4,212,452</u>	<u>120,216</u>	<u>4,867,059</u>
Less recovery of expenditures from other funds	<u>(1,047,698)</u>	<u>(1,047,698)</u>	<u>(986,410)</u>	<u>(61,288)</u>	<u>(843,108)</u>
Net general government	<u>3,272,429</u>	<u>3,284,970</u>	<u>3,226,042</u>	<u>58,928</u>	<u>4,023,951</u>
Public services:					
Animal protection	522,731	518,757	470,323	48,434	547,685
Planning	605,524	599,746	558,972	40,774	661,369
Total public services	<u>1,128,255</u>	<u>1,118,503</u>	<u>1,029,295</u>	<u>89,208</u>	<u>1,209,054</u>
Parks and recreation	<u>2,431,881</u>	<u>2,428,002</u>	<u>2,242,488</u>	<u>185,514</u>	<u>2,325,059</u>
Public works	<u>1,195,242</u>	<u>1,194,392</u>	<u>1,076,951</u>	<u>117,441</u>	<u>1,093,458</u>
Transit - bus system	<u>2,049,687</u>	<u>2,054,207</u>	<u>2,012,331</u>	<u>41,876</u>	<u>2,173,103</u>
Nondepartmental	<u>262,911</u>	<u>262,911</u>	<u>266,125</u>	<u>(3,214)</u>	<u>272,048</u>
Education	<u>8,495,767</u>	<u>8,535,767</u>	<u>8,529,765</u>	<u>6,002</u>	<u>7,899,000</u>
<b>Capital Outlay</b>	<u>267,414</u>	<u>267,414</u>	<u>93,979</u>	<u>173,435</u>	<u>126,162</u>
<b>Total Expenditures</b>	<u>19,103,586</u>	<u>19,146,166</u>	<u>18,476,976</u>	<u>669,190</u>	<u>19,121,835</u>
<b>Other Financing Uses</b>					
Transfers Out:					
Airport Fund	5,500	5,500	5,500	-	5,500
Homestead Service Area Fund	3,869	3,869	3,869	-	4,346
Fire and EMS	63,061	63,061	58,494	4,567	51,600
School Bond CIP	-	-	248,126	(248,126)	-
Schools Reserve Fund	-	-	2,724,685	(2,724,685)	-
<b>Total Other Financing Uses</b>	<u>72,430</u>	<u>72,430</u>	<u>3,040,674</u>	<u>(2,968,244)</u>	<u>61,446</u>
<b>Total Expenditures and Other Financing Uses</b>	<u>19,176,016</u>	<u>19,218,596</u>	<u>21,517,650</u>	<u>(2,299,054)</u>	<u>19,183,281</u>
<b>Net Change in Fund Balance</b>	<u>\$ 679,396</u>	<u>636,816</u>	<u>(1,906,081)</u>	<u>(2,542,897)</u>	<u>2,510,857</u>
<b>Fund Balance Beginning of Year</b>			<u>10,301,525</u>		<u>7,790,668</u>
<b>Fund Balance End of Year</b>			<u>\$ 8,395,444</u>		<u>10,301,525</u>

**Ketchikan Gateway Borough, Alaska**  
*Land Trust Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments:		
Unrestricted	\$ 3,239,170	2,573,556
Restricted	408,716	407,652
Receivables:		
Accounts	3,855	2,905
Interfund advances	<u>668,094</u>	<u>917,303</u>
<b>Total Assets</b>	<u>\$ 4,319,835</u>	<u>3,901,416</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 15,324	18,358
Deposits	<u>25,908</u>	<u>11,841</u>
<b>Total Liabilities</b>	<u>41,232</u>	<u>30,199</u>
<b>Fund Balance</b>		
<b>Committed:</b>		
Noncurrent portion of advances	479,397	769,596
Borough-owned land management	<u>3,799,206</u>	<u>3,101,621</u>
<b>Total Fund Balance</b>	<u>4,278,603</u>	<u>3,871,217</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 4,319,835</u>	<u>3,901,416</u>

**Ketchikan Gateway Borough, Alaska**  
*Land Trust Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	<b>2016</b>			<b>2015</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance On Final Budget</b>	<b>Actual</b>
<b>Revenues</b>					
Charges for services	\$ 496,946	496,946	492,252	(4,694)	486,217
Intergovernmental	1,184	1,184	1,363	179	10,264
Investment earnings	33,391	33,391	32,875	(516)	40,496
Proceeds from sale of property	100,000	100,000	571,512	471,512	87,322
Miscellaneous	-	-	30,557	30,557	1,140
<b>Total Revenues</b>	631,521	631,521	1,128,559	497,038	625,439
<b>Expenditures</b>					
<b>Current</b>					
Public services	734,964	734,504	247,530	486,974	324,329
<b>Capital Outlay</b>	150,000	150,000	-	150,000	-
<b>Total Expenditures</b>	884,964	884,504	247,530	636,974	324,329
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(253,443)	(252,983)	881,029	1,134,012	301,110
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	1,007,767
Transfers out	(575,603)	(515,603)	(473,643)	41,960	(573,604)
<b>Total Other Financing Sources (Uses)</b>	(575,603)	(515,603)	(473,643)	41,960	434,163
<b>Net Change in Fund Balance</b>	\$ <u>(829,046)</u>	<u>(768,586)</u>	407,386	<u>1,175,972</u>	735,273
<b>Fund Balance Beginning of Year</b>			3,871,217		3,135,944
<b>Fund Balance End of Year</b>		\$	4,278,603		3,871,217

**Ketchikan Gateway Borough, Alaska**  
*School Bond Capital Improvements Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 4,630,652	4,131,939
Receivables:		
Intergovernmental	27,777	27,651
Sales taxes	<u>484,491</u>	<u>488,803</u>
<b>Total Assets</b>	<b>\$ <u>5,142,920</u></b>	<b><u>4,648,393</u></b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	14,314
<b>Fund Balance</b>		
Committed for education	<u>5,142,920</u>	<u>4,634,079</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>5,142,920</u></b>	<b><u>4,648,393</u></b>

**Ketchikan Gateway Borough, Alaska**  
*School Bond Capital Improvements Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	2016			2015	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
<b>Revenues</b>					
Taxes	\$ 1,785,120	1,785,120	1,699,105	(86,015)	1,698,074
Intergovernmental	2,558,553	2,558,553	2,530,287	(28,266)	2,517,988
Penalties and interest	-	-	6,949	6,949	5,948
<b>Total Revenues</b>	4,343,673	4,343,673	4,236,341	(107,332)	4,222,010
<b>Expenditures</b>					
<b>Current</b>					
Education	-	-	160,680	(160,680)	41,282
<b>Capital Outlay</b>	150,000	300,000	-	300,000	21,255
<b>Total Expenditures</b>	150,000	300,000	160,680	139,320	62,537
<b>Excess of Revenues Over Expenditures</b>	4,193,673	4,043,673	4,075,661	31,988	4,159,473
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	248,126	248,126	84,507
Transfers out	(3,903,293)	(3,903,293)	(3,814,946)	88,347	(4,041,709)
<b>Total Other Financing Sources (Uses)</b>	(3,903,293)	(3,903,293)	(3,566,820)	336,473	(3,957,202)
<b>Net Change in Fund Balance</b>	\$ <u>290,380</u>	<u>140,380</u>	508,841	<u>368,461</u>	202,271
<b>Fund Balance Beginning of Year</b>			4,634,079		4,431,808
<b>Fund Balance End of Year</b>			\$ <u>5,142,920</u>		4,634,079

**Ketchikan Gateway Borough, Alaska**  
*Economic Development Assistance Program Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 1,639,794	2,177,437
Receivables:		
Accounts	-	21,599
Note	-	171,000
Interfund	-	491,528
<b>Total Assets</b>	\$ <u>1,639,794</u>	<u>2,861,564</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 54,222	137,894
<b>Fund Balance</b>		
Committed for noncurrent portion of notes and advances	-	662,528
Assigned for economic development	<u>1,585,572</u>	<u>2,061,142</u>
<b>Total Fund Balance</b>	<u>1,585,572</u>	<u>2,723,670</u>
<b>Total Liabilities and Fund Balance</b>	\$ <u>1,639,794</u>	<u>2,861,564</u>

**Ketchikan Gateway Borough, Alaska**  
*Economic Development Assistance Program Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	2016			2015	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
<b>Revenues</b>					
Intergovernmental	\$ 2,362	2,362	2,736	374	10,890
Charges for services	-	-	-	-	1,000
Miscellaneous revenue	-	-	456	456	-
<b>Total Revenues</b>	<u>2,362</u>	<u>2,362</u>	<u>3,192</u>	<u>830</u>	<u>11,890</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	<u>677,207</u>	<u>716,274</u>	<u>996,640</u>	<u>(280,366)</u>	<u>3,593,569</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(674,845)	(713,912)	(993,448)	(279,536)	(3,581,679)
<b>Other Financing Uses</b>					
Transfers out	<u>(144,650)</u>	<u>(144,650)</u>	<u>(144,650)</u>	<u>-</u>	<u>(120,000)</u>
<b>Net Change in Fund Balance</b>	\$ <u>(819,495)</u>	<u>(858,562)</u>	(1,138,098)	<u>(279,536)</u>	(3,701,679)
<b>Fund Balance Beginning of Year</b>			<u>2,723,670</u>		<u>6,425,349</u>
<b>Fund Balance End of Year</b>		\$	<u>1,585,572</u>		<u>2,723,670</u>

**Ketchikan Gateway Borough, Alaska**  
*State & Federal Grants Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Prepaid items	\$ -	60,783
Intergovernmental receivable	<u>807,415</u>	<u>1,118,578</u>
<b>Total Assets</b>	<u>\$ 807,415</u>	<u>1,179,361</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 417,543	123,257
Interfund payable	<u>389,872</u>	<u>1,056,104</u>
<b>Total Liabilities</b>	<u>807,415</u>	<u>1,179,361</u>
<b>Fund Balance</b>		
Nonspendable	-	60,783
Unassigned (deficit)	<u>-</u>	<u>(60,783)</u>
<b>Total Fund Balance</b>	<u>-</u>	<u>-</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 807,415</u>	<u>1,179,361</u>

**Ketchikan Gateway Borough, Alaska**  
*State and Federal Grants Special Revenue Fund*  
*Statement of Revenues, Expenditures and*  
*Changes in Fund Balance*  
*For the Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Intergovernmental	\$ 598,138	2,263,264
<b>Expenditures</b>		
<b>Current</b>		
Public services	415,821	586,294
<b>Capital Outlay</b>	<u>182,317</u>	<u>669,204</u>
<b>Total Expenditures</b>	<u>598,138</u>	<u>1,255,498</u>
<b>Excess of Revenues Over Expenditures</b>	-	1,007,766
<b>Other Financing Uses</b>		
Transfers out	<u>-</u>	<u>(1,007,766)</u>
<b>Net Change in Fund Balance</b>	-	-
<b>Fund Balance Beginning of Year</b>	<u>-</u>	<u>-</u>
<b>Fund Balance End of Year</b>	\$ <u>-</u>	<u>-</u>

## NONMAJOR SPECIAL REVENUE FUNDS

**Airport Passenger Facilities Charges (PFC)** – This fund is used to account for PFC revenues received from varying airlines. These funds are used to pay for the principal and interest payments of the Airport revenue bonds.

**Commercial Passenger Vessel Fund (CPV)** – This fund is used to account for CPV revenues received from the State of Alaska. These funds will be used to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to enhance the safety and efficiency of interstate and foreign commerce.

**Forest Park Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Gold Nugget Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Homestead Service Area Fund** – This fund is used to account for revenues assessed on property owners to pay for road maintenance within the Homestead Service Area.

**Loring Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Mud Bight Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Nichols View Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Non-Areawide Library Fund** – This fund is used to account for the collection of property and motor vehicle taxes, which are used to pay the allocated cost for the City of Ketchikan Library operations.

**North Tongass Fire & EMS Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Recreation Sales Tax Fund** – This fund is used to account for the receipt of twenty percent (20%) of all Borough sales tax revenues. These revenues may only be expended for bonafide recreation costs in the following proportion: eighty percent (80%) for recreation capital improvement projects, and twenty percent (20%) for maintenance and operation costs of Borough recreation facilities.

**Schools Reserve Fund** – This fund will begin to be used in fiscal year 2017 and will be used to account for the receipt of property taxes, Secure Rural Schools revenues, and any future tobacco tax proceeds, if ratified by the voters, and to process payments for education local support.

**South Tongass Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Waterfall Service Area Fund** – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

**Ketchikan Gateway Borough, Alaska**  
*Airport PFC Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 251,017	-
Accounts receivable	<u>75,208</u>	<u>43,496</u>
<b>Total Assets</b>	\$ <u>326,225</u>	<u>43,496</u>
<b>Liabilities</b>		
Interfund advances payable	\$ <u>-</u>	<u>114,674</u>
<b>Fund Balance</b>		
Restricted for airport projects	326,225	-
Unassigned (deficit)	<u>-</u>	<u>(71,178)</u>
<b>Total Fund Balance</b>	<u>326,225</u>	<u>(71,178)</u>
<b>Total Liabilities and Fund Balance</b>	\$ <u>326,225</u>	<u>43,496</u>

**Ketchikan Gateway Borough, Alaska**  
*Airport PFC Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance (Deficit) - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	<b>2016</b>			<b>2015</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance On Final Budget</b>	<b>Actual</b>
<b>Revenues</b>					
PFC revenues	\$ <u>330,500</u>	<u>330,500</u>	<u>397,403</u>	<u>66,903</u>	<u>386,246</u>
<b>Net Change in Fund Balance</b>	\$ <u>330,500</u>	<u>330,500</u>	397,403	<u>66,903</u>	386,246
<b>Deficit Beginning of Year</b>			<u>(71,178)</u>		<u>(457,424)</u>
<b>Fund Balance (Deficit)</b>					
<b>End of Year</b>			\$ <u>326,225</u>		<u>(71,178)</u>

**Ketchikan Gateway Borough, Alaska**  
*Commercial Passenger Vessel Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 541,735	540,705
Restricted cash and investments	<u>1,468,092</u>	<u>1,706,436</u>
<b>Total Assets</b>	<u>\$ 2,009,827</u>	<u>2,247,141</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>180,730</u>	<u>1,297</u>
<b>Fund Balance</b>		
Restricted for commercial passenger vessel impact	<u>1,829,097</u>	<u>2,245,844</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 2,009,827</u>	<u>2,247,141</u>

**Ketchikan Gateway Borough, Alaska**  
*Commercial Passenger Vessel Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	<b>2016</b>			<b>2015</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance On Final Budget</b>	<b>Actual</b>
<b>Revenues</b>					
Intergovernmental	\$ 3,435	3,435	3,771	336	-
Commercial passenger vessel tax	2,000,000	2,000,000	2,141,633	141,633	2,032,375
Investment earnings	1,000	1,000	1,030	30	931
Miscellaneous	-	-	-	-	12,448
<b>Total Revenues</b>	<u>2,004,435</u>	<u>2,004,435</u>	<u>2,146,434</u>	<u>141,999</u>	<u>2,045,754</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	1,565,578	1,621,196	1,506,183	115,013	2,318,371
<b>Capital Outlay</b>	<u>24,000</u>	<u>24,000</u>	<u>21,744</u>	<u>2,256</u>	<u>93,625</u>
<b>Total Expenditures</b>	<u>1,589,578</u>	<u>1,645,196</u>	<u>1,527,927</u>	<u>117,269</u>	<u>2,411,996</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	414,857	359,239	618,507	259,268	(366,242)
<b>Other Financing Uses</b>					
Transfers out	<u>(1,035,254)</u>	<u>(1,035,254)</u>	<u>(1,035,254)</u>	-	<u>(1,287,232)</u>
<b>Net Change in Fund Balance</b>	\$ <u>(620,397)</u>	<u>(676,015)</u>	(416,747)	<u>259,268</u>	(1,653,474)
<b>Fund Balance Beginning of Year</b>			<u>2,245,844</u>		<u>3,899,318</u>
<b>Fund Balance End of Year</b>			\$ <u>1,829,097</u>		<u>2,245,844</u>

**Ketchikan Gateway Borough, Alaska**  
*Forest Park Service Area Special Revenue Fund*  
**Comparative Balance Sheet**  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 168,040	145,335
Receivables:		
Intergovernmental	146	108
Property taxes	<u>257</u>	<u>-</u>
<b>Total Assets</b>	\$ <u>168,443</u>	<u>145,443</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>24,958</u>	<u>6,078</u>
<b>Deferred Inflows of Resources</b>		
Property tax revenue	<u>257</u>	<u>-</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>25,215</u>	<u>6,078</u>
<b>Fund Balance</b>		
Restricted for road maintenance	<u>143,228</u>	<u>139,365</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	\$ <u>168,443</u>	<u>145,443</u>

**Ketchikan Gateway Borough, Alaska**  
*Forest Park Service Area Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	2016			2015	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
<b>Revenues</b>					
Taxes	\$ <u>64,103</u>	<u>64,103</u>	<u>63,953</u>	<u>(150)</u>	<u>59,567</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	<u>92,797</u>	<u>92,797</u>	<u>60,090</u>	<u>32,707</u>	<u>49,843</u>
<b>Net Change in Fund Balance</b>	\$ <u>(28,694)</u>	<u>(28,694)</u>	3,863	<u>32,557</u>	9,724
<b>Fund Balance Beginning of Year</b>			<u>139,365</u>		<u>129,641</u>
<b>Fund Balance End of Year</b>			\$ <u>143,228</u>		<u>139,365</u>

**Ketchikan Gateway Borough, Alaska**  
*Gold Nugget Service Area Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

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	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 83,140	64,499
Accounts receivable	<u>259</u>	<u>441</u>
<b>Total Assets</b>	<u>\$ 83,399</u>	<u>64,940</u>
<b>Fund Balance</b>		
Restricted for road maintenance	<u>\$ 83,399</u>	<u>64,940</u>

**Ketchikan Gateway Borough, Alaska**  
*Gold Nugget Service Area Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	2016			2015	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
<b>Revenues</b>					
Charges for services	\$ 23,520	23,520	23,571	51	23,596
<b>Expenditures</b>					
<b>Current</b>					
Public services	33,920	33,920	5,112	28,808	5,235
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(10,400)	(10,400)	18,459	28,859	18,361
<b>Other Financing Uses</b>					
Transfers out	-	-	-	-	(2,517)
<b>Net Change in Fund Balance</b>	\$ (10,400)	(10,400)	18,459	28,859	15,844
<b>Fund Balance Beginning of Year</b>			64,940		49,096
<b>Fund Balance End of Year</b>			\$ 83,399		64,940



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**Ketchikan Gateway Borough, Alaska**  
*Gold Nugget Special Assessment Area Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	2016			2015	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
<b>Other Financing Sources</b>					
Transfers in	\$ -	-	-	-	2,517
<b>Net Change in Fund Balance</b>	\$ -	-	-	-	2,517
<b>Fund Balance (Deficit) Beginning of Year</b>			-		(2,517)
<b>Fund Balance (Deficit) End of Year</b>		\$ -	-		-

**Ketchikan Gateway Borough, Alaska**  
*Homestead Service Area Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash and investments	\$ 80,411	62,805
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 87	83
<b>Fund Balance</b>		
Restricted for road maintenance	80,324	62,722
<b>Total Liabilities and Fund Balance</b>	<b>\$ 80,411</b>	<b>62,805</b>

**Ketchikan Gateway Borough, Alaska**  
*Homestead Service Area Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	<b>2016</b>			<b>2015</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance On Final Budget</b>	<b>Actual</b>
<b>Revenues</b>					
Charges for services	\$ <u>32,775</u>	<u>32,775</u>	<u>31,601</u>	<u>(1,174)</u>	<u>31,545</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	<u>43,449</u>	<u>43,449</u>	<u>17,868</u>	<u>25,581</u>	<u>14,598</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(10,674)	(10,674)	13,733	24,407	16,947
<b>Other Financing Sources</b>					
Transfers in	<u>3,869</u>	<u>3,869</u>	<u>3,869</u>	<u>-</u>	<u>4,346</u>
<b>Net Change in Fund Balance</b>	\$ <u><u>(6,805)</u></u>	<u><u>(6,805)</u></u>	17,602	<u><u>24,407</u></u>	21,293
<b>Fund Balance Beginning of Year</b>			<u>62,722</u>		<u>41,429</u>
<b>Fund Balance End of Year</b>			\$ <u><u>80,324</u></u>		<u><u>62,722</u></u>

**Ketchikan Gateway Borough, Alaska**  
*Loring Service Area Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 59,960	59,398
Intergovernmental receivable	<u>24</u>	<u>21</u>
<b>Total Assets</b>	\$ <u>59,984</u>	<u>59,419</u>
<b>Liabilities</b>		
Unearned revenue	\$ <u>44,133</u>	<u>44,133</u>
<b>Fund Balance</b>		
Restricted for dock improvements	<u>15,851</u>	<u>15,286</u>
<b>Total Liabilities and Fund Balance</b>	\$ <u>59,984</u>	<u>59,419</u>

**Ketchikan Gateway Borough, Alaska**  
*Loring Service Area Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	<b>2016</b>			<b>2015</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance On Final Budget</b>	<b>Actual</b>
<b>Revenues</b>					
Taxes	\$ 2,800	2,800	2,431	(369)	2,182
Intergovernmental	<u>44,133</u>	<u>44,133</u>	<u>-</u>	<u>(44,133)</u>	<u>18,245</u>
<b>Total Revenues</b>	<u>46,933</u>	<u>46,933</u>	<u>2,431</u>	<u>(44,502)</u>	<u>20,427</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	<u>48,006</u>	<u>48,006</u>	<u>1,866</u>	<u>46,140</u>	<u>19,900</u>
<b>Net Change in Fund Balance</b>	\$ <u>(1,073)</u>	<u>(1,073)</u>	565	<u>1,638</u>	527
<b>Fund Balance Beginning of Year</b>			<u>15,286</u>		<u>14,759</u>
<b>Fund Balance End of Year</b>			\$ <u>15,851</u>		<u>15,286</u>

**Ketchikan Gateway Borough, Alaska**  
*Mud Bight Service Area Special Revenue Fund*  
**Comparative Balance Sheet**  
*June 30, 2016 and 2015*

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash and investments	\$ 63,434	57,292
Accounts receivable	1,631	38
<b>Total Assets</b>	\$ 65,065	57,330
<b>Fund Balance</b>		
Restricted for road maintenance	\$ 65,065	57,330

**Ketchikan Gateway Borough, Alaska**  
*Mud Bight Service Area Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	2016			2015	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
<b>Revenues</b>					
Charges for services	\$ 12,720	12,720	13,726	1,006	8,436
Miscellaneous	-	-	67	67	-
<b>Total Revenues</b>	12,720	12,720	13,793	1,073	8,436
<b>Expenditures</b>					
<b>Current</b>					
Public services	19,186	19,186	6,058	13,128	4,485
<b>Net Change in Fund Balance</b>	\$ <u>(6,466)</u>	<u>(6,466)</u>	7,735	<u>14,201</u>	3,951
<b>Fund Balance Beginning of Year</b>			57,330		53,379
<b>Fund Balance End of Year</b>		\$	65,065		57,330

**Ketchikan Gateway Borough, Alaska**  
*Nichols View Service Area Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

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	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ <u>6,034</u>	<u>6,534</u>
<b>Fund Balance</b>		
Restricted for road maintenance	\$ <u>6,034</u>	<u>6,534</u>

**Ketchikan Gateway Borough, Alaska**  
*Nichols View Service Area Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	2016			2015	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
<b>Expenditures</b>					
<b>Current</b>					
Public services	\$ 500	500	500	-	500
<b>Net Change in Fund Balance</b>	\$ <u>(500)</u>	<u>(500)</u>	(500)	<u>-</u>	(500)
<b>Fund Balance Beginning of Year</b>			<u>6,534</u>		<u>7,034</u>
<b>Fund Balance End of Year</b>		\$ <u>6,034</u>			<u>6,534</u>

**Ketchikan Gateway Borough, Alaska**  
*Nonareawide Library Special Revenue Fund*  
**Comparative Balance Sheet**  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 121,949	81,354
Receivables:		
Intergovernmental	760	674
Property taxes	<u>2,459</u>	<u>1,331</u>
<b>Total Assets</b>	\$ <u>125,168</u>	<u>83,359</u>
 <b>Deferred Inflows of Resources and Fund Balance</b>		
 <b>Deferred Inflows of Resources</b>		
Property tax revenue	\$ <u>2,459</u>	<u>1,331</u>
 <b>Fund Balance</b>		
Restricted for library operations	<u>122,709</u>	<u>82,028</u>
<b>Total Deferred Inflows of Resources and Fund Balance</b>	\$ <u>125,168</u>	<u>83,359</u>

**Ketchikan Gateway Borough, Alaska**  
*Nonareawide Library Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	<b>2016</b>			<b>2015</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance On Final Budget</b>	<b>Actual</b>
<b>Revenues</b>					
Taxes	\$ 402,664	402,664	404,794	2,130	406,480
Miscellaneous	-	-	552	552	-
<b>Total Revenues</b>	<u>402,664</u>	<u>402,664</u>	<u>405,346</u>	<u>2,682</u>	<u>406,480</u>
<b>Expenditures</b>					
<b>Current</b>					
Library services	<u>390,575</u>	<u>390,575</u>	<u>390,575</u>	-	<u>405,199</u>
<b>Excess of Revenues Over Expenditures</b>	12,089	12,089	14,771	2,682	1,281
<b>Other Financing Sources</b>					
Transfers in	<u>25,910</u>	<u>25,910</u>	<u>25,910</u>	-	<u>17,000</u>
<b>Net Change in Fund Balance</b>	\$ <u>37,999</u>	<u>37,999</u>	40,681	<u>2,682</u>	18,281
<b>Fund Balance Beginning of Year</b>			<u>82,028</u>		<u>63,747</u>
<b>Fund Balance End of Year</b>			\$ <u>122,709</u>		<u>82,028</u>

**Ketchikan Gateway Borough, Alaska**  
*North Tongass Fire and EMS Service Area Special Revenue Fund*  
**Comparative Balance Sheet**  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 449,204	297,134
Prepaid items	-	77,641
Receivables:		
Accounts	19,026	40
Intergovernmental	892	916
Property taxes	<u>4,236</u>	<u>3,710</u>
<b>Total Assets</b>	<u>\$ 473,358</u>	<u>379,441</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 19,624	47,282
Interfund advances payable	<u>239,543</u>	<u>403,294</u>
<b>Total Liabilities</b>	259,167	450,576
<b>Deferred Inflows of Resources</b>		
Property tax revenue	<u>4,236</u>	<u>2,169</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>263,403</u>	<u>452,745</u>
<b>Fund Balance</b>		
Restricted for public safety	209,955	-
Nonspendable	-	77,641
Unassigned (deficit)	<u>-</u>	<u>(150,945)</u>
<b>Total Fund Balance (Deficit)</b>	<u>209,955</u>	<u>(73,304)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 473,358</u>	<u>379,441</u>

**Ketchikan Gateway Borough, Alaska**  
*North Tongass Fire and EMS Service Area Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	<b>2016</b>			<b>2015</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance On Final Budget</b>	<b>Actual</b>
<b>Revenues</b>					
Taxes	\$ 769,689	769,689	598,316	(171,373)	597,426
Intergovernmental	9,511	9,511	11,191	1,680	87,456
Service area fees	-	-	131,950	131,950	114,278
Investment (loss)	-	-	-	-	(9)
EMS revenues	63,000	63,000	76,496	13,496	60,596
Miscellaneous	-	-	1,328	1,328	223
<b>Total Revenues</b>	<u>842,200</u>	<u>842,200</u>	<u>819,281</u>	<u>(22,919)</u>	<u>859,970</u>
<b>Expenditures</b>					
<b>Current</b>					
Fire and EMS	800,341	796,379	631,262	165,117	732,864
<b>Capital Outlay</b>	<u>96,055</u>	<u>96,055</u>	<u>11,679</u>	<u>84,376</u>	<u>50,700</u>
<b>Total Expenditures</b>	<u>896,396</u>	<u>892,434</u>	<u>642,941</u>	<u>249,493</u>	<u>783,564</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(54,196)	(50,234)	176,340	226,574	76,406
<b>Other Financing Sources</b>					
Transfers in	<u>111,486</u>	<u>111,486</u>	<u>106,919</u>	<u>(4,567)</u>	<u>71,214</u>
<b>Net Change in Fund Balance</b>	\$ <u>57,290</u>	<u>61,252</u>	283,259	<u>222,007</u>	147,620
<b>Fund Balance (Deficit) Beginning of Year</b>			<u>(73,304)</u>		<u>(220,924)</u>
<b>Fund Balance (Deficit) End of Year</b>			\$ <u>209,955</u>		<u>(73,304)</u>

**Ketchikan Gateway Borough, Alaska**  
*Recreation Sales Tax Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash and investments	\$ 2,340,722	2,290,499
Sales tax receivable	<u>484,492</u>	<u>488,803</u>
<b>Total Assets</b>	<b>\$ <u>2,825,214</u></b>	<b><u>2,779,302</u></b>
 <b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>17,851</u>	<u>26,185</u>
 <b>Fund Balance</b>		
Restricted for recreation	<u>2,807,363</u>	<u>2,753,117</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>2,825,214</u></b>	<b><u>2,779,302</u></b>

**Ketchikan Gateway Borough, Alaska**  
*Recreation Sales Tax Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	2016			2015	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
<b>Revenues</b>					
Taxes	\$ 1,789,120	1,789,120	1,706,054	(83,066)	1,698,074
Intergovernmental	238,768	238,768	247,374	8,606	246,992
Penalties and interest	-	-	-	-	5,948
Investment earnings	500	500	-	(500)	-
<b>Total Revenues</b>	<u>2,028,388</u>	<u>2,028,388</u>	<u>1,953,428</u>	<u>(74,960)</u>	<u>1,951,014</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	397,699	397,699	120,038	277,661	97,777
<b>Capital Outlay</b>	<u>337,250</u>	<u>451,401</u>	<u>140,021</u>	<u>311,380</u>	<u>179,240</u>
<b>Total Expenditures</b>	<u>734,949</u>	<u>849,100</u>	<u>260,059</u>	<u>589,041</u>	<u>277,017</u>
<b>Excess of Revenues Over Expenditures</b>	1,293,439	1,179,288	1,693,369	514,081	1,673,997
<b>Other Financing Sources (Uses)</b>					
Transfers in	177,956	177,956	177,956	-	177,558
Transfers out	<u>(1,786,211)</u>	<u>(1,786,211)</u>	<u>(1,817,079)</u>	<u>(30,868)</u>	<u>(1,869,510)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(1,608,255)</u>	<u>(1,608,255)</u>	<u>(1,639,123)</u>	<u>(30,868)</u>	<u>(1,691,952)</u>
<b>Net Change in Fund Balance</b>	\$ <u>(314,816)</u>	<u>(428,967)</u>	54,246	<u>483,213</u>	(17,955)
<b>Fund Balance Beginning of Year</b>			<u>2,753,117</u>		<u>2,771,072</u>
<b>Fund Balance End of Year</b>			\$ <u>2,807,363</u>		<u>2,753,117</u>

**Ketchikan Gateway Borough, Alaska**  
*Schools Reserve Special Revenue Fund*  
*Balance Sheet*  
*June 30, 2016*

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	<u>2016</u>
<b>Assets</b>	
Cash and investments	\$ <u>3,005,042</u>
<b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
Due to Component Unit	\$ <u>280,157</u>
<b>Fund Balance</b>	
Restricted for education	<u>2,724,885</u>
<b>Total Liabilities and Fund Balance</b>	\$ <u>3,005,042</u>

**Ketchikan Gateway Borough, Alaska**  
*Schools Reserve Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*

	<b>2016</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance On Final Budget</b>
<b>Revenues</b>				
Investment earnings	\$ -	-	200	200
<b>Excess of Revenues Over Expenditures</b>	-	-	200	200
<b>Other Financing Sources</b>				
Transfers in	-	-	2,724,685	2,724,685
<b>Net Change in Fund Balance</b>	\$ -	-	2,724,885	2,724,885
<b>Fund Balance Beginning of Year</b>			-	
<b>Fund Balance End of Year</b>			\$ 2,724,885	

**Ketchikan Gateway Borough, Alaska**  
*South Tongass Service Area Special Revenue Fund*  
**Comparative Balance Sheet**  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 502,457	153,183
Receivables:		
Accounts	7,209	9,395
Intergovernmental	1,171	811
Property taxes	<u>3,261</u>	<u>631</u>
<b>Total Assets</b>	\$ <u>514,098</u>	<u>164,020</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ <u>14,708</u>	<u>18,594</u>
<b>Deferred Inflows of Resources</b>		
Property tax revenues	<u>3,261</u>	<u>-</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	17,969	18,594
<b>Fund Balance</b>		
Restricted for public safety and water	<u>496,129</u>	<u>145,426</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	\$ <u>514,098</u>	<u>164,020</u>

**Ketchikan Gateway Borough, Alaska**  
*South Tongass Service Area Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	<b>2016</b>			<b>2015</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance On Final Budget</b>	<b>Actual</b>
<b>Revenues</b>					
Charges for services	\$ 27,273	27,273	26,939	(334)	-
Taxes	571,476	571,476	573,317	1,841	468,588
Intergovernmental	10,476	10,476	6,801	(3,675)	67,999
Water fees	288,669	288,669	286,472	(2,197)	251,863
EMS revenue	65,000	65,000	41,427	(23,573)	76,862
Miscellaneous	-	-	2,852	2,852	1,934
<b>Total Revenues</b>	962,894	962,894	937,808	(25,086)	867,246
<b>Expenditures</b>					
<b>Current</b>					
Fire and EMS	767,672	764,115	539,833	224,282	655,763
Water treatment and distribution	361,927	361,927	226,452	135,475	324,110
<b>Capital Outlay</b>	-	-	19,036	(19,036)	204,177
<b>Total Expenditures</b>	1,129,599	1,126,042	785,321	340,721	1,184,050
Less recovery of expenditures from other funds	(1,800)	(1,800)	(1,800)	-	-
<b>Net Expenditures</b>	1,127,799	1,124,242	783,521	340,721	1,184,050
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(164,905)	(161,348)	154,287	(315,635)	(316,804)
<b>Other Financing Sources</b>					
Transfers in	196,416	196,416	196,416	-	342,716
<b>Net Change in Fund Balance</b>	\$ 31,511	35,068	350,703	(315,635)	25,912
<b>Fund Balance Beginning of Year</b>			145,426		119,514
<b>Fund Balance End of Year</b>		\$	496,129		145,426

**Ketchikan Gateway Borough, Alaska**  
*Waterfall Service Area Special Revenue Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 47,860	31,786
Accounts receivable	<u>3,024</u>	<u>1,957</u>
<b>Total Assets</b>	\$ <u>50,884</u>	<u>33,743</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,105	3,174
Interfund advances payable	<u>38,896</u>	<u>53,664</u>
<b>Total Liabilities</b>	<u>41,001</u>	<u>56,838</u>
<b>Fund Balance</b>		
Restricted for road maintenance	9,883	-
Unassigned (deficit)	<u>-</u>	<u>(23,095)</u>
<b>Total Fund Balance (Deficit)</b>	<u>9,883</u>	<u>(23,095)</u>
<b>Total Liabilities and Fund Balance</b>	\$ <u>50,884</u>	<u>33,743</u>

**Ketchikan Gateway Borough, Alaska**  
*Waterfall Service Area Special Revenue Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended June 30, 2016*  
*With Comparative Actual Amounts for the Year Ended June 30, 2015*

	2016			2015	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
<b>Revenues</b>					
Charges for services	\$ 37,125	37,125	44,211	7,086	26,742
Miscellaneous	-	-	158	158	-
<b>Total Revenues</b>	<u>37,125</u>	<u>37,125</u>	<u>44,369</u>	<u>7,244</u>	<u>26,742</u>
<b>Expenditures</b>					
<b>Current</b>					
Public services	<u>26,457</u>	<u>26,457</u>	<u>11,391</u>	<u>15,066</u>	<u>16,337</u>
<b>Net Change in Fund Balance</b>	\$ <u>10,668</u>	<u>10,668</u>	32,978	<u>22,310</u>	10,405
<b>Fund Balance (Deficit) Beginning of Year</b>			(23,095)		(33,500)
<b>Fund Balance (Deficit) End of Year</b>			\$ <u>9,883</u>		<u>(23,095)</u>



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## **CAPITAL PROJECTS FUND**

**Capital Projects Fund** – This fund is used to account for the acquisition and construction of major school and other capital facilities other than those financed by proprietary funds.

**Ketchikan Gateway Borough, Alaska**  
*Capital Projects Fund*  
*Comparative Balance Sheet*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ 10,777	10,777
Restricted cash and investments	<u>2,748,035</u>	<u>3,543,492</u>
<b>Total Assets</b>	<b>\$ <u>2,758,812</u></b>	<b><u>3,554,269</u></b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 63,910	76,244
Deposits	<u>2,000</u>	<u>2,000</u>
<b>Total Liabilities</b>	<u>65,910</u>	<u>78,244</u>
<b>Fund Balance</b>		
Restricted for capital projects	<u>2,692,902</u>	<u>3,476,025</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>2,758,812</u></b>	<b><u>3,554,269</u></b>

**Ketchikan Gateway Borough, Alaska**  
*Capital Projects Fund*  
*Comparative Statement of Revenues, Expenditures and*  
*Changes in Fund Balance*  
*For the Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Investment earnings	\$ 1,370	1,930
<b>Expenditures</b>		
<b>Current</b>		
Public services	47,576	16,878
<b>Capital Outlay</b>		
Educational facilities	736,917	2,344,905
<b>Total Expenditures</b>	<u>784,493</u>	<u>2,361,783</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(783,123)	(2,359,853)
<b>Other Financing Sources (Uses)</b>		
Transfers in	-	156,911
Transfers out	<u>-</u>	<u>(84,507)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>72,404</u>
<b>Net Change in Fund Balance</b>	(783,123)	(2,287,449)
<b>Fund Balance Beginning of Year</b>	<u>3,476,025</u>	<u>5,763,474</u>
<b>Fund Balance End of Year</b>	\$ <u><u>2,692,902</u></u>	<u><u>3,476,025</u></u>



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## MAJOR ENTERPRISE FUNDS

**Airport Fund** – This fund is used to account for the operations of the Ketchikan International Airport.

**Wastewater Fund** – This fund is used to account for the operations of the Borough's sewer systems.

**Ketchikan Gateway Borough, Alaska**  
*Airport Enterprise Fund*  
*Comparative Statement of Net Position*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,143,601	-
Prepaid items	11,718	33,042
Receivables:		
Accounts, net	369,997	853,968
Intergovernmental	<u>29,906</u>	<u>47,198</u>
<b>Total Current Assets</b>	<u>1,555,222</u>	<u>934,208</u>
<b>Noncurrent Assets</b>		
<b>Capital Assets</b>		
Non-depreciable	724,638	310,132
Depreciable, net	<u>18,508,283</u>	<u>18,400,300</u>
<b>Total Noncurrent Assets</b>	<u>19,232,921</u>	<u>18,710,432</u>
<b>Total Assets</b>	<u>20,788,143</u>	<u>19,644,640</u>
<b>Deferred Outflows of Resources</b>		
Related to pensions	<u>454,280</u>	<u>212,639</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 21,242,423</u>	<u>19,857,279</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 185,783	152,521
Interfund advances payable	30,204	29,303
Compensated absences payable	<u>173,359</u>	<u>189,997</u>
<b>Total Current Liabilities</b>	<u>389,346</u>	<u>371,821</u>
<b>Long-Term Liabilities, Net of Current Portion</b>		
Compensated absences payable	46,762	34,821
Net pension liability	2,715,627	1,975,067
Interfund advances payable	96,275	126,479
Interfund payable	<u>-</u>	<u>376,854</u>
<b>Total Long-Term Liabilities</b>	<u>2,858,664</u>	<u>2,513,221</u>
<b>Total Liabilities</b>	<u>3,248,010</u>	<u>2,885,042</u>
<b>Deferred Inflows of Resources</b>		
Related to pensions	<u>48,078</u>	<u>228,187</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>3,296,088</u>	<u>3,113,229</u>
<b>Net Position</b>		
Net investment in capital assets	19,232,921	18,710,432
Unrestricted (deficit)	<u>(1,286,586)</u>	<u>(1,966,382)</u>
<b>Total Net Position</b>	<u>\$ 17,946,335</u>	<u>16,744,050</u>

**Ketchikan Gateway Borough, Alaska**  
*Airport Enterprise Fund*  
*Comparative Statement of Revenues,*  
*Expenses and Changes in Net Position*  
*For the Years Ended June 30, 2016 and 2015*

	<b>2016</b>	<b>2015</b>
<b>Operating Revenues</b>		
Charges for services	\$ 4,947,152	4,694,448
<b>Operating Expenses</b>		
Personnel services	3,299,490	3,015,975
Supplies and services	1,247,799	1,277,789
Insurance	235,627	224,993
Depreciation	1,114,563	1,094,695
<b>Total Operating Expenses</b>	<u>5,897,479</u>	<u>5,613,452</u>
<b>Operating Loss</b>	(950,327)	(919,004)
<b>Non-Operating Revenues (Expenses)</b>		
Interest and fiscal charges	(4,359)	(5,211)
Gain on disposal of capital assets	533	-
Operating grants	<u>125,597</u>	<u>175,172</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>121,771</u>	<u>169,961</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	(828,556)	(749,043)
Capital contributions	1,731,076	487,172
Transfers in	<u>299,765</u>	<u>272,424</u>
<b>Change in Net Position</b>	1,202,285	10,553
<b>Net Position Beginning of Year</b>	<u>16,744,050</u>	<u>16,733,497</u>
<b>Net Position End of Year</b>	<u>\$ 17,946,335</u>	<u>16,744,050</u>

**Ketchikan Gateway Borough, Alaska**  
*Airport Enterprise Fund*  
*Comparative Statement of Cash Flows*  
*For the Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 5,431,123	4,105,814
Cash payments to employees for services	(2,985,377)	(3,003,293)
Cash payments for goods and services	<u>(1,428,840)</u>	<u>(1,405,363)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>1,016,906</u>	<u>(302,842)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Interfund payable	(376,854)	(161,623)
Operating grants	142,889	199,026
Transfers in	<u>299,765</u>	<u>272,424</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>65,800</u>	<u>309,827</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Sale of capital assets	532	-
Capital grant	1,731,076	487,172
Interest paid on debt service	(4,359)	(5,211)
Interfund advance payable	(29,303)	(28,452)
Payments for capital acquisitions	<u>(1,637,051)</u>	<u>(460,494)</u>
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>60,895</u>	<u>(6,985)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,143,601	-
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>-</u>	<u>-</u>
<b>Cash and Cash Equivalents End of Year</b>	\$ <u><u>1,143,601</u></u>	<u><u>-</u></u>

(continued)

**Ketchikan Gateway Borough, Alaska**  
*Airport Enterprise Fund*  
**Comparative Statement of Cash Flows, continued**  
*For the Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities</b>		
<b>Operating Loss</b>	\$ (950,327)	(919,004)
<b>Adjustments:</b>		
Depreciation	1,114,563	1,094,695
Amortization of deferred outflows of resources for pensions	(241,641)	(50,554)
Amortization of deferred inflows of resources for pensions	(180,109)	228,187
<b>(Increase) Decrease in Assets:</b>		
Accounts receivable	483,971	(588,634)
Prepaid items	21,324	42,906
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	33,262	54,513
Compensated absences payable	(4,697)	3,204
Net pension liability	<u>740,560</u>	<u>(168,155)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ <u>1,016,906</u>	<u>(302,842)</u>

**Ketchikan Gateway Borough, Alaska**  
*Wastewater Enterprise Fund*  
*Comparative Statement of Net Position*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 592,772	523,497
Accounts receivable, net	<u>89,583</u>	<u>43,881</u>
<b>Total Current Assets</b>	<u>682,355</u>	<u>567,378</u>
<b>Noncurrent Assets</b>		
<b>Capital Assets</b>		
Depreciable, net	<u>9,087,845</u>	<u>9,445,709</u>
<b>Total Assets</b>	\$ <u>9,770,200</u>	<u>10,013,087</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 37,150	32,703
Interfund advances payable	<u>38,016</u>	<u>41,387</u>
<b>Total Current Liabilities</b>	75,166	74,090
<b>Long-Term Liabilities</b>		
Interfund advances payable (net of current portion)	<u>225,160</u>	<u>263,176</u>
<b>Total Liabilities</b>	<u>300,326</u>	<u>337,266</u>
<b>Net Position</b>		
Net investment in capital assets	9,087,845	9,445,709
Unrestricted	<u>382,029</u>	<u>230,112</u>
<b>Total Net Position</b>	\$ <u><u>9,469,874</u></u>	<u><u>9,675,821</u></u>

**Ketchikan Gateway Borough, Alaska**  
*Wastewater Enterprise Fund*  
*Comparative Statement of Revenues,*  
*Expenses and Changes in Net Position*  
*For the Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues</b>		
Charges for services	\$ 780,854	656,048
<b>Operating Expenses</b>		
Personnel services	168,118	216,438
Supplies and services	444,678	501,356
Insurance	6,599	5,313
Depreciation	357,864	356,496
<b>Total Operating Expenses</b>	977,259	1,079,603
Less recovery of expenses from other funds	(6,496)	(1,596)
<b>Net Operating Expenses</b>	970,763	1,078,007
<b>Operating Loss</b>	(189,909)	(421,959)
<b>Non-Operating Expenses</b>		
Interest and fiscal charges	(16,038)	(20,065)
<b>Change in Net Position</b>	(205,947)	(442,024)
<b>Net Position Beginning of Year</b>	9,675,821	10,117,845
<b>Net Position End of Year</b>	\$ 9,469,874	9,675,821

**Ketchikan Gateway Borough, Alaska**  
*Wastewater Enterprise Fund*  
*Comparative Statement of Cash Flows*  
*For the Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 735,152	645,206
Cash payments to employees for services	(168,118)	(216,438)
Cash payments for goods and services	<u>(440,334)</u>	<u>(510,990)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>126,700</u>	<u>(82,222)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Interest paid on debt service	(16,038)	(20,065)
Interfund advance payable	(41,387)	(77,218)
Payments for capital acquisitions	<u>-</u>	<u>(15,364)</u>
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(57,425)</u>	<u>(112,647)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	69,275	(194,869)
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>523,497</u>	<u>718,366</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 592,772</u>	<u>523,497</u>

(continued)

**Ketchikan Gateway Borough, Alaska**  
*Wastewater Enterprise Fund*  
*Comparative Statement of Cash Flows, continued*  
*For the Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>		
<b>Operating Loss</b>	\$ (189,909)	(421,959)
<b>Adjustments:</b>		
Depreciation	357,864	356,496
<b>(Increase) Decrease in Assets:</b>		
Accounts receivable	(45,702)	(10,842)
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	<u>4,447</u>	<u>(5,917)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ <u>126,700</u>	<u>(82,222)</u>



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## **INTERNAL SERVICE FUNDS**

**Meritain School District Insurance** – This fund is used to account for health insurance premiums paid on behalf of and by School District employees and for health insurance claims paid for School District employees.

**Meritain Borough Insurance** – This fund is used to account for health insurance premiums paid on behalf of Borough employees and for health insurance claims paid for Borough employees.

**Ketchikan Gateway Borough, Alaska**  
*Internal Service Funds*  
*Combining Statement of Net Position*  
*June 30, 2016*

	<u>Meritain School District</u>	<u>Meritain Borough</u>	<u>Total Internal Service Funds</u>
<b>Current Assets</b>			
Cash and investments	\$ -	219,165	219,165
<b>Noncurrent Assets</b>			
Note receivable	<u>463,628</u>	<u>-</u>	<u>463,628</u>
<b>Total Assets</b>	\$ <u>463,628</u>	<u>219,165</u>	<u>682,793</u>
<b>Current Liabilities</b>			
Claims payable	\$ 171,463	133,671	305,134
<b>Noncurrent Liabilities</b>			
Interfund payable	<u>292,165</u>	<u>-</u>	<u>292,165</u>
<b>Total Liabilities</b>	<u>463,628</u>	<u>133,671</u>	<u>597,299</u>
<b>Net Position</b>			
Unrestricted	\$ <u>-</u>	<u>85,494</u>	<u>85,494</u>

**Ketchikan Gateway Borough, Alaska**  
*Internal Service Funds*  
*Combining Statement of Revenues,*  
*Expenses and Changes in Net Position (Deficit)*  
*For the Year Ended June 30, 2016*

	<u>Meritain School District</u>	<u>Meritain Borough</u>	<u>Total Internal Service Funds</u>
<b>Operating Revenues</b>			
Insurance premiums	\$ 4,912,773	2,429,665	7,342,438
<b>Operating Expenses</b>			
Administration	670,705	270,143	940,848
Premiums	-	338,174	338,174
Claims	4,242,068	1,699,881	5,941,949
<b>Total Operating Expenses</b>	<u>4,912,773</u>	<u>2,308,198</u>	<u>7,220,971</u>
<b>Change in Net Position</b>	-	121,467	121,467
<b>Net Position (Deficit) Beginning of Year</b>	<u>-</u>	<u>(35,973)</u>	<u>(35,973)</u>
<b>Net Position End of Year</b>	\$ <u>-</u>	<u>85,494</u>	<u>85,494</u>

**Ketchikan Gateway Borough, Alaska**  
*Internal Service Funds*  
*Combining Statement of Cash Flows*  
*For the Year Ended June 30, 2016*

	<u>Meritain School District</u>	<u>Meritain Borough</u>	<u>Total Internal Service Funds</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 4,865,683	2,429,665	7,295,348
Cash payments for goods and services	(670,705)	(608,317)	(1,279,022)
Cash payments for claims	<u>(4,238,812)</u>	<u>(1,657,409)</u>	<u>(5,896,221)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(43,834)</u>	<u>163,939</u>	<u>120,105</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Interfund payable	<u>43,834</u>	<u>-</u>	<u>43,834</u>
<b>Net Increase in Cash and Cash Equivalents</b>	-	163,939	163,939
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>-</u>	<u>55,226</u>	<u>55,226</u>
<b>Cash and Cash Equivalents End of Year</b>	\$ <u>-</u>	<u>219,165</u>	<u>219,165</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</b>			
<b>Operating Income</b>	\$ <u>-</u>	<u>121,467</u>	<u>121,467</u>
<b>Decrease (Increase) in Assets:</b>			
Note receivable	(47,090)	-	(47,090)
<b>Increase (Decrease) in Liabilities:</b>			
Claims payable	<u>3,256</u>	<u>42,472</u>	<u>45,728</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ <u><u>(43,834)</u></u>	<u><u>163,939</u></u>	<u><u>120,105</u></u>



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**Ketchikan Gateway Borough, Alaska**  
*Meritain School District Insurance Internal Service Fund*  
*Comparative Statement of Net Position*  
*June 30, 2016 and 2015*

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	<u>2016</u>	<u>2015</u>
<b>Noncurrent Assets</b>		
Note receivable	\$ <u>463,628</u>	<u>416,538</u>
<b>Current Liabilities</b>		
Claims payable	\$ 171,463	168,207
<b>Noncurrent Liabilities</b>		
Interfund payable	<u>292,165</u>	<u>248,331</u>
<b>Total Liabilities</b>	<u>463,628</u>	<u>416,538</u>
<b>Net Position</b>		
Unrestricted	\$ <u><u>-</u></u>	<u><u>-</u></u>

**Ketchikan Gateway Borough, Alaska**  
*Meritain School District Insurance Internal Service Fund*  
*Comparative Statement of Revenues,*  
*Expenses and Changes in Net Position*  
*For the Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues</b>		
Insurance premiums	\$ 4,912,773	4,677,856
<b>Operating Expenses</b>		
Administration	670,705	763,018
Claims	4,242,068	3,914,838
<b>Total Operating Expenses</b>	<u>4,912,773</u>	<u>4,677,856</u>
<b>Change in Net Position</b>	-	-
<b>Net Position Beginning of Year</b>	<u>-</u>	<u>-</u>
<b>Net Position End of Year</b>	\$ <u>-</u>	<u>-</u>

**Ketchikan Gateway Borough, Alaska**  
*Meritain Borough Insurance Internal Service Fund*  
*Comparative Statement of Net Position (Deficit)*  
*June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and investments	\$ <u>219,165</u>	<u>55,226</u>
<b>Current Liabilities</b>		
Claims payable	\$ <u>133,671</u>	<u>91,199</u>
<b>Net Position</b>		
Unrestricted (deficit)	\$ <u><u>85,494</u></u>	<u><u>(35,973)</u></u>

**Ketchikan Gateway Borough, Alaska**  
*Meritain Borough Insurance Internal Service Fund*  
*Comparative Statement of Revenues,*  
*Expenses and Changes in Net Position (Deficit)*  
*For the Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues</b>		
Insurance premiums	\$ 2,429,665	2,342,607
<b>Operating Expenses</b>		
Administration	270,143	288,554
Premiums	338,174	349,679
Claims	<u>1,699,881</u>	<u>1,902,812</u>
<b>Total Operating Expenses</b>	<u>2,308,198</u>	<u>2,541,045</u>
<b>Change in Net Position</b>	121,467	(198,438)
<b>Net Position (Deficit) Beginning of Year</b>	<u>(35,973)</u>	<u>162,465</u>
<b>Net Position (Deficit) End of Year</b>	\$ <u><u>85,494</u></u>	<u><u>(35,973)</u></u>



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# **STATISTICAL SECTION**

(Un-Audited)



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This section contains various tables showing historical and other financial information considered to be informative in understanding the finances of the Borough.

The following tables are included in this section:

**Revenues and Expenditures/Expenses**

Government-wide Statement of Net Position.....	Table 1
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Miscellaneous Statistics .....	Table 15



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## KETCHIKAN GATEWAY BOROUGH

## Government-wide Statement of Net Position

June 30, 2016

	Fiscal Year				
	2016	2015	2014	2013	2012
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 123,108,660	121,277,988	121,446,896	119,848,381	121,020,663
Restricted	6,865,378	6,819,220	7,148,989	13,928,936	9,800,504
Unrestricted	<u>15,737,037</u>	<u>15,584,427</u>	<u>19,954,904</u>	<u>11,945,485</u>	<u>14,338,149</u>
Total governmental activities net position	<u>145,711,075</u>	<u>143,681,635</u>	<u>148,550,789</u>	<u>145,722,802</u>	<u>145,159,316</u>
<b>Business-type Activities</b>					
Net investment in capital assets	28,320,766	28,156,141	29,131,474	28,458,282	26,857,847
Restricted	-	-	-	-	385,000
Unrestricted (deficit)	<u>(913,623)</u>	<u>(1,771,657)</u>	<u>(287,748)</u>	<u>(413,071)</u>	<u>(2,838,539)</u>
Total business-type activities net position	<u>27,407,143</u>	<u>26,384,484</u>	<u>28,843,726</u>	<u>28,045,211</u>	<u>24,404,308</u>
<b>Primary Government</b>					
Net investment in capital assets	151,429,426	149,434,129	150,578,370	148,306,663	147,878,510
Restricted	6,865,378	6,819,220	7,148,989	13,928,936	10,185,504
Unrestricted	<u>14,823,414</u>	<u>13,812,770</u>	<u>19,667,156</u>	<u>11,532,414</u>	<u>11,499,610</u>
Total primary government net position	\$ <u>173,118,218</u>	<u>170,066,119</u>	<u>177,394,515</u>	<u>173,768,013</u>	<u>169,563,624</u>

	Fiscal Year				
	2011	2010	2009	2008	2007
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 117,038,168	116,791,016	113,763,548	103,567,159	104,167,175
Restricted	9,326,387	6,749,034	6,194,066	4,801,620	4,326,398
Unrestricted	<u>18,194,923</u>	<u>24,295,274</u>	<u>21,669,692</u>	<u>23,817,829</u>	<u>16,086,982</u>
Total governmental activities net position	<u>144,559,478</u>	<u>147,835,324</u>	<u>141,627,306</u>	<u>132,186,608</u>	<u>124,580,555</u>
<b>Business-type Activities</b>					
Net investment in capital assets	17,458,210	17,703,199	17,756,821	18,438,737	18,878,941
Restricted	385,000	385,000	385,000	385,000	-
Unrestricted (deficit)	<u>(3,141,624)</u>	<u>(3,311,312)</u>	<u>(3,185,352)</u>	<u>(2,920,876)</u>	<u>(2,469,759)</u>
Total business-type activities net position	<u>14,701,586</u>	<u>14,776,887</u>	<u>14,956,469</u>	<u>15,902,861</u>	<u>16,409,182</u>
<b>Primary Government</b>					
Net investment in capital assets	134,496,378	134,494,215	131,520,369	122,005,896	123,046,116
Restricted	9,711,387	7,134,034	6,579,066	5,186,620	4,326,398
Unrestricted	<u>15,053,299</u>	<u>20,983,962</u>	<u>18,484,340</u>	<u>20,896,953</u>	<u>13,617,223</u>
Total primary government net position	\$ <u>159,261,064</u>	<u>162,612,211</u>	<u>156,583,775</u>	<u>148,089,469</u>	<u>140,989,737</u>

notes: The Borough implemented the provisions of GASB statements 63 and 65 in FY13. Prior years have not been restated to reflect this change; however all terminology has been updated to reflect this revision.

The Borough implemented the provisions of GASB 68 in FY15. Only FY14 has been restated to reflect this change.

## KETCHIKAN GATEWAY BOROUGH

Changes in Net Position  
June 30, 2016

	2016	2015	2014	2013	2012
<b>Expenses</b>					
Governmental activities:					
General government	\$ 3,517,224	4,037,970	3,514,098	4,623,576	4,239,516
Fire and EMS	1,438,761	1,545,356	1,376,751	1,252,822	1,305,555
Water treatment and distribution	224,652	324,110	318,826	249,401	226,424
Library services	390,575	405,199	422,570	410,326	380,266
Parks and recreation	3,432,887	3,340,866	3,338,139	2,601,546	2,374,277
Public works	1,168,318	1,027,166	1,001,996	1,209,701	1,043,521
Public services	5,306,734	8,890,872	5,342,481	3,875,327	5,086,592
Transit	2,384,212	2,221,390	2,164,006	2,071,438	1,960,671
Automation	-	-	-	-	-
Education	16,182,438	15,015,738	15,357,268	14,465,416	14,300,313
Interest	1,957,353	2,254,374	2,310,634	2,394,406	2,504,748
Total governmental activities expenses	<u>36,003,154</u>	<u>39,063,041</u>	<u>35,146,769</u>	<u>33,153,959</u>	<u>33,421,883</u>
Business-type activities:					
Airport	5,874,984	5,665,297	5,679,424	5,810,984	5,262,004
Wastewater	986,801	1,098,072	881,576	897,029	1,176,513
Total business-type activities expenses	<u>6,861,785</u>	<u>6,763,369</u>	<u>6,561,000</u>	<u>6,708,013</u>	<u>6,438,517</u>
Total primary government expenses	<u>42,864,939</u>	<u>45,826,410</u>	<u>41,707,769</u>	<u>39,861,972</u>	<u>39,860,400</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Fire and EMS	276,812	253,670	238,838	254,234	317,569
Water treatment and distribution	286,472	251,863	217,149	193,081	176,394
Parks and recreation	725,988	775,960	753,563	732,284	565,998
Public services	1,615,691	1,559,619	1,256,400	1,239,091	911,068
Transit	189,230	200,588	222,236	242,111	217,131
Education	4,912,773	4,677,856	4,937,191	4,295,465	3,769,524
Capital grants	5,189,749	5,828,520	4,503,237	3,529,066	5,154,055
Operating grants	3,330,138	3,181,765	4,072,710	3,738,574	2,431,499
Nondepartmental	-	-	-	-	-
Total governmental activities program revenues	<u>16,526,853</u>	<u>16,729,841</u>	<u>16,201,324</u>	<u>14,223,906</u>	<u>13,543,238</u>
Business-type activities:					
Charges for services:					
Airport	4,947,152	4,694,448	4,401,938	3,878,788	3,973,769
Wastewater	780,854	656,048	596,426	555,396	760,358
Operating grants	3,332	7,386	73,994	2,710,000	42,959
Capital grants	1,731,076	487,172	1,865,802	1,310,860	10,016,959
Total business-type activities program revenues	<u>7,462,414</u>	<u>5,845,054</u>	<u>6,938,160</u>	<u>8,455,044</u>	<u>14,794,045</u>
Total primary government program revenues	<u>23,989,267</u>	<u>22,574,895</u>	<u>23,139,484</u>	<u>22,678,950</u>	<u>28,337,283</u>
<b>Net (Expense) Revenue</b>					
Governmental activities	(19,476,301)	(22,333,200)	(18,945,445)	(18,930,053)	(19,878,645)
Business-type activities	600,629	(918,315)	377,160	1,747,031	8,355,528
Total primary government net expense	<u>(18,875,672)</u>	<u>(23,251,515)</u>	<u>(18,568,285)</u>	<u>(17,183,022)</u>	<u>(11,523,117)</u>
<b>General Revenues and Other Changes In Net Position</b>					
Governmental activities:					
Property taxes	8,545,890	8,359,993	8,169,731	7,890,521	8,746,139
Sales taxes	8,567,889	8,553,791	8,625,653	8,682,819	8,316,512
Payment in lieu of taxes	1,232,522	1,052,512	1,131,659	1,035,188	1,054,735
Grants and entitlements not restricted	2,989,349	3,466,541	3,598,414	3,559,577	3,353,441
Transfers	(299,765)	(272,424)	(184,881)	(1,652,342)	(439,935)
Investment earnings	36,483	49,504	54,254	59,449	(114,092)
Property sales (loss on reacquisitions)	-	-	-	-	-
Miscellaneous	433,373	400,057	378,601	354,128	351,236
Write off delinquent note	-	-	-	-	(789,553)
Settlement	-	-	-	-	-
Total governmental activities general revenues and other changes in net position	<u>21,505,741</u>	<u>21,609,974</u>	<u>21,773,431</u>	<u>19,929,340</u>	<u>20,478,483</u>
Business-type activities:					
Unrestricted grant/investment earnings	122,265	167,786	236,474	241,530	907,259
Transfers	299,765	272,424	184,881	1,652,342	439,935
Total business-type activities general revenues and other changes in net position	<u>422,030</u>	<u>440,210</u>	<u>421,355</u>	<u>1,893,872</u>	<u>1,347,194</u>
Total primary government general revenues and other changes in net position	<u>21,927,771</u>	<u>22,050,184</u>	<u>22,194,786</u>	<u>21,823,212</u>	<u>21,825,677</u>
<b>Changes in Net Position</b>					
Governmental activities	2,029,440	(723,226)	2,827,986	999,287	599,838
Business-type activities	1,022,659	(478,105)	798,515	3,640,903	9,702,722
Total primary government, change in net position	<u>\$ 3,052,099</u>	<u>(1,201,331)</u>	<u>3,626,501</u>	<u>4,640,190</u>	<u>10,302,560</u>

notes:

The Borough implemented the provisions of GASB statements 63 and 65 in FY13. Prior years have not been restated to reflect this change.; however all terminology has been updated to reflect this revision.

The Borough implemented the provisions of GASB 68 in FY15. Only FY14 has been restated to reflect this change.

## KETCHIKAN GATEWAY BOROUGH

Changes in Net Position, Continued  
June 30, 2016

Fiscal Year	2011	2010	2009	2008	2007
<b>Expenses</b>					
Governmental activities:					
General government	\$ 3,502,989	3,198,263	3,098,135	3,105,409	3,306,674
Fire and EMS	1,289,444	1,249,053	1,207,673	1,219,557	-
Water treatment and distribution	207,102	228,725	246,479	-	-
Library services	372,794	371,886	420,190	420,100	420,565
Parks and recreation	2,066,242	2,004,219	1,658,671	1,883,894	-
Public works	1,093,054	1,391,689	1,388,867	1,248,572	-
Public services	3,595,580	4,162,195	5,415,283	1,908,428	8,308,680
Transit	1,640,624	1,427,218	1,149,142	1,075,033	-
Automation	-	-	-	-	364,331
Education	15,091,534	16,017,284	14,401,413	13,522,531	13,321,747
Interest	2,453,966	1,540,248	1,299,122	1,405,115	1,613,241
Total governmental activities expenses	<u>31,313,329</u>	<u>31,590,780</u>	<u>30,284,975</u>	<u>25,788,639</u>	<u>27,335,238</u>
Business-type activities:					
Airport	4,835,323	4,625,758	4,758,390	4,312,540	4,599,434
Wastewater	1,010,836	912,252	1,095,332	890,038	1,073,625
Total business-type activities expenses	<u>5,846,159</u>	<u>5,538,010</u>	<u>5,853,722</u>	<u>5,202,578</u>	<u>5,673,059</u>
Total primary government expenses	<u>37,159,488</u>	<u>37,128,790</u>	<u>36,138,697</u>	<u>30,991,217</u>	<u>33,008,297</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Fire and EMS	242,335	236,534	234,659	360,311	-
Water treatment and distribution	177,610	165,463	132,884	-	-
Parks and recreation	538,013	410,238	446,557	458,064	-
Public services	862,291	684,279	668,042	405,626	1,314,590
Transit	184,624	179,729	160,764	140,721	-
Education	3,535,740	3,153,995	2,849,699	3,020,959	-
Capital grants	6,426,775	8,369,771	10,990,255	4,059,938	2,981,744
Operating grants	904,866	705,498	555,861	498,425	2,007,935
Nondepartmental	-	-	-	-	2,936,900
Total governmental activities program revenues	<u>12,872,254</u>	<u>13,905,507</u>	<u>16,038,721</u>	<u>8,944,044</u>	<u>9,241,169</u>
Business-type activities:					
Charges for services:					
Airport	3,633,607	3,283,332	3,424,190	3,759,832	3,387,681
Wastewater	702,530	576,803	583,196	613,663	592,620
Operating grants	79,122	128,193	72,412	152,035	62,188
Capital grants	556,653	638,665	28,392	8,685	640,921
Total business-type activities program revenues	<u>4,971,912</u>	<u>4,626,993</u>	<u>4,108,190</u>	<u>4,534,215</u>	<u>4,683,410</u>
Total primary government program revenues	<u>17,844,166</u>	<u>18,532,500</u>	<u>20,146,911</u>	<u>13,478,259</u>	<u>13,924,579</u>
<b>Net (Expense) Revenue</b>					
Governmental activities	(18,441,075)	(17,685,273)	(14,246,254)	(16,844,595)	(18,094,069)
Business-type activities	(874,247)	(911,017)	(1,745,532)	(668,363)	(989,649)
Total primary government net expense	<u>(19,315,322)</u>	<u>(18,596,290)</u>	<u>(15,991,786)</u>	<u>(17,512,958)</u>	<u>(19,083,718)</u>
<b>General Revenues and Other Changes In Net Position</b>					
Governmental activities:					
Property taxes	9,015,302	9,491,422	10,233,372	11,133,400	10,350,075
Sales taxes	8,105,296	7,974,171	8,430,433	6,843,335	6,333,019
Payment in lieu of taxes	1,020,959	1,036,032	1,366,194	579,736	581,662
Grants and entitlements not restricted	3,451,680	3,677,791	3,815,114	3,615,710	319,748
Transfers	(632,983)	(625,258)	(374,452)	(222,905)	(841,611)
Investment earnings	650,810	361,309	275,681	1,511,764	1,552,003
Property sales (loss on reacquisitions)	(7,313,222)	1,650,939	(909,920)	599,456	699,150
Miscellaneous	867,387	326,885	850,530	390,152	408,748
Write off delinquent note	-	-	-	-	-
Settlement	-	-	-	-	970,088
Total governmental activities general revenues and other changes in net position	<u>15,165,229</u>	<u>23,893,291</u>	<u>23,686,952</u>	<u>24,450,648</u>	<u>20,372,882</u>
Business-type activities:					
Unrestricted grant/investment earnings	165,963	106,177	424,688	96,969	21,797
Transfers	632,983	625,258	374,452	222,905	841,611
Total business-type activities general revenues and other changes in net position	<u>798,946</u>	<u>731,435</u>	<u>799,140</u>	<u>319,874</u>	<u>863,408</u>
Total primary government general revenues and other changes in net position	<u>15,964,175</u>	<u>24,624,726</u>	<u>24,486,092</u>	<u>24,770,522</u>	<u>21,236,290</u>
<b>Changes in Net Position</b>					
Governmental activities	(3,275,846)	6,208,018	9,440,698	7,606,053	2,278,813
Business-type activities	(75,301)	(179,582)	(946,392)	(348,489)	(126,241)
Total primary government, change in net position	<u>\$ (3,351,147)</u>	<u>6,028,436</u>	<u>8,494,306</u>	<u>7,257,564</u>	<u>2,152,572</u>



## KETCHIKAN GATEWAY BOROUGH

Changes in Governmental Fund Balances  
June 30, 2016

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues</b>										
Taxes	\$ 17,111,344	16,939,761	16,805,205	16,492,010	17,052,595	17,182,814	17,471,661	18,673,487	17,935,890	16,576,094
Intergovernmental	7,762,751	11,454,346	9,787,808	8,236,478	9,372,872	8,420,951	11,475,300	14,401,276	6,509,226	5,833,389
Licenses and permits	366	275	90	835	11,543	14,168	11,108	20,333	26,800	34,060
Water fees	286,472	251,863	217,149	193,081	176,394	177,610	165,463	-	-	-
Charges for services	2,807,355	2,787,628	2,460,333	2,460,017	1,984,455	1,736,329	1,496,472	1,621,604	1,337,715	1,280,530
Commercial vessel passenger tax	2,141,633	2,032,375	2,240,210	1,977,770	1,947,248	2,095,324	2,313,793	2,326,147	2,244,585	-
Interest Subsidy	607,601	458,053	606,982	600,911	615,002	547,193	-	-	-	-
Investment earnings	36,483	49,504	54,234	59,449	(114,090)	710,139	354,644	272,695	612,485	1,473,267
Proceeds from sale of property	571,512	87,322	473,320	-	1,632,855	69,000	3,555,179	-	1,248,605	856,220
Miscellaneous	433,373	401,991	389,216	360,996	367,004	330,620	330,086	317,622	390,359	408,748
<b>Total Revenues</b>	<u>31,758,890</u>	<u>34,463,118</u>	<u>33,034,547</u>	<u>30,381,547</u>	<u>33,045,878</u>	<u>31,284,148</u>	<u>37,173,706</u>	<u>37,633,164</u>	<u>30,305,665</u>	<u>26,462,308</u>
<b>Expenditures</b>										
General government	3,226,042	4,023,951	3,584,249	3,613,270	3,523,762	3,222,852	2,718,432	2,512,572	2,882,789	2,704,745
Library services	390,575	405,199	422,570	410,326	380,266	372,794	371,886	420,190	420,100	420,565
Fire and EMS	1,171,095	1,388,627	1,163,729	1,055,508	1,070,550	1,058,292	1,020,905	992,333	978,225	-
Water treatment and distribution	224,652	324,110	318,826	249,401	226,424	209,885	229,160	246,731	-	-
Public services	4,465,968	8,298,452	4,730,443	3,324,609	4,615,631	3,218,115	3,896,096	5,144,229	1,720,168	6,129,496
Parks and recreation	2,242,488	2,325,059	2,306,465	2,303,059	2,135,115	1,786,992	1,778,070	1,421,501	1,656,144	-
Public works	1,076,951	1,093,458	1,030,382	1,182,394	1,018,329	1,066,171	1,325,648	1,305,296	1,203,440	-
Transit	2,012,331	2,173,103	1,994,798	1,862,205	1,805,799	1,542,359	1,285,049	1,023,517	1,022,749	-
Automation	-	-	-	-	-	-	-	-	-	339,083
Education	8,690,445	7,899,000	8,050,000	8,239,518	8,650,000	9,411,000	9,617,935	9,068,223	8,123,054	8,895,922
Nondepartmental	266,125	272,048	260,433	227,909	215,849	378,305	376,593	539,397	219,754	492,028
<b>Capital Outlay</b>	1,205,693	3,689,268	2,888,235	2,257,159	21,037,970	19,492,677	6,484,687	2,683,114	4,307,042	10,386,898
<b>Debt Service:</b>										
Principal retirement	3,625,000	3,465,000	3,358,741	2,936,443	2,994,753	2,567,666	2,331,677	2,363,282	2,376,476	2,289,756
Interest and fiscal charges	2,263,027	2,403,755	2,562,522	2,474,835	2,536,190	2,612,426	1,092,438	1,319,134	1,421,315	1,506,104
Bond issuance costs	-	17,318	-	37,962	75,066	149,870	250,738	-	-	-
<b>Total Expenditures</b>	<u>30,860,392</u>	<u>37,778,348</u>	<u>32,671,393</u>	<u>30,174,598</u>	<u>50,285,704</u>	<u>47,089,404</u>	<u>32,779,314</u>	<u>29,039,519</u>	<u>26,331,256</u>	<u>33,164,597</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	898,498	(3,315,230)	363,154	206,949	(17,239,826)	(15,805,256)	4,394,392	8,593,645	3,974,409	(6,702,289)
<b>Other Financing Sources (Uses)</b>										
General obligation bonds issued	-	2,185,000	-	4,875,000	8,070,000	8,165,000	29,490,000	-	-	-
Premium on bonds	-	129,986	-	653,805	1,287,659	58,283	372,207	-	-	-
Settlement	-	-	-	-	-	-	-	50,000	3,100,000	970,088
Transfers in	10,026,481	8,775,867	6,957,976	7,223,798	7,156,872	6,969,046	4,566,059	4,358,323	5,347,217	7,660,149
Other financing proceeds (uses)	-	(2,292,344)	-	-	-	-	-	877,500	-	-
Capital leases	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Transfers out	(10,326,246)	(9,048,291)	(7,142,857)	(8,876,140)	(7,596,807)	(7,602,029)	(5,191,317)	(4,732,775)	(5,570,122)	(8,501,760)
Payment to refunding bond escrow agent	-	-	-	-	(9,277,870)	-	(6,204,412)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(299,765)</u>	<u>(249,782)</u>	<u>(184,881)</u>	<u>3,876,463</u>	<u>(360,146)</u>	<u>7,590,300</u>	<u>23,032,537</u>	<u>553,048</u>	<u>2,877,095</u>	<u>128,477</u>
<b>Special item - write off delinquent note</b>	-	-	-	-	(789,553)	-	-	-	-	-
<b>Net Change in Fund Balances</b>	<u>\$ 598,733</u>	<u>(3,565,012)</u>	<u>178,273</u>	<u>4,083,412</u>	<u>(18,389,525)</u>	<u>(8,214,956)</u>	<u>27,426,929</u>	<u>9,146,693</u>	<u>6,851,504</u>	<u>(6,573,812)</u>
Debt Service as a										
Percentage of noncapital expenditures	19.86%	17.22%	19.88%	19.38%	18.91%	18.77%	13.02%	13.97%	17.24%	16.66%

## KETCHIKAN GATEWAY BOROUGH

*Assessed Value and Actual Value of Taxable Property*  
 Changes in Assessment  
 June 30, 2016

Jan 1 Assessment Date	Fiscal Year	Assessed Residential	Assessed Commercial	Assessed Industrial	Assessed Vacant	Personal Property	Tax-Exempt	Sr. & Vet Tax-Exempt *	Optional Tax-Exempt*	Total Assessed Value	Estimated Actual Value	Total Direct Tax Rate
2008	2009	\$ 820,793,324	234,295,600	68,036,400	79,334,976	68,550,700	85,908,700	-	85,908,700	1,271,011,000	1,356,919,700	7.20
2009	2010	822,438,200	254,362,500	75,665,800	87,967,100	67,594,600	12,423,900	-	12,423,900	1,308,028,200	1,320,452,100	6.80
2010	2011	820,093,100	260,724,100	78,436,900	89,344,000	49,705,200	79,408,100	-	79,408,100	1,298,303,300	1,377,711,400	6.00
2011	2012	826,264,800	239,790,800	141,830,500	46,344,400	-	125,874,600	100,704,800	25,169,800	1,254,230,500	1,380,105,100	5.80
2012	2013	818,902,900	355,707,600	-	94,913,000	-	138,995,900	100,844,300	38,151,600	1,269,523,500	1,408,519,400	5.50
2013	2014	814,871,700	390,971,100	-	108,833,000	-	146,723,400	103,019,000	43,704,400	1,314,675,800	1,461,399,200	5.00
2014	2015	866,712,200	372,893,500	-	108,782,600	-	183,274,080	110,012,900	73,261,180	1,348,388,300	1,531,662,380	5.00
2015	2016	850,485,430	264,444,500	127,388,200	105,826,500	-	217,821,424	119,209,600	98,611,824	1,348,144,630	1,565,966,054	5.00

Source: Ketchikan Gateway Borough Assessment and Finance Department.

Notes: Business Personal Property Tax within the Borough was repealed.

Assessed values restated for prior years based on revised data from the Assessment Department. Only eight years data available in a consistent format.

\* Exemptions for 2011 forward are reported as follows:

Tax-Exempt - Total value of all exemptions granted.

Sr. & Vet Tax-Exempt - Total value of Senior Citizens and Disabled Veterans Exemptions.

Optional Tax-Exempt - Total value of all exemptions granted under AS 29.45.050. This includes the optional portion of NRHA housing, Community Purpose and the Ketchikan Shipyard.

## KETCHIKAN GATEWAY BOROUGH

Principal Property Tax Payers Current Year and Ten Years Ago  
June 30, 2016

Taxpayer	2016			2007		
	Assessed (Taxable) Value	Rank	Percentage of Total Assessed Value	Assessed (Taxable) Value	Rank	Percentage of Total Assessed Value
Cape Fox Corporation	\$ 16,447,000	1	1.22%	\$ 12,060,400	1	1.18%
Trident Seafoods	14,451,700	2	1.07%	7,652,500	5	0.75%
Ketchikan Dock Company	13,295,200	3	0.99%	-		-
Harbor Enterprises	11,113,300	4	0.82%	6,421,700	8	0.63%
Tongass Trading Company	10,616,300	5	0.79%	7,852,200	4	0.77%
Boyer Towing Inc	9,168,900	6	0.68%	-		-
Dock Street Building Corporation	8,714,700	7	0.65%	-		-
Alaska General Seafood	8,228,300	8	0.61%	-		-
ECPS Inc.	8,205,700	9	0.61%	6,114,500	9	0.60%
The Landing LLC	8,144,500	10	0.60%	7,912,200	3	0.78%
Renaissance Ketchikan Group, LLC	-	-	-	8,979,700	2	0.88%
Carr-Gottstein Foods	-	-	-	7,504,800	6	0.74%
Wal-Mart	-	-	-	6,874,800	7	0.67%
Southeast Stevedoring	-	-	-	5,595,500	10	0.55%
Total Principal Property Tax Payers	<u>108,385,600</u>		<u>8.04%</u>	<u>76,968,300</u>		<u>7.55%</u>
Total Assessment	<u>1,348,144,630</u>		<u>100.00%</u>	<u>1,018,847,600</u>		<u>100.00%</u>

Source: Ketchikan Gateway Borough Assessment Department.

**KETCHIKAN GATEWAY BOROUGH***Property Tax Levies and Collections, Last Ten Fiscal Years*

June 30, 2016

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 7,641,357	7,213,060	94.4%	\$ 428,297	7,641,357	100.0%
2008	8,288,123	7,437,374	89.7%	850,662	8,288,036	100.0%
2009	8,642,875	7,911,034	91.5%	731,722	8,642,756	100.0%
2010	7,848,169	7,120,983	90.7%	727,008	7,847,991	100.0%
2011	7,241,869	7,201,114	99.4%	33,055	7,234,169	99.9%
2012	6,982,379	6,872,731	98.4%	103,347	6,976,078	99.9%
2013	6,573,379	6,511,100	99.1%	60,907	6,572,007	100.0%
2014	6,741,942	6,674,436	99.0%	63,526	6,737,962	99.9%
2015	6,740,723	6,707,598	99.5%	28,126	6,735,724	99.9%
2016	6,738,896	6,717,370	99.7%	-	6,717,370	99.7%

**KETCHIKAN GATEWAY BOROUGH**

*Taxable Sales by Category, Fiscal Years*  
June 30, 2016

Borough & City	Fiscal Year				
	2016	2015	2014	2013	2012
Contractors	\$ 8,058,117	8,004,558	7,822,507	8,341,403	7,415,207
Finance, insurance, banks	2,032,190	1,965,554	2,177,388	2,382,608	1,995,024
Hotels, motels, lodges	16,795,775	15,891,898	14,884,185	14,172,548	13,689,815
Manufacturing	5,107,522	4,905,355	5,158,746	5,134,717	4,790,346
Real estate	24,838,292	24,192,234	23,596,203	23,620,663	23,056,248
Retail trade	30,553,957	30,261,193	30,479,623	31,082,386	29,591,532
Retail trade - food	51,182,900	50,102,022	49,828,115	49,191,379	48,912,887
Retail trade, bars & catering	22,606,016	21,053,279	20,652,476	21,067,069	20,478,553
Retail, automotive	15,677,340	15,675,897	15,718,601	15,506,019	15,515,934
Retail, specialty	8,493,804	8,556,228	8,131,272	9,028,790	9,218,351
Retail, var, jewelry, curios	70,208,908	69,045,256	68,656,574	68,972,807	68,721,446
Services, entertainment	4,142,431	4,023,139	3,868,802	3,645,970	3,458,109
Service, general	7,036,270	6,631,063	6,317,339	5,822,680	5,746,990
Services, professional	3,641,084	3,631,121	3,783,013	3,733,164	3,580,581
Trans, comm, utilities	<u>67,407,382</u>	<u>72,028,412</u>	<u>77,604,346</u>	<u>77,120,684</u>	<u>75,656,992</u>
	\$ <u>337,781,988</u>	<u>335,967,209</u>	<u>338,679,190</u>	<u>338,822,887</u>	<u>331,828,015</u>

	Fiscal Year				
	2011	2010	2009	2008	2007
Contractors	\$ 6,141,701	6,251,223	7,215,832	6,553,234	6,386,800
Finance, insurance, banks	2,192,021	2,183,286	2,417,371	2,332,930	2,365,356
Hotels, motels, lodges	12,603,094	12,888,607	14,303,080	15,059,772	13,472,358
Manufacturing	6,140,406	5,926,608	6,103,646	6,189,634	5,613,112
Real estate	24,485,430	24,840,277	23,075,357	22,218,581	21,286,943
Retail trade	61,376,056	61,939,877	69,582,975	68,505,073	63,957,201
Retail trade - food	46,657,847	46,474,680	45,444,444	46,370,309	43,281,242
Retail trade, bars & catering	18,350,884	17,928,618	18,371,267	18,359,258	18,443,036
Retail, automotive	14,139,519	13,897,325	15,037,370	16,289,550	14,182,345
Retail, specialty	14,635,547	15,022,750	13,523,937	13,548,960	13,026,683
Retail, var, jewelry, curios	28,413,986	31,046,295	32,481,607	34,955,545	33,396,090
Services, entertainment	3,922,744	4,113,145	4,182,048	4,794,739	4,791,109
Service, general	8,943,572	9,111,881	9,331,525	8,893,378	8,378,435
Services, professional	3,477,776	3,614,729	3,598,073	4,094,957	3,955,050
Trans, comm, utilities	<u>66,144,540</u>	<u>61,645,321</u>	<u>69,174,913</u>	<u>74,459,549</u>	<u>62,874,860</u>
	\$ <u>317,625,123</u>	<u>316,884,622</u>	<u>\$ 333,843,445</u>	<u>342,625,469</u>	<u>315,410,620</u>

Source: Ketchikan Gateway Borough Finance Department

KETCHIKAN GATEWAY BOROUGH

Current Year Debt Service by Type, Last Ten Fiscal Years  
June 30, 2016

Fiscal Year	School G.O. Bond Debt			Revenues - School Bond -			Capital Improvement Fund	Per Capita Cost	Recreation Special Revenue Fund G.O. Bonds			Rec CIP Fund				
	Principal	Interest	Total	State School Debt Reimbursement	Misc.	1/2 cent Sales Tax	Total Revenues	Surplus Funded through the School Bond CIP Fund	Population	Per Capita Cost	Principal	Interest	Total	Total Revenues - 1/2 cent Sales Tax, Penalties, Interest, Misc.	Other Expenses	Available for Other Projects
2007	\$ 2,255,000	1,497,735	3,752,735	2,061,057	114,789	1,603,399	3,779,245	26,510	13,089	\$ (2)	-	-	-	1,563,234	-	1,563,234
2008	2,340,000	1,366,236	3,706,236	2,059,731	114,974	1,708,684	3,883,389	177,153	12,993	(14)	-	-	-	1,708,684	-	1,708,684
2009	2,325,000	1,287,761	3,612,761	2,059,056	13,379	1,682,200	3,754,635	141,874	12,984	(11)	-	-	-	1,682,200	-	1,682,200
2010	1,305,000	870,930	2,175,930	1,946,454	12,570	1,598,834	3,557,858	1,381,928	13,477	(103)	-	-	-	1,598,834	-	1,598,834
2011	2,008,500	1,444,053	3,452,553	2,025,976	19,593	1,614,719	3,660,288	207,735	13,686	(15)	276,500	1,002,567	1,279,067	1,614,719	290,599	45,053
2012	2,311,500	1,394,586	3,706,086	2,176,095	(12,406)	1,659,745	3,823,434	117,348	13,750	(9)	353,500	523,377	876,877	1,659,745	-	782,868
2013	2,394,500	1,366,698	3,761,198	3,353,421	81,487	1,650,132	5,085,040	1,323,842	13,938	(95)	360,500	576,507	937,007	1,650,132	330,516	382,609
2014	2,795,500	1,099,800	3,895,300	2,513,044	6,979	1,711,478	4,231,501	336,201	13,856	(24)	374,500	562,087	936,587	1,711,478	195,177	579,714
2015	2,940,000	960,914	3,900,914	2,517,988	5,948	1,698,074	4,222,010	321,096	13,825	(23)	385,000	550,852	935,852	1,698,074	277,017	485,205
2016	2,662,000	822,213	3,484,213	2,530,287	248,126	1,706,054	4,484,467	1,000,254	13,778	(73)	413,000	523,377	936,377	1,706,054	260,059	509,618

Note: G.O. Bonds only

## KETCHIKAN GATEWAY BOROUGH

## Ratios of General Bonded Debt Outstanding

June 30, 2016

Fiscal Year	General Obligation Bonds Governmental Type	Loans and Leases	Certificates of Participation	Total Debt	Personal Income	Total Debt/Personal Income	Percentage of Actual Taxable Value of Property (1)	Per Capita
2007	\$ 29,630,000	296,538	-	29,926,538	601,099,236	5.0%	3.2%	2,286
2008	27,290,000	260,062	-	27,550,062	602,225,550	4.6%	2.6%	2,120
2009	24,965,000	1,099,280	-	26,064,280	675,557,520	3.9%	2.2%	2,007
2010	46,810,000	586,677	-	47,396,677	701,208,310	6.8%	3.9%	3,517
2011	47,925,000	294,937	4,700,000	52,919,937	641,490,192	8.2%	4.6%	3,867
2012	44,855,000	95,184	4,570,000	49,520,184	704,907,500	7.0%	4.8%	3,601
2013	46,975,000	48,741	4,435,000	51,458,741	598,441,968	8.6%	4.6%	3,692
2014	43,805,000	-	4,295,000	48,100,000	712,974,336	6.7%	3.7%	3,471
2015	40,430,000	-	4,155,000	44,585,000	693,323,750	6.4%	3.2%	3,225
2016	36,950,000	-	4,010,000	40,960,000	690,966,700	5.9%	3.0%	2,973

1 Assessment data in table 5

**KETCHIKAN GATEWAY BOROUGH**  
*Direct and Overlapping Governmental Activities Debt*  
 June 30, 2016

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Governmental Unit

Ketchikan Gateway Borough	
Total Direct Debt	
Outstanding G.O. Bonds	\$ 36,950,000
Certificates of Participation	<u>4,010,000</u>
Total Direct Debt	40,960,000
City of Ketchikan Direct Debt	<u>55,550,000</u>
Total Direct and Overlapping Debt	<u>\$ 96,510,000</u>

The figures reported for the City of Ketchikan reflect the amounts shown in the FY2015 Comprehensive Annual Financial Report for the year ended December 31, 2015.

**KETCHIKAN GATEWAY BOROUGH**

*Revenue Bond Coverage*  
*Ketchikan International Airport*  
 Last Ten Years  
 June 30, 2016

Fiscal Year	Gross Revenues - (1)	Operating Expenses - (2)	Net Revenue Available for Debt Service	Debt Service Requirements - (3)			Coverage
				Principal	Interest	Total	
2007	\$ 3,865,146	3,588,605	276,541	205,000	169,776	374,776	0.74
2008	4,337,157	3,593,216	743,941	220,000	159,795	379,795	1.96
2009	4,022,364	4,058,174	(35,810)	235,000	138,758	373,758	(0.10)
2010	3,768,310	3,957,424	(189,114)	250,000	127,483	377,483	(0.50)
2011	4,212,118	4,240,937	(28,819)	260,000	115,627	375,627	(0.08)
2012	4,570,795	4,617,663	(46,868)	165,000	69,393	234,393	(0.20)
2013	7,160,408	4,791,025	2,369,383	955,000	84,840	1,039,840	Redeemed
2014	5,074,329	4,811,900	262,429	-	-	-	-
2015	5,255,866	4,518,757	737,109	-	-	-	-
2016	5,470,152	4,782,916	687,236	-	-	-	-

- (1) Total revenues (including interest), plus State Operating Grants, plus revenues from Passenger Facility Charges (PFC fund).
- (2) Total operating expenses exclusive of depreciation.
- (3) Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the Airport enterprise fund or debt defeasance transactions.

**KETCHIKAN GATEWAY BOROUGH***Demographic Statistics*

Last Ten Years

June 30, 2016

Fiscal Year	Borough Population	Personal Income	Alaska Per Capita Income - (1)	Annual Average Unemployment Rate	Education - (2)			
					Borough School Enrollment	Number of Attendance Centers	Number of Classrooms	Number of Teachers FTE
2007	13,089	\$ 601,099,236	45,924	5.00%	2,265	7	147	158
2008	12,993	602,225,550	46,350	6.20%	2,166	7	147	158
2009	12,984	675,557,520	52,030	7.78%	2,115	7	147	163
2010	13,477	701,208,310	52,030	7.78%	2,110	7	147	159
2011	13,686	641,490,192	46,872	7.20%	2,100	7	147	159
2012	13,750	704,907,500	51,266	7.20%	2,167	7	147	152
2013	13,938	598,441,968	42,936	4.20%	2,201	7	147	152
2014	13,856	712,974,336	51,456	6.80%	2,266	7	147	154
2015	13,825	693,323,750	50,150	6.10%	2,360	7	147	154
2016	13,778	690,966,700	50,150	6.00%	2,365	7	147	154

(1) Census and Capita Income per State of Alaska Department of Labor. Data not available for Fiscal Year 2016 as of the publication date for this report. An estimate has been used instead.

(2) <http://www.eed.state.ak.us/stats/DistrictEnrollment/2015DistrictEnrollment.pdf>

*Principal Employers Calendar Year 2015 and Ten Years Ago*  
June 30, 2016

Calendar Year Employer	2015			2006		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Trade, Transportation and Utilities	1,649	1	22.10%	1,885	1	26.30%
Local Government	1,158	2	15.52%	1,052	2	14.68%
Educational & Health Services	937	3	12.56%	683	4	9.53%
Leisure & Hospitality	882	4	11.82%	841	3	11.73%
State of Alaska	659	5	8.83%	672	5	9.37%
Manufacturing	531	6	7.12%	435	6	6.07%
Financial Activities	366	7	4.91%	337	7	4.70%
Construction	364	8	4.88%	277	9	3.86%
Professional & Business Services	282	9	3.78%	223	10	3.11%
US Federal Government	236	10	3.16%	301	8	4.20%
Other	182	11	2.44%	197	11	2.74%
Natural Resource and Mining Information	129	12	1.73%	165	12	2.30%
	86	13	1.15%	101	13	1.41%
	<u>7,461</u>		<u>100.00%</u>	<u>7,169</u>		<u>100.00%</u>

Due to federal confidentiality laws employer identifying information such as employment ranges, numbers or ranking are not available. Employment by NAICS Industry Category is reflected for the Ketchikan Gateway Borough.

Source: State of Alaska, Department of Labor  
<http://labor.alaska.gov/research/qcew/ee05.pdf> and  
<http://labor.alaska.gov/research/qcew/ee15.pdf>

## KETCHIKAN GATEWAY BOROUGH

Miscellaneous Statistics  
June 30, 2016

	Date of Incorporation & Code of Ordinances Adopted- 1963 Form of Government - Elected Assembly - Manager Second-Class Borough									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<i>Ketchikan Gateway Borough</i>										
Borough, square miles	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	1,733
Revillagigedo Island, square miles	1,129	1,129	1,129	1,129	1,129	1,129	1,129	1,129	1,129	1,129
Gravina Island, square miles	96	96	96	96	96	96	96	96	96	96
<i>Animal Protection</i>										
Licenses Issued *	725	824	808	833	820	828	774	810	775	761
Animals Impounded	259	296	251	441	411	392	362	509	475	424
Animals Surrendered	166	148	161	192	303	310	296	309	278	315
Animals Adopted	210	170	162	224	209	182	130	121	109	169
Animals Claimed	122	126	117	112	124	136	161	171	184	118
* Effective July 2016, licenses are valid for one, two or three years to match with rabies expiration dates. Prior licenses have been valid for one year only.										
<i>Employees by function</i>										
General Government	24	24	24	22	23	24	25	24	23	24
Fire and EMS	5	5	5	5	5	4	4	4	4	5
Public services	12	12	12	11	11	13	13	14	12	11
Parks and Recreation	15	15	15	15	15	15	15	15	15	14
Public works	12	12	12	15	14	19	23	20	22	21
Transit	13	14	12	12	12	11	9	9	9	9
Automation	1	1	1	1	1	1	1	1	1	1
Airport	27	27	27	27	27	27	28	27	27	27
	109	110	108	108	108	114	118	114	113	112
<i>South Tongass Volunteer Fire Department</i>										
Stations	2	2	1	1	1	1	1	1	1	1
Volunteers	35	35	36	36	35	39	43	39	40	38
Fire Calls	53	41	32	31	33	67	34	29	8	15
Emergency Calls/EMS Incidents	124	135	121	141	113	101	96	125	102	104
Fire Investigations	6	7	6	5	7	6	5	7	4	15
<i>North Tongass Volunteer Fire Department</i>										
Stations	2	2	2	2	2	2	2	2	2	2
Volunteers	18	21	26	24	20	24	23	26	31	31
Fire Calls	16	10	21	40	26	24	25	43	37	28
Emergency Calls/EMS Incidents	186	154	207	156	113	126	145	149	95	84
Fire Investigations	0	1	1	1	0	0	0	0	0	0
<i>Elections</i>										
Registered Voters	10,286	10,071	9,963	9,836	10,065	10,105	10,354	10,255	10,380	10,253
Votes Cast Last Borough Election	2,762	2,204	2,233	2,407	1,554	1,849	2,127	2,189	2,456	2,528
% Voting Last Borough Election	27%	22%	22%	24%	15%	18%	21%	21%	24%	25%

## KETCHIKAN GATEWAY BOROUGH

Miscellaneous Statistics  
June 30, 2016

	Date of Incorporation & Code of Ordinances Adopted- 1963 Form of Government - Elected Assembly - Manager Second-Class Borough									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<i>Sewer &amp; Water Plants</i>										
<b>Wastewater Enterprise Fund:</b>										
Miles of Sanitary Sewers	8	8	8	8	6	6	6	6	6	6
Average Daily Treatment (Sewer gals)	180,000	180,000	180,000	180,000	100,000	100,000	100,000	100,000	47,000	47,000
Treatment Capacity (Sewer gals)	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	330,000	330,000
Sewer Connections	628	613	598	580	522	522	522	522	257	257
Sludge Pumping Customers	1,281	1,254	1,241	1,235	1,231	1,231	Not available	Not available	Not available	Not available
<b>South Tongass Service Area:</b>										
Water, Hydrant, Connections	485	427	405	404	402	402	402	402	327	327
Average Daily Treatment (Water gals)	175,000	175,000	175,000	175,000	149,533	149,533	149,533	149,533	92,580	92,580
Treatment Capacity (Water gals)	288,000	288,000	288,000	288,000	288,000	288,000	288,000	288,000	288,000	288,000
<b>Municipal Parks</b>										
Developed Parks	15	15	15	15	15	15	15	15	15	15
Developed Acres	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564	6,564
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Lighted Ball Fields	7	7	7	7	7	7	7	7	7	6
<b>Ketchikan International Airport (Calendar YR)</b>										
Inbound Passengers	88,000(est)	88,301	89,013	102,390	100,568	99,072	96,160	100,851	119,376	125,295
Outbound Passengers	85,000(est)	84,166	86,718	101,947	100,054	98,262	95,050	99,650	112,746	119,451
<b>Airport Ferry</b>										
Passengers	350,000(est)	349,493	354,728	347,939	337,255	337,996	336,422	381,961	449,790	418,291
Vehicles	84,000(est)	83,148	85,783	79,648	79,847	76,243	83,690	105,653	127,516	106,276
<b>Transit</b>										
Passengers	448,585	414,297	403,884	458,703	406,164	346,249	307,999	265,536	226,356	153,377
<b>Visitor Industry</b>										
Cruise Ship Passengers (calendar year)	800,000est	856,653	812,950	791,108	778,899	835,325	925,517	930,459	897,834	899,638
<i>Data supplied by Ketchikan Gateway Borough Department Directors</i>										



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