

The background of the entire page is a photograph of a sunset. The sky is filled with vibrant colors of orange, red, and purple, with scattered clouds catching the light. Below the horizon, a range of dark mountains is visible. In the foreground, the silhouettes of evergreen trees frame the scene on the left and right sides.

Ketchikan Gateway Borough
Ketchikan, Alaska

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

*Photo provided by Rod Short
Photo may not be reproduced without the permission of the photographer.*

KETCHIKAN GATEWAY BOROUGH

Ketchikan, Alaska

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2017

Prepared by:

Department of Finance

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



THIS PAGE INTENTIONALLY LEFT BLANK

Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2017

TABLE OF CONTENTS

Introductory Section

Letter of Transmittal	1
GFOA Certificate of Achievement	5
Organizational Chart	6
List of Principal Officials	7

Financial Section

Independent Auditors' Report	9
---	---

Management's Discussion and Analysis	13
---	----

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position	30
Statement of Activities	32

Fund Financial Statements:

Governmental Funds:

Balance Sheet	34
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	36
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	40
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual: <i>General Fund</i>	41
<i>Land Trust Special Revenue Fund</i>	42
<i>School Bond/Capital Improvements Fund</i> <i>Special Revenue Fund</i>	43
<i>Local Education Special Revenue Fund</i>	44

Proprietary Funds:

Statement of Net Position	46
Statement of Revenues, Expenses, and Changes in Fund Net Position	47
Statement of Cash Flows	48

Notes to the Basic Financial Statements	51
---	----

Required Supplementary Information

Schedule of Borough Information on NPL – PERS	93
Schedule of Borough Contributions – PERS	94
Schedule of Borough Contributions – IBEW	95
Notes to the Required Supplementary Information	96

Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2017

Other Supplementary Information

Combining and Individual Fund Financial Statements and Schedules:

Governmental Funds

Nonmajor Governmental Funds:

Combining Balance Sheet – By Fund Type	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances By Fund Type	101

Nonmajor Special Revenue Funds:

Combining Balance Sheet	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	106

Nonmajor Debt Service Funds:

Combining Statement of Revenues, Expenditures and Changes in Fund Balances	112
--	-----

General Fund:

Comparative Balance Sheet.....	116
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	118

Special Revenue Funds:

Major Special Revenue Funds:

<i>Land Trust Special Revenue Fund</i>	
Comparative Balance Sheet.....	120
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	121
<i>School Bond/Capital Improvements Special Revenue Fund</i>	
Comparative Balance Sheet	122
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	123
<i>Local Education Special Revenue Fund</i>	
Comparative Balance Sheet.....	124
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	125
<i>State & Federal Grants Special Revenue Fund</i>	
Comparative Balance Sheet	126
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	127

Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2017

Nonmajor Special Revenue Funds:

<i>Airport PFC Special Revenue Fund</i>	
Comparative Balance Sheet.....	130
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	131
<i>Commercial Passenger Vessel Special Revenue Fund</i>	
Comparative Balance Sheet	132
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	133
<i>Economic Development Assistance Program Special Revenue Fund</i>	
Comparative Balance Sheet	134
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	135
<i>Forest Park Service Area Special Revenue Fund</i>	
Comparative Balance Sheet	136
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	137
<i>Gold Nugget Service Area Special Revenue Fund</i>	
Comparative Balance Sheet	138
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	139
<i>Homestead Service Area Special Revenue Fund</i>	
Comparative Balance Sheet.....	140
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	141
<i>Loring Service Area Special Revenue Fund</i>	
Comparative Balance Sheet	142
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	143
<i>Mud Bight Service Area Special Revenue Fund</i>	
Comparative Balance Sheet	144
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	145
<i>Nichols View Service Area Special Revenue Fund</i>	
Comparative Balance Sheet	146
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	147
<i>Nonareawide Library Special Revenue Fund</i>	
Comparative Balance Sheet.....	148
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	149
<i>North Tongass Fire and EMS Service Area Special Revenue Fund</i>	
Comparative Balance Sheet	150
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	151

Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2017

Nonmajor Special Revenue Funds, continued:

<i>Recreation Sales Tax Special Revenue Fund</i>	
Comparative Balance Sheet.....	152
Comparative Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	153
<i>South Tongass Service Area Special Revenue Fund</i>	
Comparative Balance Sheet.....	154
Comparative Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	155
<i>Tobacco Tax Special Revenue Fund</i>	
Balance Sheet.....	156
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	157
<i>Waterfall Service Area Special Revenue Fund</i>	
Comparative Balance Sheet.....	158
Comparative Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	159

Capital Projects Fund:

Comparative Balance Sheet.....	162
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	163

Proprietary Funds:

Major Enterprise Funds:

<i>Airport Enterprise Fund</i>	
Comparative Statement of Net Position.....	166
Comparative Statement of Revenues, Expenses, and Changes in Net Position.....	167
Comparative Statement of Cash Flows.....	168
<i>Wastewater Enterprise Fund</i>	
Comparative Statement of Net Position	170
Comparative Statement of Revenues, Expenses, and Changes in Net Position	171
Comparative Statement of Cash Flows.....	172

Internal Service Funds

Combining Statement of Net Position	176
Combining Statement of Revenues, Expenses and Changes in Net Position	177
Combining Statement of Cash Flows	178
<i>School District Self-Insured Insurance Internal Service Fund</i>	
Comparative Statement of Net Position	180
Comparative Statement of Revenues, Expenses, and Changes in Net Position	181
<i>Borough Self-Insured Insurance Internal Service Fund</i>	
Comparative Statement of Net Position	182
Comparative Statement of Revenues, Expenses and Changes in Net Position	183

Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2017

Statistical Section
(Unaudited)

Revenues and Expenditures/Expenses

Government-wide Statement of Net Position.....	187
Changes in Net Position.....	188
Fund Balances, Governmental Funds.....	190
Changes in Governmental Fund Balances	191

Tax Data

Assessed Value and Actual Value of Taxable Property.....	192
Principal Property Tax Payers.....	193
Property Tax Levies and Collections	194
Taxable Sales by Category.....	195

Long-term Debt

Current Year Debt Service by Type.....	196
Ratios of General Bonded Debt Outstanding	197
Direct and Overlapping Governmental Activities Debt.....	198
Revenue Bond Coverage – Ketchikan International Airport	199

Other Data

Demographic Statistics.....	200
Principal Employers Current Year and Nine Years Ago	201
Miscellaneous Statistical.....	202



THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION



THIS PAGE INTENTIONALLY LEFT BLANK



KETCHIKAN GATEWAY BOROUGH

1900 First Avenue, Suite 118, Ketchikan, Alaska 99901

Cynna Gubatayao, Finance Director

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

Office of the Borough Finance Department

December 21, 2017

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, 2017. 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 Teuscher Walpole, LLC. 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 Teuscher Walpole, LLC. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Borough for the year ended June 30, 2017, 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, 2017 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, 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 or February. 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.

At June 30, 2017, 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	\$ 12,827,703	13,672,195	26,499,898
PERS NonEmployer (State)	<u>1,616,658</u>	<u>3,660,677</u>	<u>5,277,335</u>
	14,444,361	17,332,872	31,777,233
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	12,827,703	26,628,579	39,456,282
Total NonEmployer (State)	<u>1,616,658</u>	<u>24,372,585</u>	<u>25,989,243</u>
	<u>\$ 14,444,361</u>	<u>51,001,164</u>	<u>65,445,525</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, 2016. This is the eleventh 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.

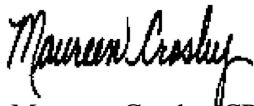
The preparation of the CAFR requires input from the professional staff of the Finance Department. Without their efforts, it would not have been possible to produce this report. We would like to thank the following staff members for their efforts and contributions:

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**

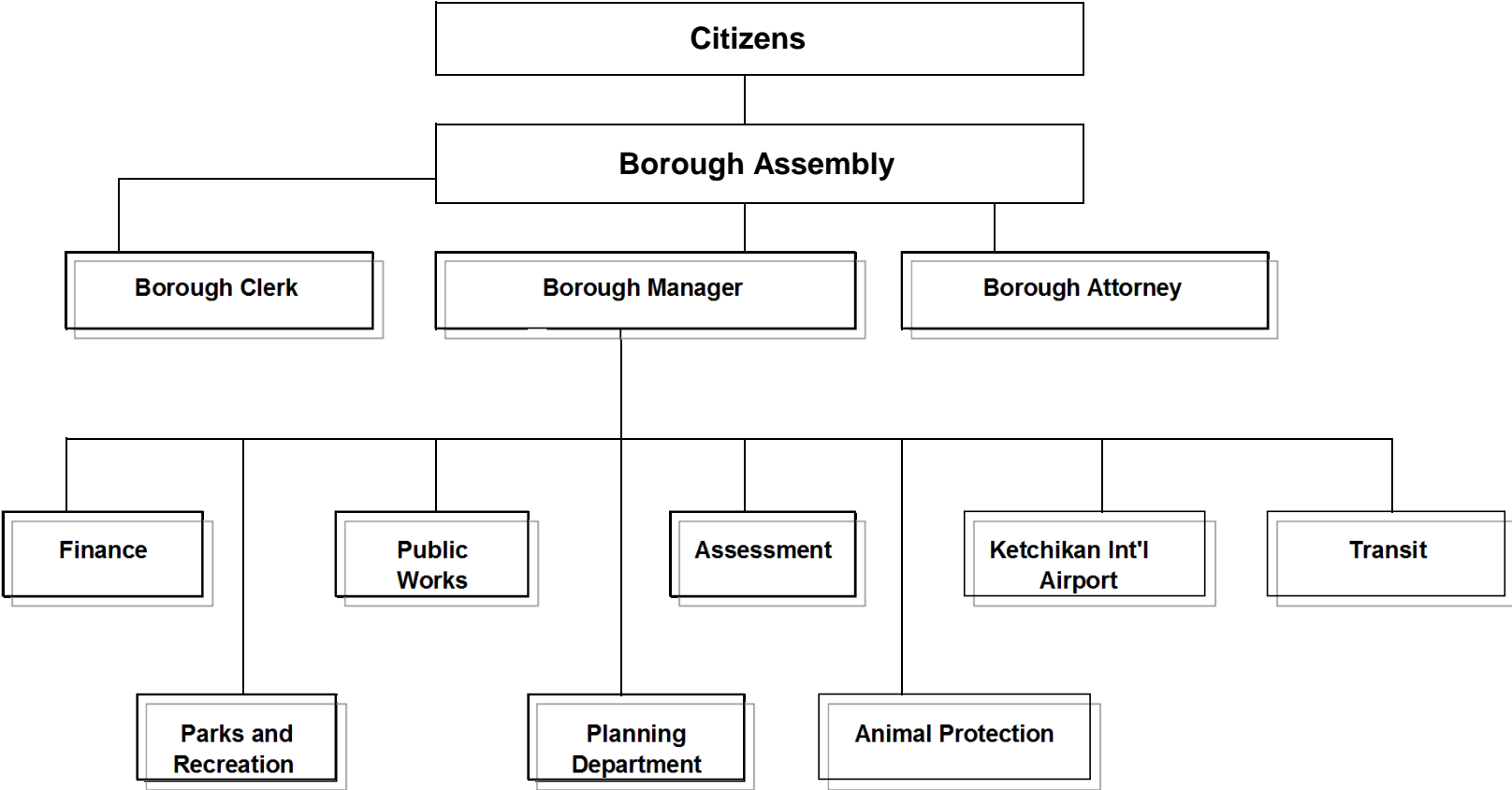
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2017



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2017

MAYOR AND ASSEMBLY

<i>Mayor</i>	David Landis
<i>Vice-Mayor</i>	Stephen Bradford
<i>Assembly Member</i>	Rodney Dial
<i>Assembly Member</i>	John Harrington
<i>Assembly Member</i>	Judith McQuerry
<i>Assembly Member</i>	Mike Painter
<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>	Ruben Duran
<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



THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION



THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Borough Assembly
Ketchikan Gateway Borough
Ketchikan Alaska

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, 2017, and the related notes to the financial statements, which collectively comprise Ketchikan Gateway 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 from material misstatement.

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

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

Opinions

In our opinion, 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, 2017, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Land Trust Special Revenue Fund, School Bond Capital Improvements Special Revenue Fund, and Local Education Special Revenue Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13-28 and the Public Employees Retirement System Schedule of Net Pension Liability, and the Schedule of Pension Contributions, and the IBEW Pension Contributions on page 93–95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ketchikan Gateway Borough's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections 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 21, 2017, 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 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.

Teuscher Walpole, LLC

December 21, 2017



THIS PAGE INTENTIONALLY LEFT BLANK



THIS PAGE INTENTIONALLY LEFT BLANK

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

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, 2017. 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 \$170,804,145 for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$149,590,769 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 \$14,602,379 is restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$6,610,997 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 \$30,682,912 this year. This compares to the prior year ending fund balance of \$31,015,588, showing a decrease of \$332,676 during the current year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$8,781,038 or 84.16% of total General Fund expenditures, exclusive of transfers to other funds. This is compared to the fiscal year 2016 unassigned fund balance of \$8,395,444, which was 45.4% of total General Fund expenditures, exclusive of transfers to other funds. The change of 38.76% is due to the establishment of the Local Education Fund and school appropriations no longer being paid out of the General Fund.
- The Borough's mill rate is currently 5.0 and has been at this rate for 6 years, it was reduced from 5.8 in 2011. Beginning in fiscal year 2017, the entire 5.0 mills goes to the Local Education Fund.

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, 2017

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.

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

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.

Government-wide Financial Analysis

Statement of Net Position

The Borough's net position at fiscal year-end is \$170,804,145. The following table provides a summary of the Borough's net position.

(This page continued on the subsequent page).

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current assets	\$ 37,471,225	36,316,478	3,089,964	1,838,856	40,561,189	38,155,334
Receivable from Component Unit	490,952	463,628	-	-	490,952	463,628
Capital assets	159,049,308	163,117,942	26,992,069	28,320,766	186,041,377	191,438,708
Total Assets	197,011,485	199,898,048	30,082,033	30,159,622	227,093,518	230,057,670
Deferred Outflows of Resources:						
Loss on refunding	322,021	424,402	-	-	322,021	424,402
Related to pensions	2,120,541	1,056,256	912,434	454,280	3,032,975	1,510,536
Total Assets and Deferred Outflows of Resources	\$ 199,454,047	201,378,706	30,994,467	30,613,902	230,448,514	231,992,608
Liabilities:						
Current liabilities	\$ 11,466,693	10,223,943	286,437	396,292	11,753,130	10,620,235
Long-term liabilities	43,843,641	45,331,901	3,904,611	2,762,389	47,748,252	48,094,290
Total Liabilities	55,310,334	55,555,844	4,191,048	3,158,681	59,501,382	58,714,525
Deferred Inflows of Resources:						
Related to pensions	99,988	111,787	42,999	48,078	142,987	159,865
Total Liabilities and Deferred Inflows of Resources	55,410,322	55,667,631	4,234,047	3,206,759	59,644,369	58,874,390
Net Position:						
Net investment in capital assets	122,598,700	123,108,660	26,992,069	28,320,766	149,590,769	151,429,426
Restricted	14,602,379	6,865,378	-	-	14,602,379	6,865,378
Unrestricted (deficit)	6,842,646	15,737,037	(231,649)	(913,623)	6,610,997	14,823,414
Total Net Position	\$ 144,043,725	145,711,075	26,760,420	27,407,143	170,804,145	173,118,218

Approximately 13.9% or \$4,535,677, of Ketchikan Gateway Borough's cash and investments are subject to external restrictions on how they must be used. \$410,397 is restricted for debt in the Land Trust Fund, \$2,460,412 is restricted for capital projects, and \$1,664,868 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 79.9% of total assets and deferred outflows of resources and net investment in capital assets accounts for 85.3% of total net position. The Borough's capital assets include land, Borough buildings and

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

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 87.1% 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. 100.01% of the Borough's total net position is included in capital assets. Net investment in capital assets for governmental activities decreased by \$509,960 and net investment in capital assets for business type activities decreased by \$1,328,697.

Changes in Net Position

The Borough's total net position decreased by \$2,314,073 in 2017. The net position for governmental activities decreased by \$1,667,350 and the net position for business-type activities decreased by \$646,723. The following table provides a summary of the changes in the Borough's net position:

(This page continued on the subsequent page).

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

Summary of Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program:						
Charges for services	\$ 7,538,008	8,006,966	6,262,203	5,728,006	13,800,211	13,734,972
Operating grants	2,110,949	3,330,138	172,675	3,332	2,283,624	3,333,470
Capital grants	2,161,683	5,189,749	123,136	1,731,076	2,284,819	6,920,825
General:						
Taxes	18,058,081	17,113,779	-	-	18,058,081	17,113,779
Other	4,650,854	4,691,727	89,788	122,265	4,740,642	4,813,992
Total revenues	<u>34,519,575</u>	<u>38,332,359</u>	<u>6,647,802</u>	<u>7,584,679</u>	<u>41,167,377</u>	<u>45,917,038</u>
Program Expenses:						
General government	4,017,111	3,517,224	-	-	4,017,111	3,517,224
Fire and EMS	1,577,017	1,438,761	-	-	1,577,017	1,438,761
Water treatment & distribution	235,529	224,652	-	-	235,529	224,652
Library services	402,279	390,575	-	-	402,279	390,575
Parks and recreation	3,617,576	3,432,887	-	-	3,617,576	3,432,887
Public works	1,059,778	1,168,318	-	-	1,059,778	1,168,318
Public services	4,842,281	5,306,734	-	-	4,842,281	5,306,734
Transit	2,498,261	2,384,212	-	-	2,498,261	2,384,212
Education	15,879,303	16,182,438	-	-	15,879,303	16,182,438
Interest	1,885,487	1,957,353			1,885,487	1,957,353
Airport	-	-	6,471,321	5,874,984	6,471,321	5,874,984
Wastewater	-	-	995,507	986,801	995,507	986,801
Total expenses	<u>36,014,622</u>	<u>36,003,154</u>	<u>7,466,828</u>	<u>6,861,785</u>	<u>43,481,450</u>	<u>42,864,939</u>
Excess (deficiency)	(1,495,047)	2,329,205	(819,026)	722,894	(2,314,073)	3,052,099
Transfers	<u>(172,303)</u>	<u>(299,765)</u>	<u>172,303</u>	<u>299,765</u>	<u>-</u>	<u>-</u>
Change in net position	(1,667,350)	2,029,440	(646,723)	1,022,659	(2,314,073)	3,052,099
Net Position Beginning 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>
Net Position End of Year	<u>\$ 144,043,725</u>	<u>145,711,075</u>	<u>26,760,420</u>	<u>27,407,143</u>	<u>170,804,145</u>	<u>173,118,218</u>

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

GOVERNMENTAL ACTIVITIES

The Borough is heavily reliant on property and sales taxes to support governmental operations and capital. Property taxes of \$9.2 million accounted for approximately 40.4% of the total general revenues. Sales taxes provided 39.1% of the Borough's total governmental general revenues. The Borough recognized \$36,343 in investment income for fiscal year 2017. 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 32.8% of governmental operating expenses; this is a decrease of 13.1% over the prior year. Program revenues decreased 28.5% from fiscal year 2016. This reduction is mainly due to the Legislative reduction in DEED G.O. bond principal and interest reimbursements, and the recognition of land that was deeded to the Borough from the State of Alaska in fiscal year 2016.

GOVERNMENTAL FUNCTIONAL EXPENSES

- Charges for services decreased by \$468,958, from fiscal year 2016 this decrease occurred because in fiscal year 2016, the Borough billed the school district for in-kind services and in fiscal year 2017 those billings were discontinued.
- Operating grants and contributions decreased by \$1,167,115 due mainly to the reduction in National Forest Receipts.
- Capital grants and contributions decreased by \$3,028,066 due to the Legislative reduction in the funding reimbursements for G.O. bond principal and interest payments and the contribution recognized in fiscal year 2016 for a State of Alaska Patent for property deeded to Ketchikan Gateway Borough.
- General Government expenditures increased by \$499,887 due to an increased allocation of the Borough's Net Pension Liability.
- Parks and Recreation expenditures increased by \$184,689 due to an increased allocation of the Borough's Net Pension Liability, increases in heating oil and electricity. Heat and electricity increased by 14.3% and 16.4% respectively.
- Public Services expenditures decreased by \$464,453 due to a decrease in bad debt expense recognition from fiscal year 2016 and a decrease in grant expenditures attributed to public services.
- Education funding decreased by \$303,135 due to a reduction in the local funding appropriation, which was a result of a one-time payment from the State in fiscal year 2016 of \$340,000.
- Total program expenditures for government funds decreased by \$11,468 or .032%.

BUSINESS-TYPE ACTIVITIES

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 \$586,068 or 11.85% and operating expenses increased by \$724,297 or 12.28%. This is due to an increased allocation of the Borough's Net Pension

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

Liability. Operating grants increased by \$136,513 and is due to contributed capital from grants allocated as operating capital.

Personnel services increased by \$492,119 or 14.9% over 2016. This increase is due to the allocation of pension expense allocated through GASB 68. Supplies and services increased by \$179,746 or 14.41%. This increase is due to asbestos removal on the ARFF building and was reimbursed through a State Designated Legislative grant and recognized as operating grant funds.

Insurance costs decreased slightly and the calculated depreciation increased by \$54,963 or 4.9%. The increase in calculated depreciation is due to the addition of new assets at the end of fiscal year 2016 that were subject to depreciation for the first time in fiscal year 2017.

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 2017. Net position decreased by \$266,444 or 2.8% from fiscal year 2016. Operating revenues decreased by \$51,871 or 6.6%, attributable to the reduction of revenues and an increase to allowance for doubtful accounts for delinquent accounts. The operating expenses increased by \$12,312 or 1.3%, attributable to increases in personnel services and supplies. "Recovery of expenditures from other funds" increased by \$1,272 compared to fiscal year 2016. This increase is due to charges being assessed to the Airport Enterprise Fund. Personnel services increased by \$7,033 or 4.18%. Supplies and services increased by \$4,783 or 1.08%. Insurance costs decreased slightly and depreciation increased nominally.

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 \$30,682,912. Of this year-end total, \$8,781,038 is unassigned. Legally restricted fund balances in the amount of \$16,372,064 include \$723,820 for airport projects, \$2,306,766 for capital projects, \$2,109,533 for commercial passenger vessel impact, \$12,340 for dock improvements, \$7,201,935 for education, \$153,412 for library operations, \$1,025,748, for public safety and water, \$2,462,040 for recreation, and \$376,470 for road maintenance. Fund balances are committed in total for \$4,747,303, consisting of \$361,181 for interfund loans and \$4,386,122 for Borough owned land management. Fund balances totaling \$782,507 are assigned for economic development. The total ending fund balances of governmental funds decreased by \$332,676 or 1.1% from fiscal year 2016.

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 increased by \$385,584, a 5% increase, however, the fund balance had a 18.5% decrease largely due to the transfer of \$2,724,685 to the Schools Reserve Fund as disclosed in Note 3-E. In total, the Borough under expended the total General Fund's amended budget for expenditures by \$844,046.

Total taxes collected were \$234,300 more than budgeted. No property taxes were budgeted in the General Fund in fiscal year 2017, they are now budgeted in the Local Education Fund. \$31,285 in delinquent property taxes were received in the General Fund. Taxes reported include automobile, sales, and penalties and interest.

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

Intergovernmental revenues were \$1,119,415 more than budgeted and were \$1,438,648 less than fiscal year 2016. The decrease from fiscal year 2016 is because National Forest Receipts were budgeted and deposited to the Local Education Fund. Federal PILT was not budgeted in fiscal year 2017 and \$1,128,941 was received.

State revenue sharing of \$397,754 was received in fiscal year 2017. The State Legislature provided \$255,018 in PERS relief to Ketchikan Gateway Borough and \$160,766 of the total relief was recognized in the General Fund. Total General Fund expenditures and transfers out decreased by \$10,987,892 or 51.1% over fiscal year 2016. The decrease in total expenditures and transfers out is due to local education funding being moved to a new special revenue fund.

Charges for services were \$130,389 less than budgeted primarily due to service fees to Ketchikan Gateway Borough School District that were budgeted, but never charged. Charges for services in fiscal year 2017 were \$708,215 less than fiscal year 2016 because services fees to Ketchikan Gateway Borough School District were budgeted and collected in fiscal year 2016, but were not collected in fiscal year 2017. In prior years the Borough had an agreement with the School District to bill for in-kind services. However, in fiscal year 2017, DEED determined that the in-kind services were not allowable and those billings were discontinued.

All general government departments with the exception of the Manager and Transit departments under spent their final budgets. A favorable variance in revenue collections of \$1,234,738 and a favorable variance in expenditures and transfers out of \$844,046 increased the projected net change in fund balance by \$2,078,784. Sales tax collections were \$197,238 more than fiscal year 2016 and \$198,835 more than budgeted for fiscal year 2017.

Land Trust Fund – During fiscal year 2017, charges for services, land sales, investment earnings, and miscellaneous revenue brought total revenues to \$1,331,132. The Borough entered into an agreement with Alcan Forest Products, LP for the sale of timber located on land in Blank Inlet. The timber was harvested via helicopter, targeting high value trees only. The proceeds from the timber sale were \$275,871 and were recognized as miscellaneous revenue. The Land Trust Fund expended \$343,147 for public services. The Land Trust Fund transferred \$301,994 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 \$217,291 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 \$468,700 increase or 11.0%.

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, school capital projects that would qualify for bonding, and insurance on school buildings. This fund recognized \$1,759,580 in sales tax revenue, \$1,926,565 in debt reimbursement revenues, and \$4,998 in penalties and interest. Debt reimbursement was budgeted at \$2,452,701 and \$1,926,565 was received. The difference of \$526,136 is a 21.5% reduction due to a decrease in Legislative funding. This fund transferred out \$3,507,317 for G.O. bond principal and interest payments into Debt Service Funds, \$162,555 to the Recreation CIP Fund and \$73,404 to the Local Education Fund for building insurance. This fund also expended \$33,059 towards a generator at the Ketchikan High School, and \$68,929 towards the Houghtaling Bus Pull Off project. The ending fund balance decreased by \$118,478 or 2.3%.

Local Education Special Revenue Fund – This fund is used to account for the receipt of property taxes, National Forest Receipts and tobacco tax proceeds, and to process payments for local education support. Property tax collections were \$5,605 more than budgeted. Excise taxes on tobacco were budgeted at \$331,500 as excise taxes. However, those taxes were receipted in the Tobacco Tax Special Revenue Fund and then eighty-five percent were transferred in to the Local Education Fund. Total transfers in to the Local Education

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

Fund were \$449,866. \$376,462 was from the Tobacco Tax Fund and \$73,404 was from the School Bond CIP Fund for school building insurance. National Forest Receipts was budgeted at \$750,000 and \$85,016 was received.

State & Federal Grants Fund – During the current fiscal year, the Borough received \$598,138 in State and Federal grants. The Borough expended \$292,248 on public services and \$47,961 towards governmental capital projects.

Capital Projects Fund – Construction continues on several school facility projects. Total construction costs were \$153,749 and \$199,967 for public services. Investment earnings of \$742 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.

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, 2017, was \$159,049,308 and \$26,992,069 respectively. The total change in net book value of capital assets was a decrease of 3.5% for governmental and a 4.2% decrease for business-type activities. The overall change was a 3.5% 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).

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Non-depreciable assets:						
Art	\$ 7,500	-	-	-	7,500	-
Land	39,625,899	39,910,399	-	-	39,625,899	39,910,399
Construction in progress	<u>490,283</u>	<u>29,277</u>	<u>38,806</u>	<u>724,638</u>	<u>529,089</u>	<u>753,915</u>
Total non-depreciable	<u>40,123,682</u>	<u>39,939,676</u>	<u>38,806</u>	<u>724,638</u>	<u>40,162,488</u>	<u>40,664,314</u>
Depreciable assets:						
Buildings and improvements	153,906,248	153,749,767	17,334,237	16,499,048	171,240,485	170,248,815
Vehicles, ferry and equipment	8,122,131	8,083,433	16,395,977	16,395,977	24,518,108	24,479,410
Wastewater assets	-	-	14,128,639	14,110,815	14,128,639	14,110,815
Infrastructure	<u>16,449,120</u>	<u>15,785,709</u>	<u>-</u>	<u>-</u>	<u>16,449,120</u>	<u>15,785,709</u>
Total depreciable assets	178,477,499	177,618,909	47,858,853	47,005,840	226,336,352	224,624,749
Less accumulated depreciation	<u>59,551,873</u>	<u>54,440,643</u>	<u>20,905,590</u>	<u>17,976,970</u>	<u>80,457,463</u>	<u>72,417,613</u>
Book value - depreciable assets	<u>118,925,626</u>	<u>123,178,266</u>	<u>26,953,263</u>	<u>29,028,870</u>	<u>145,878,889</u>	<u>152,207,136</u>
Percentage depreciated	<u>33%</u>	<u>31%</u>	<u>44%</u>	<u>38%</u>	<u>36%</u>	<u>32%</u>
Book value - all assets	<u>\$ 159,049,308</u>	<u>163,117,942</u>	<u>26,992,069</u>	<u>29,753,508</u>	<u>186,041,377</u>	<u>192,871,450</u>

At June 30, 2017, the depreciable capital assets for governmental activities were 33% depreciated. This is a 2% increase from fiscal year 2016. 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 and for Wastewater projects.

With the Borough's business type activities, 44% of the asset values were depreciated at June 30, 2017 compared to 38% at June 30, 2016. The accumulated depreciation for FY 17 increased 9.4% for governmental activities and increased 16.3% 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.

Major capital asset changes during 2017 included the following:

General Governmental Assets:

- Construction continued on the Animal Shelter Building improvements and construction in progress was capitalized in the amount of \$201,663, and funded through the General Fund.

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

- Improvements to the Transit Facility and bus wash bay began and construction in progress was capitalized in the amount of \$46,242, and funded through a Federal STP grant.
- Construction began on the South Tongass water plant filter and construction in progress was capitalized in the amount of \$41,202, and funded through the South Tongass Service Area.
- Construction began on the Esther Shea grandstands and construction in progress was capitalized in the amount of \$3,740, and funded through the Recreation CIP Fund.
- Construction began on the Houghtaling School Bus Pull Off and construction in progress was capitalized in the amount of \$103,179, and funded with school bond funds.
- Construction began on the Fawn Mountain sidewalk improvements and construction in progress was capitalized in the amount of \$64,258, and funded with school bond funds.
- Construction was completed on the Dudley Field ADA Upgrades and capitalized in the amount of \$445,119, and funded through the Recreation CIP Fund.
- Improvements were completed on the Gateway Recreation and Aquatic Center HVAC Upgrades and capitalized in the amount of \$101,960, and funded through the Recreation CIP Fund.
- Paving was completed at the North Tongass Fire Department Station 8 and capitalized in the amount of \$106,200, and funded through the North Tongass Fire and EMS Service Area.
- Improvements were completed at Triangle Park and capitalized in the amount of \$96,436, and funded through the Recreation CIP Fund.
- The Valley Park Gym Floor Replacement was completed and capitalized in the amount of \$54,520, and funded through School Bond funds.
- A 2016 Ford Pickup was purchased for the Public Works department and capitalized in the amount of \$35,652, and funded equally through the South Tongass Service Area and the Wastewater Fund.
- A mural entitled "My World" painted by Ricardo Burquez was purchased and capitalized as a "work of art" in the amount of \$7,500, and funded through the Economic Development Fund. The mural is on display at Ketchikan International Airport.

Enterprise Funds:

- Construction was completed on the Airport Terminal Roof Replacement, and current year expenses in the amount of \$32,000 were capitalized, and funded through a State Designated Legislative grant.
- Additional expenses on the Airport Terminal Biomass Heating Project in the amount of \$71,905 were capitalized, and funded through a State Designated Legislative grants.
- A trash compactor was purchased and installed at the Airport and capitalized in the amount of \$39,113, and funded through the Airport Enterprise Fund.

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

- Improvements to the Airport Water and Sewer systems began and were capitalized in the amount of \$19,231 and funded through a State Designated Legislative Grant.
- A 2016 Ford Pickup was purchased for the Public Works department and capitalized in the amount of \$35,652, and funded equally through the South Tongass Service Area and the Wastewater Fund.
- Construction began on the South Tongass Wastewater Main-Shoup Street to Forest Park and construction in progress was capitalized in the amount of \$19,575 and funded through the Wastewater 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 \$3,455,000 of its existing G.O. bonds, and \$150,000 of certificates of participation.

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

Outstanding Long Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 33,495,000	36,950,000	-	-	33,495,000	36,950,000
Certificates of participation	3,860,000	4,010,000	-	-	3,860,000	4,010,000
Compensated absences	610,582	691,599	207,391	220,121	817,973	911,720
Unamortized premiums	1,187,314	1,496,470	-	-	1,187,314	1,496,470
Unamortized loss on refunding	(322,021)	(424,402)	-	-	(322,021)	(424,402)
Net pension liability	<u>8,969,156</u>	<u>6,314,167</u>	<u>2,715,627</u>	<u>1,975,067</u>	<u>11,684,783</u>	<u>8,289,234</u>
Total	<u>\$ 47,800,031</u>	<u>49,037,834</u>	<u>2,923,018</u>	<u>2,195,188</u>	<u>50,723,049</u>	<u>51,233,022</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,

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

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 cruise ship industry generates over 900,000 visitors. In calendar year 2016, 948,089 passengers visited Ketchikan, and commercial passenger vessel tax was collected from 865,428 passengers. 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 2017. Large post-Panamax cruise ships, which can accommodate as many as 3,500 passengers, are expected to enter Alaska waters as soon as 2019. A number of factors, including the health of the tourism industry, affect sales tax proceeds.

In May 2015, Delta Airlines started daily seasonal flights to the Ketchikan International Airport. Plans for the airport include expanding parking and rerouting traffic on the Revilla side, adding a waiting shelter, and a new ferry dock. A new ferry dock will be added to the Gravina side as well, providing redundancy options for the community's critical ferry link to the airport. The Revilla uplands work, funded by multiple federal funding sources, is expected to start in 2018, and is being administered by the State.

The airport terminal is also slated for remodeling and re-roofing, and design is at least 35% complete. The remodel and re-roofing of the existing terminal is being paid for by a State Legislative grant.

Previous airport remodel work and passenger ferry construction was paid for with revenue bonds issued in 2001. Passenger Facility Charges (PFC) initiated in 1999 provided the revenue stream for repaying the bonded debt. The revenue bonds were redeemed in 2013, and the PFC charge will expire in December 2017. At this time, a new PFC application is not anticipated.

Mining Industry

Bokan-Dotson Ridge

The 2014 Alaska Legislature granted authority to the Alaska Industrial Development and Export Authority to issue \$145 million in bonds to finance the infrastructure and construction costs of the Ucore Bokan-Dotson Ridge rare earth element project approximately 40 miles west of Ketchikan. 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

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

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.

Fiscal Challenges at the State Level Impact Borough

With oil prices projected to stay low for the near future, the State is considering alternative revenue sources such as a statewide income or sales tax. The Permanent Fund Dividend has been cut in half for the past two years to help balance the State's budget. Any broad based tax, and continued reduction in Permanent Fund Dividend levels could affect local spending, although reported sales activity throughout the Borough remains steady thus far.

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 fiscal year 2017 debt reimbursement from the State was expected to be \$2,452,701. The Governor's action reduced reimbursements by \$526,136. The debt reimbursement program was fully funded for fiscal year 2017.

State Revenue Sharing

In fiscal year 2016, the State Revenue Sharing Program 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 reduced the amount to \$397,393 in fiscal year 2017, and further reduces the funding to \$369,772 in fiscal year 2018.

Significant Cuts in State Capital Budget

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

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2017

For fiscal year 2017, Ketchikan received \$0 in State General Fund appropriations, and only \$1.5 million in federal funds in the State Capital Budget. For fiscal year 2018, Ketchikan again will not receive any State General Funds and only \$2.0 million in other capital funds.

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
2018	-	2.0	2.0

* \$(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.

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.



THIS PAGE INTENTIONALLY LEFT BLANK

Ketchikan Gateway Borough, Alaska
Statement of Net Position
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and investments	\$ 25,119,544	2,939,674	28,059,218	2,644,470
Restricted cash and investments	4,535,677	-	4,535,677	-
Prepaid items	-	5,941	5,941	-
Receivables	7,626,509	333,844	7,960,353	859,687
Receivable from trust fund	-	-	-	52,860
Internal balances	189,495	(189,495)	-	-
Inventory	-	-	-	56,692
Total Current Assets	<u>37,471,225</u>	<u>3,089,964</u>	<u>40,561,189</u>	<u>3,613,709</u>
Noncurrent Assets				
Long-term receivables:				
Receivable from component unit	490,952	-	490,952	-
Capital assets:				
Nondepreciable capital assets	40,123,682	38,806	40,162,488	354,857
Depreciable capital assets, net	<u>118,925,626</u>	<u>26,953,263</u>	<u>145,878,889</u>	<u>484,084</u>
Total Noncurrent Assets	<u>159,540,260</u>	<u>26,992,069</u>	<u>186,532,329</u>	<u>838,941</u>
Total Assets	<u>\$ 197,011,485</u>	<u>30,082,033</u>	<u>227,093,518</u>	<u>4,452,650</u>
Deferred Outflows of Resources				
Loss on refunding	322,021	-	322,021	-
Related to pensions	2,120,541	912,434	3,032,975	7,237,527
Total Assets and Deferred Outflows of Resources	<u>199,454,047</u>	<u>30,994,467</u>	<u>230,448,514</u>	<u>11,690,177</u>
Liabilities				
Current Liabilities				
Accounts payable	788,242	125,110	913,352	175,914
Accrued salaries and benefits	17,496	-	17,496	250,000
Intergovernmental payable	3,704,387	-	3,704,387	-
Accrued interest payable	516,302	-	516,302	-
Due to component unit	1,376,636	-	1,376,636	-
Payable to agency fund	-	-	-	71,806
Deposits	81,731	-	81,731	-
Claims payable	474,387	-	474,387	-
Unearned revenue	229,101	-	229,101	8,108
Compensated absences payable	523,411	161,327	684,738	-
General obligation bonds payable	3,595,000	-	3,595,000	-
Certificates of participation payable	<u>160,000</u>	<u>-</u>	<u>160,000</u>	<u>-</u>
Total Current Liabilities	<u>11,466,693</u>	<u>286,437</u>	<u>11,753,130</u>	<u>505,828</u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Statement of Net Position, continued
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Long-Term Liabilities, net of current portion				
Compensated absences	87,171	46,064	133,235	77,285
Self insurance payable	-	-	-	490,952
Net pension liability	8,969,156	3,858,547	12,827,703	32,529,382
General obligations bonds payable, including unamortized premium	31,043,908	-	31,043,908	-
Certificates of participation payable, including unamortized premium	<u>3,743,406</u>	<u>-</u>	<u>3,743,406</u>	<u>-</u>
Total Long-Term Liabilities	<u>43,843,641</u>	<u>3,904,611</u>	<u>47,748,252</u>	<u>33,097,619</u>
Total Liabilities	55,310,334	4,191,048	59,501,382	33,603,447
Deferred Inflows of Resources				
Related to pensions	<u>99,988</u>	<u>42,999</u>	<u>142,987</u>	<u>1,580,433</u>
Total Liabilities and Deferred Inflows of Resources	<u>55,410,322</u>	<u>4,234,047</u>	<u>59,644,369</u>	<u>35,183,880</u>
Net Position				
Net investment in capital assets	122,598,700	26,992,069	149,590,769	838,941
Restricted:				
Airport projects	723,820	-	723,820	-
Capital projects	537,081	-	537,081	-
Commercial passenger vessel impact	2,109,533	-	2,109,533	-
Dock improvements	12,340	-	12,340	-
Education	7,201,935	-	7,201,935	-
Library operations	153,412	-	153,412	-
Public safety and water	1,025,748	-	1,025,748	-
Recreation	2,462,040	-	2,462,040	-
Road maintenance	376,470	-	376,470	-
Unrestricted	<u>6,842,646</u>	<u>(231,649)</u>	<u>6,610,997</u>	<u>(24,332,644)</u>
Total Net Position	<u>\$ 144,043,725</u>	<u>26,760,420</u>	<u>170,804,145</u>	<u>(23,493,703)</u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government	\$ 4,017,111	-	78,336	-	(3,938,775)	-	(3,938,775)	
Fire and EMS	1,577,017	285,930	14,652	-	(1,276,435)	-	(1,276,435)	
Water treatment & distribution	235,529	294,097	-	-	58,568	-	58,568	
Library services	402,279	-	-	-	(402,279)	-	(402,279)	
Parks and recreation	3,617,576	802,398	14,072	8,383	(2,792,723)	-	(2,792,723)	
Public works	1,059,778	-	16,506	-	(1,043,272)	-	(1,043,272)	
Public services	4,842,281	786,417	313,754	-	(3,742,110)	-	(3,742,110)	
Transit	2,498,261	206,273	1,028,512	39,578	(1,223,898)	-	(1,223,898)	
Education	15,879,303	5,162,893	89,590	2,113,722	(8,513,098)	-	(8,513,098)	
Interest	1,885,487	-	555,527	-	(1,329,960)	-	(1,329,960)	
Total Governmental Activities	<u>36,014,622</u>	<u>7,538,008</u>	<u>2,110,949</u>	<u>2,161,683</u>	<u>(24,203,982)</u>	<u>-</u>	<u>(24,203,982)</u>	
Business-Type Activities								
Airport	6,471,321	5,533,220	172,675	123,136	-	(642,290)	(642,290)	
Wastewater	995,507	728,983	-	-	-	(266,524)	(266,524)	
Total Business-Type Activities	<u>7,466,828</u>	<u>6,262,203</u>	<u>172,675</u>	<u>123,136</u>	<u>-</u>	<u>(908,814)</u>	<u>(908,814)</u>	
Total Primary Government	<u>43,481,450</u>	<u>13,800,211</u>	<u>2,283,624</u>	<u>2,284,819</u>	<u>(24,203,982)</u>	<u>(908,814)</u>	<u>(25,112,796)</u>	
Component Unit								
Ketchikan Gateway Borough								
School District	\$ 46,465,771	233,588	7,097,839	380,377				\$ (38,753,967)
General Revenues								
Property taxes					\$ 9,175,916	-	9,175,916	-
Sales taxes					8,882,165	-	8,882,165	-
Payment in lieu of taxes					1,154,550	-	1,154,550	-
Grants and entitlements not restricted to specific programs					2,770,696	89,435	2,860,131	24,699,385
E-Rate					-	-	-	90,918
Primary government appropriation					-	-	-	8,071,497
Investment earnings					36,343	353	36,696	66
Miscellaneous					689,265	-	689,265	132,460
Total General Revenues					<u>22,708,935</u>	<u>89,788</u>	<u>22,798,723</u>	<u>32,994,326</u>
Transfers					<u>(172,303)</u>	<u>172,303</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>22,536,632</u>	<u>262,091</u>	<u>22,798,723</u>	<u>32,994,326</u>
Change in Net Position					(1,667,350)	(646,723)	(2,314,073)	(5,759,641)
Net Position Beginning of Year					<u>145,711,075</u>	<u>27,407,143</u>	<u>173,118,218</u>	<u>(17,734,062)</u>
Net Position End of Year					\$ <u>144,043,725</u>	<u>26,760,420</u>	<u>170,804,145</u>	<u>(23,493,703)</u>



THIS PAGE INTENTIONALLY LEFT BLANK

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet
June 30, 2017

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Local Education</u>
Assets				
Cash and investments	\$ 7,206,034	3,851,216	4,088,731	3,402,679
Restricted cash and investments	-	410,397	-	-
Receivables:				
Accounts	45,641	4,285	-	-
Intergovernmental	215,493	-	424,144	85,015
Investment earnings	-	-	-	-
Property taxes	65,872	-	-	34,801
Sales taxes	5,299,941	-	511,567	-
Interfund	344,952	-	-	-
Advances	-	517,414	-	-
Total Assets	<u>\$ 13,177,933</u>	<u>4,783,312</u>	<u>5,024,442</u>	<u>3,522,495</u>
Liabilities				
Accounts payable	\$ 368,900	9,550	-	-
Accrued salaries and benefits	17,496	-	-	-
Intergovernmental payable	3,704,387	-	-	-
Interfund payable	-	-	-	-
Interfund advances payable	-	-	-	-
Due to component unit	-	-	-	1,376,636
Deposits	55,272	26,459	-	-
Unearned revenues	184,968	-	-	-
Total Liabilities	4,331,023	36,009	-	1,376,636
Deferred Inflows of Resources				
Property tax revenues	65,872	-	-	34,801
Total Liabilities and Deferred Inflows of Resources	<u>4,396,895</u>	<u>36,009</u>	<u>-</u>	<u>1,411,437</u>
Fund Balances				
Restricted:				
Airport projects	-	-	-	-
Capital projects	-	-	-	-
Commercial passenger vessel impact	-	-	-	-
Dock improvements	-	-	-	-
Education	-	-	5,024,442	2,111,058
Library operations	-	-	-	-
Public safety and water	-	-	-	-
Recreation	-	-	-	-
Road maintenance	-	-	-	-
Committed:				
Advances receivable	-	361,181	-	-
Borough-owned land management	-	4,386,122	-	-
Assigned:				
Economic development	-	-	-	-
Unassigned	8,781,038	-	-	-
Total Fund Balances	<u>8,781,038</u>	<u>4,747,303</u>	<u>5,024,442</u>	<u>2,111,058</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 13,177,933</u>	<u>4,783,312</u>	<u>5,024,442</u>	<u>3,522,495</u>

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet, continued

	<u>State & Federal Grants</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ -	-	5,827,603	24,376,263
Restricted cash and investments	-	2,460,412	1,664,868	4,535,677
Receivables:				
Accounts	-	-	112,538	162,464
Intergovernmental	56,692	-	2,984	784,328
Investment earnings	-	-	-	-
Property taxes	-	-	8,898	109,571
Sales taxes	-	-	758,638	6,570,146
Interfund	-	-	-	344,952
Advances	-	-	-	517,414
Total Assets	\$ <u>56,692</u>	<u>2,460,412</u>	<u>8,375,529</u>	<u>37,400,815</u>
Liabilities				
Accounts payable	\$ 22,579	153,646	233,567	788,242
Accrued salaries and benefits	-	-	-	17,496
Intergovernmental payable	-	-	-	3,704,387
Interfund payable	34,113	-	180,646	214,759
Interfund advances payable	-	-	195,980	195,980
Due to component unit	-	-	-	1,376,636
Deposits	-	-	-	81,731
Unearned revenues	-	-	44,133	229,101
Total Liabilities	56,692	153,646	654,326	6,608,332
Deferred Inflows of Resources				
Property tax revenues	-	-	8,898	109,571
Total Liabilities and Deferred Inflows of Resources	<u>56,692</u>	<u>153,646</u>	<u>663,224</u>	<u>6,717,903</u>
Fund Balances				
Restricted:				
Airport projects	-	-	723,820	723,820
Capital projects	-	2,306,766	-	2,306,766
Commercial passenger vessel impact	-	-	2,109,533	2,109,533
Dock improvements	-	-	12,340	12,340
Education	-	-	66,435	7,201,935
Library operations	-	-	153,412	153,412
Public safety and water	-	-	1,025,748	1,025,748
Recreation	-	-	2,462,040	2,462,040
Road maintenance	-	-	376,470	376,470
Committed:				
Advances receivable	-	-	-	361,181
Borough-owned land management	-	-	-	4,386,122
Assigned:				
Economic development	-	-	782,507	782,507
Unassigned	-	-	-	8,781,038
Total Fund Balances	<u>-</u>	<u>2,306,766</u>	<u>7,712,305</u>	<u>30,682,912</u>
Total Liabilities, Deferred Inflows and Fund Balances	\$ <u>56,692</u>	<u>2,460,412</u>	<u>8,375,529</u>	<u>37,400,815</u>

Ketchikan Gateway Borough, Alaska
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017*

Total Governmental Fund Balances	\$	30,682,912
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	\$ 218,601,182	
Less accumulated depreciation	<u>(59,551,874)</u>	159,049,308
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.		
		109,571
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.		
		629,653
The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.		
		(131,939)
Accrued interest payable is not reported at the fund financial reporting level.		
		(516,302)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(33,495,000)	
Certificates of participation	(3,860,000)	
Premium for GO bonds	(1,143,908)	
Premium for certificates of participation	(43,406)	
Deferred loss on refunding	322,021	
Compensated absences	(610,582)	
Net pension liability	<u>(8,969,156)</u>	
Total long-term liabilities		<u>(47,800,031)</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	2,120,541	
Deferred inflows of resources related to pensions	<u>(99,988)</u>	
Total deferred pension items		<u>2,020,553</u>
 Net Position Of Governmental Activities	 \$	 <u><u>144,043,725</u></u>

See accompanying notes to the basic financial statements.



THIS PAGE INTENTIONALLY LEFT BLANK

Ketchikan Gateway Borough, Alaska
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Local Education</u>
Revenues				
Taxes	\$ 5,478,484	-	1,764,578	6,922,519
Intergovernmental	2,922,442	1,086	1,926,565	85,016
Licenses and permits	350	-	-	-
Charges for services	1,216,967	483,800	-	-
Water fees	-	-	-	-
Commercial passenger vessel tax	-	-	-	-
Interest subsidy	-	-	-	-
Investment earnings	4,062	26,760	480	2,269
Proceeds from sale of property	-	537,896	-	-
Miscellaneous	-	281,590	-	-
Total Revenues	<u>9,622,305</u>	<u>1,331,132</u>	<u>3,691,623</u>	<u>7,009,804</u>
Expenditures				
Current				
General government	3,375,133	-	-	-
Library services	-	-	-	-
Fire and EMS	-	-	-	-
Water treatment and distribution	-	-	-	-
Public services	1,184,952	343,147	-	-
Parks and recreation	2,337,665	-	-	-
Public works	1,014,255	-	-	-
Transit	2,033,548	-	-	-
Education	-	-	33,059	8,071,497
Nondepartmental	237,186	-	-	-
Capital Outlay	250,850	-	68,929	-
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>10,433,589</u>	<u>343,147</u>	<u>101,988</u>	<u>8,071,497</u>
Excess (Deficiency) of Revenues Over Expenditures	(811,284)	987,985	3,589,635	(1,061,693)
Other Financing Sources (Uses)				
Transfers in	1,293,047	-	35,162	449,866
Transfers out	(96,169)	(519,285)	(3,743,275)	(2,000)
Total Other Financing Sources (Uses)	<u>1,196,878</u>	<u>(519,285)</u>	<u>(3,708,113)</u>	<u>447,866</u>
Net Change in Fund Balances	385,594	468,700	(118,478)	(613,827)
Fund Balances Beginning of Year	<u>8,395,444</u>	<u>4,278,603</u>	<u>5,142,920</u>	<u>2,724,885</u>
Fund Balances End of Year	<u>\$ 8,781,038</u>	<u>4,747,303</u>	<u>5,024,442</u>	<u>2,111,058</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 & Federal Grants</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ -	-	3,910,833	18,076,414
Intergovernmental	340,209	-	203,462	5,478,780
Licenses and permits	-	-	-	350
Charges for services	-	-	379,901	2,080,668
Water fees	-	-	294,097	294,097
Commercial passenger vessel tax	-	-	2,163,570	2,163,570
Interest subsidy	-	-	555,527	555,527
Investment earnings	-	742	2,030	36,343
Proceeds from sale of property	-	-	-	537,896
Miscellaneous	-	-	407,675	689,265
Total Revenues	<u>340,209</u>	<u>742</u>	<u>7,917,095</u>	<u>29,912,910</u>
Expenditures				
Current				
General government	-	-	-	3,375,133
Library services	-	-	402,279	402,279
Fire and EMS	-	-	1,291,583	1,291,583
Water treatment and distribution	-	-	235,529	235,529
Public services	292,248	199,967	1,916,857	3,937,171
Parks and recreation	-	-	-	2,337,665
Public works	-	-	-	1,014,255
Transit	-	-	-	2,033,548
Education	-	-	-	8,104,556
Nondepartmental	-	-	-	237,186
Capital Outlay	47,961	153,749	850,378	1,371,867
Debt Service				
Principal retirement	-	-	3,605,000	3,605,000
Interest and fiscal charges	-	-	2,127,511	2,127,511
Total Expenditures	<u>340,209</u>	<u>353,716</u>	<u>10,429,137</u>	<u>30,073,283</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(352,974)	(2,512,042)	(160,373)
Other Financing Sources (Uses)				
Transfers in	-	2,000	5,619,559	7,399,634
Transfers out	-	(35,162)	(3,176,046)	(7,571,937)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(33,162)</u>	<u>2,443,513</u>	<u>(172,303)</u>
Net Change in Fund Balances	-	(386,136)	(68,529)	(332,676)
Fund Balances Beginning of Year	<u>-</u>	<u>2,692,902</u>	<u>7,780,834</u>	<u>31,015,588</u>
Fund Balances End of Year	\$ <u>-</u>	<u>2,306,766</u>	<u>7,712,305</u>	<u>30,682,912</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, 2017*

Net Changes In Fund Balances - Total Governmental Funds \$ (332,676)

Amounts reported for governmental activities in the statement of activities are different because:

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	\$	(5,156,001)	
Capital outlay		<u>1,371,867</u>	(3,784,134)
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.			(284,500)
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.			403,154
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.			(18,333)
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		3,605,000	
Net decrease in premium		309,156	
Decrease in accrued interest		35,252	
Net decrease in deferred loss on bonds		<u>(102,381)</u>	3,847,027
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		81,017	
Increase in net pension obligation and related accounts		<u>(1,578,905)</u>	<u>(1,497,888)</u>
Change In Net Position of Governmental Activities			\$ <u>(1,667,350)</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, 2017

	2017			Variance on Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$ 5,244,184	5,244,184	5,478,484	234,300
Licenses and permits	-	-	350	350
Intergovernmental	1,795,027	1,795,027	2,922,442	1,127,415
Charges for services	1,347,356	1,347,356	1,216,967	(130,389)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>4,062</u>	<u>3,062</u>
Total Revenues	<u>8,387,567</u>	<u>8,387,567</u>	<u>9,622,305</u>	<u>1,234,738</u>
Expenditures				
Current				
General government	3,610,484	3,610,484	3,375,133	235,351
Public services	1,264,680	1,264,680	1,184,952	79,728
Parks and recreation	2,351,445	2,351,445	2,337,665	13,780
Public works	1,228,707	1,228,707	1,014,255	214,452
Transit - bus system	2,018,749	2,018,749	2,033,548	(14,799)
Nondepartmental	253,032	253,032	237,186	15,846
Education	138,445	138,445	-	138,445
Capital Outlay	<u>375,620</u>	<u>412,093</u>	<u>250,850</u>	<u>161,243</u>
Total Expenditures	<u>11,241,162</u>	<u>11,277,635</u>	<u>10,433,589</u>	<u>844,046</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,853,595)	(2,890,068)	(811,284)	2,078,784
Other Financing Sources (Uses)				
Transfers in	1,293,047	1,293,047	1,293,047	-
Transfers out	<u>(96,169)</u>	<u>(96,169)</u>	<u>(96,169)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,196,878</u>	<u>1,196,878</u>	<u>1,196,878</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>(1,656,717)</u>	<u>(1,693,190)</u>	385,594	<u>2,078,784</u>
Fund Balance Beginning of Year			<u>8,395,444</u>	
Fund Balance End of Year			\$ <u><u>8,781,038</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, 2017

	2017			Variance on Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Charges for services	\$ 485,347	485,347	483,800	(1,547)
Intergovernmental	1,534	1,534	1,086	(448)
Investment earnings	24,599	24,599	26,760	2,161
Proceeds from sale of property	100,000	100,000	537,896	437,896
Miscellaneous	-	-	281,590	281,590
Total Revenues	<u>611,480</u>	<u>611,480</u>	<u>1,331,132</u>	<u>719,652</u>
Expenditures				
Current				
Public services	985,812	985,812	343,147	642,665
Capital Outlay	<u>65,000</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>
Total Expenditures	<u>1,050,812</u>	<u>1,050,812</u>	<u>343,147</u>	<u>707,665</u>
Excess (Deficiency) of Revenues Over Expenditures	(439,332)	(439,332)	987,985	1,427,317
Other Financing Uses				
Transfers out	<u>(512,625)</u>	<u>(512,625)</u>	<u>(519,285)</u>	<u>(6,660)</u>
Net Change in Fund Balance	\$ <u>(951,957)</u>	<u>(951,957)</u>	468,700	<u>1,420,657</u>
Fund Balance Beginning of Year			<u>4,278,603</u>	
Fund Balance End of Year		\$	<u><u>4,747,303</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, 2017

	2017			
	Original Budget	Final Budget	Actual	Variance on Final Budget
Revenues				
Sales taxes	\$ 1,698,065	1,698,065	1,759,580	61,515
Intergovernmental	2,452,701	2,452,701	1,926,565	(526,136)
Penalties and interest	2,500	2,500	4,998	2,498
Investment earnings	-	-	480	480
Total Revenues	<u>4,153,266</u>	<u>4,153,266</u>	<u>3,691,623</u>	<u>(461,643)</u>
Expenditures				
Current				
Education	20,000	20,000	33,059	(13,059)
Capital Outlay	<u>400,000</u>	<u>550,000</u>	<u>68,929</u>	<u>481,071</u>
Total Expenditures	<u>420,000</u>	<u>570,000</u>	<u>101,988</u>	<u>468,012</u>
Excess of Revenues Over Expenditures	3,733,266	3,583,266	3,589,635	6,369
Other Financing Sources (Uses)				
Transfers in	-	-	35,162	35,162
Transfers out	<u>(3,748,414)</u>	<u>(3,748,414)</u>	<u>(3,743,275)</u>	<u>5,139</u>
Total Other Financing Sources (Uses)	<u>(3,748,414)</u>	<u>(3,748,414)</u>	<u>(3,708,113)</u>	<u>40,301</u>
Net Change in Fund Balance	\$ <u>(15,148)</u>	<u>(165,148)</u>	(118,478)	<u>46,670</u>
Fund Balance Beginning of Year			<u>5,142,920</u>	
Fund Balance End of Year		\$	<u>5,024,442</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Local Education Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	2017			
	Original Budget	Final Budget	Actual	Variance on Final Budget
Revenues				
Property taxes	\$ 6,916,914	6,916,914	6,922,519	5,605
Excise taxes	331,500	331,500	-	(331,500)
Intergovernmental	750,000	750,000	85,016	(664,984)
Investment earnings	-	-	2,269	2,269
Total Revenues	<u>7,998,414</u>	<u>7,998,414</u>	<u>7,009,804</u>	<u>(988,610)</u>
Expenditures				
Current				
Education	<u>8,196,550</u>	<u>8,080,092</u>	<u>8,071,497</u>	<u>8,595</u>
Excess (Deficiency) of Revenues Over Expenditures	(198,136)	(81,678)	(1,061,693)	(980,015)
Other Financing Uses				
Transfers in	82,000	82,000	449,866	367,866
Transfers out	-	-	(2,000)	(2,000)
Total Other Financing Sources	<u>82,000</u>	<u>82,000</u>	<u>447,866</u>	<u>365,866</u>
Net Change in Fund Balance	\$ <u>(116,136)</u>	<u>322</u>	(613,827)	<u>(614,149)</u>
Fund Balance Beginning of Year			<u>2,724,885</u>	
Fund Balance End of Year			\$ <u><u>2,111,058</u></u>	

See accompanying notes to the basic financial statements.



THIS PAGE INTENTIONALLY LEFT BLANK

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Net Position
June 30, 2017

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Assets				
Current Assets				
Cash and investments	\$ 2,268,082	671,592	2,939,674	743,281
Prepaid items	5,941	-	5,941	-
Receivables:				
Accounts	234,583	56,769	291,352	-
Intergovernmental	42,492	-	42,492	-
Total Current Assets	<u>2,551,098</u>	<u>728,361</u>	<u>3,279,459</u>	<u>743,281</u>
Noncurrent Assets				
Longterm Receivables:				
Note receivable from component unit	-	-	-	490,952
Capital Assets				
Nondepreciable	19,231	19,575	38,806	-
Depreciable, net	18,206,413	8,746,850	26,953,263	-
Total Noncurrent Assets	<u>18,225,644</u>	<u>8,766,425</u>	<u>26,992,069</u>	<u>490,952</u>
Total Assets	<u>20,776,742</u>	<u>9,494,786</u>	<u>30,271,528</u>	<u>1,234,233</u>
Deferred Outflows of Resources				
Related to pensions	912,434	-	912,434	-
Total Assets and Deferred Outflows of Resources	<u>\$ 21,689,176</u>	<u>9,494,786</u>	<u>31,183,962</u>	<u>1,234,233</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 58,913	66,197	125,110	-
Interfund advances payable	31,120	40,151	71,271	-
Compensated absences payable	161,327	-	161,327	-
Claims payable	-	-	-	474,387
Total Current Liabilities	<u>251,360</u>	<u>106,348</u>	<u>357,708</u>	<u>474,387</u>
Long-Term Liabilities, net of current portion				
Compensated absences payable	46,064	-	46,064	-
Net pension liability	3,858,547	-	3,858,547	-
Interfund advances payable	65,155	185,008	250,163	-
Interfund payable	-	-	-	130,193
Total Long-Term Liabilities	<u>3,969,766</u>	<u>185,008</u>	<u>4,154,774</u>	<u>130,193</u>
Total Liabilities	<u>4,221,126</u>	<u>291,356</u>	<u>4,512,482</u>	<u>604,580</u>
Deferred Inflows of Resources				
Related to pensions	42,999	-	42,999	-
Total Liabilities and Deferred Inflows of Resources	<u>4,264,125</u>	<u>291,356</u>	<u>4,555,481</u>	<u>604,580</u>
Net Position				
Net investment in capital assets	18,225,644	8,766,425	26,992,069	-
Unrestricted	(800,593)	437,005	(363,588)	629,653
Total Net Position - Fund Level	<u>\$ 17,425,051</u>	<u>9,203,430</u>	<u>26,628,481</u>	<u>629,653</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			131,939	
Total Net Position - Government-wide Statement of Net Position			<u>\$ 26,760,420</u>	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Operating Revenues				
Charges for services	\$ 5,533,220	728,983	6,262,203	7,932,489
Operating Expenses				
Personnel services	3,791,609	175,151	3,966,760	-
Supplies and services	1,427,545	449,461	1,877,006	-
Insurance	233,096	6,138	239,234	-
Administration	-	-	-	995,654
Claims and premiums	-	-	-	6,392,763
Depreciation	1,169,526	358,821	1,528,347	-
Total Operating Expenses	6,621,776	989,571	7,611,347	7,388,417
Less recovery of expenses from other funds	-	(7,768)	(7,768)	-
Net Operating Expenses	6,621,776	981,803	7,603,579	7,388,417
Operating Income (Loss)	(1,088,556)	(252,820)	(1,341,376)	544,072
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	(3,458)	(13,704)	(17,162)	-
Gain on disposal of capital assets	12,908	-	12,908	-
Investment earnings	273	80	353	87
Operating grants	262,110	-	262,110	-
Total Non-Operating Revenues (Expenses)	271,833	(13,624)	258,209	87
Income (Loss) before Capital Contributions and Transfers	(816,723)	(266,444)	(1,083,167)	544,159
Capital contributions	123,136	-	123,136	-
Transfers in	172,303	-	172,303	-
Change in Net Position	(521,284)	(266,444)	(787,728)	544,159
Net Position Beginning of Year	17,946,335	9,469,874		85,494
Net Position End of Year	\$ 17,425,051	9,203,430		629,653
Reconciliation of the fund level operating statement to the government-wide statement of activities:				
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			141,005	
Change in net position of business-type activities			\$ (646,723)	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2017

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash received from customers	\$ 5,668,634	761,797	6,430,431	7,905,165
Cash payments to employees for services	(3,124,652)	(175,151)	(3,299,803)	-
Cash payments for goods and services	(1,781,734)	(418,784)	(2,200,518)	(1,341,960)
Cash payments for claims	-	-	-	(5,877,204)
Net Cash Provided by Operating Activities	<u>762,248</u>	<u>167,862</u>	<u>930,110</u>	<u>686,001</u>
Cash Flows from Noncapital Financing Activities				
Interfund payables	-	-	-	(161,972)
Operating grants	249,524	-	249,524	-
Transfers in	172,303	-	172,303	-
Net Cash Provided by Noncapital Financing Activities	<u>421,827</u>	<u>-</u>	<u>421,827</u>	<u>(161,972)</u>
Cash Flows from Capital and Related Financing Activities				
Sale of capital assets	12,908	-	12,908	-
Capital grant	123,136	-	123,136	-
Interest paid on debt service	(3,458)	(13,704)	(17,162)	-
Interfund advance payable	(30,204)	(38,017)	(68,221)	-
Payments for capital acquisitions	(162,249)	(37,401)	(199,650)	-
Prior period adjustment	-	-	-	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(59,867)</u>	<u>(89,122)</u>	<u>(148,989)</u>	<u>-</u>
Cash Flows from Investing Activities				
Investment earnings	273	80	353	87
Net Increase in Cash and Cash Equivalents	1,124,481	78,820	1,203,301	524,116
Cash and Cash Equivalents Beginning of Year	<u>1,143,601</u>	<u>592,772</u>	<u>1,736,373</u>	<u>219,165</u>
Cash and Cash Equivalents End of Year	<u>\$ 2,268,082</u>	<u>671,592</u>	<u>2,939,674</u>	<u>743,281</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, 2017

	<u>Business-type Activities</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Airport</u>	<u>Wastewater</u>	<u>Total</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	\$ (1,088,556)	(252,820)	(1,341,376)	544,072
Adjustments:				
Depreciation	1,169,526	358,821	1,528,347	-
Amortization of deferred outflows of resources for pensions	(458,154)	-	(458,154)	-
Amortization of deferred inflows of resources for pensions	(5,079)	-	(5,079)	-
(Increase) Decrease in Assets:				
Accounts receivable	135,414	32,814	168,228	-
Intergovernmental	-	-	-	-
Clearing - claims paid	-	-	-	-
Prepaid items	5,777	-	5,777	-
Note receivable	-	-	-	(27,324)
Increase (Decrease) in Liabilities:				
Accounts payable	(126,870)	29,047	(97,823)	-
Compensated absences payable	(12,730)	-	(12,730)	-
Net pension liability	1,142,920	-	1,142,920	-
Claims payable	-	-	-	169,253
Net Cash Provided by Operating Activities	\$ <u>762,248</u>	<u>167,862</u>	<u>930,110</u>	<u>686,001</u>

See accompanying notes to the basic financial statements.



THIS PAGE INTENTIONALLY LEFT BLANK

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
Table of Contents
For the Year Ended June 30, 2017

Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Basis of Presentation	1-B
Measurement Focus	1-C
Basis of Accounting	1-D
Assets, Liabilities and Fund Equity	1-E
Cash, Cash Equivalents and Investments	1-E-1
Receivables	1-E-2
Interfund Balances	1-E-3
Consumable Inventories	1-E-4
Prepaid Items	1-E-5
Restricted Assets	1-E-6
Capital Assets	1-E-7
Compensated Absences	1-E-8
Accrued Liabilities and Long-term Obligations	1-E-9
Bond Premiums, Discounts and Issuance Costs	1-E-10
Fund Equity	1-E-11
Operating Revenues and Expenses	1-E-12
Contributions of Capital	1-E-13
Interfund Activity	1-E-14
Estimates	1-E-15
Comparative Data	1-E-16
Pensions	1-E-17
Stewardship, Compliance and Accountability	2
Budgetary Information	2-A
Excess of Expenditures over Appropriations	2-B
Deficit Fund Equities	2-C
Detailed Notes on All Funds	3
Cash and Investments	3-A
Receivables	3-B
Property and Sales Taxes	3-C
Capital Assets	3-D
Interfund Balances and Transfers	3-E
Compensated Absences	3-F
Operating Leases	3-G
Long-Term Debt	3-H
Pensions	3-I
Net Investment in Capital Assets	3-J
Other Notes	4
Risk Management	4-A
Contingent Liabilities	4-B
Tax Abatements	4-C
New Accounting Pronouncements	5

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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 online at 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, 2017

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. 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:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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.

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.

Local Education Special Revenue Fund - This fund is used to account for the receipt of property taxes, Secure Rural Schools revenues, and tobacco tax proceeds, and to process payments for local education support.

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, 2017

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, 2017

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;
- 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 Alaska Municipal League Investment Pool. 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, 2017.

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, 2017

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, 2017, 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, unless they are received in a service concession arrangement, then they are reported at acquisition value rather than fair value. 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, 2017

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 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, 2017

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.”

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.

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,

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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, Local Education, Commercial Passenger Vessel, Recreation Sales Tax, School Bond/Capital Improvement, Economic Development Assistance Program, Airport PFC Fund, Nonareawide Library, and the following Service Areas: Mud Bight, South Tongass, Loring, Waterfall, Nichols View, Forest Park, Gold Nugget, Homestead Special Assessment, North Tongass Fire and EMS. 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 the 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, 2017, the Borough had open encumbrances as follows:

Fund	Encumbrances
General Fund	\$ 27,184
School Bond CIP	150,000
Land Trust	18,547
State and Federal Grants	8,079,780
Nonmajor	24,694
Total	\$ 8,300,205

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

2-B. Excess of Expenditures over Appropriations

The following individual fund had an excess of expenditures over appropriations at June 30, 2017:

Commercial Passenger Vessel Special Revenue Fund
Economic Development Assistance Program Special Revenue Fund
Forest Park Service Area Special Revenue Fund
Tobacco Tax Special Revenue Fund

2-C. Deficit Fund Equities

No individual funds had a deficit fund balance at the fund reporting level at June 30, 2017.

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, 2017 are as follows:

Cash on hand	\$	3,650
Deposits with financial institutions		24,042,495
Investments		<u>8,548,750</u>
Total	\$	<u><u>32,594,895</u></u>

		<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Unrestricted	\$	25,119,544	2,939,674
Restricted		<u>4,535,677</u>	<u>-</u>
Total	\$	<u><u>29,655,221</u></u>	<u><u>2,939,674</u></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, 2017, the carrying value of all the Borough’s deposits was \$32,048,300 and the bank value was \$32,635,606 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

The Borough has investments in certificates of deposits totaling \$542,944 and \$8,005,806 deposited in the Alaska Municipal League Investment Pool. Both of these deposits are not held at fair value, but are instead recorded at amortized cost as of June 30, 2017.

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 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, 2017 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. \$8,005,806 is held in the Alaska Municipal League Investment Pool (AMLIP). The AMLIP is considered an external investment pool with a Standard and Poor's rating of AAAM.

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

Interest rate risk. As of June 30, 2017, 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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

<u>Investment Type</u>	<u>Investment Maturity (in years)</u>		
	<u>Current Market Value</u>	<u>Less than 1</u>	<u>1 - 5</u>
Certificate of Deposit	\$ 542,944	542,944	-
AML Investment Pool	<u>8,005,806</u>	<u>-</u>	<u>8,005,806</u>
	<u>\$ 8,548,750</u>	<u>542,944</u>	<u>8,005,806</u>

3-B. Receivables

Receivables at June 30, 2017, 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:

(This page continued on the subsequent page)

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Local Education</u>	<u>State & Federal Grants</u>
Receivables:					
Accounts	\$ 83,443	4,285	-	-	-
Intergovernmental	215,493	-	424,144	85,015	56,692
Property taxes	77,727	-	-	34,801	-
Sales taxes	5,299,941	-	511,567	-	-
Note	-	-	-	-	-
Interfund	<u>344,953</u>	<u>517,414</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receivables	6,021,557	521,699	935,711	119,816	56,692
Allowance for doubtful accounts	<u>(49,657)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	\$ <u><u>5,971,900</u></u>	<u><u>521,699</u></u>	<u><u>935,711</u></u>	<u><u>119,816</u></u>	<u><u>56,692</u></u>

	<u>Nonmajor Governmental</u>	<u>Airport Enterprise</u>	<u>Wastewater Enterprise</u>	<u>Internal Service Fund</u>	<u>Totals</u>
Receivables:					
Accounts	\$ 487,446	256,810	105,977	-	937,961
Intergovernmental	2,758	42,492	-	-	826,594
Property taxes	8,897	-	-	-	121,425
Sales taxes	511,557	-	-	-	6,323,065
Note	600,000	-	-	490,952	1,090,952
Interfund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>862,367</u>
Total receivables	<u>1,610,658</u>	<u>299,302</u>	<u>105,977</u>	<u>490,952</u>	<u>10,162,364</u>
Allowance for doubtful accounts	<u>(727,600)</u>	<u>(22,227)</u>	<u>(49,208)</u>	<u>-</u>	<u>(848,692)</u>
Net receivables	\$ <u><u>883,058</u></u>	<u><u>277,075</u></u>	<u><u>56,769</u></u>	<u><u>490,952</u></u>	<u><u>9,313,672</u></u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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 - Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 65,872	-
Delinquent property taxes receivable (Local Education Fund)	34,801	
Delinquent property taxes receivable (Nonmajor Funds)	8,898	-
Unearned revenue (General Fund)	-	184,967
Unearned revenues (Nonmajor)	-	44,133
 Total deferred/unearned revenue for governmental funds	 \$ <u>109,571</u>	 <u>229,100</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%.

(This page continued on the subsequent page)

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3-D. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017
Governmental activities:				
Nondepreciable capital assets:				
Works of Art	\$ -	7,500	-	7,500
Land - Borough	32,111,837	-	284,500	31,827,337
Land - School	7,798,562	-	-	7,798,562
Construction in progress - Borough	29,277	289,108	-	318,385
Construction in progress - School	-	171,898	-	171,898
Total nondepreciable capital assets	<u>39,939,676</u>	<u>468,506</u>	<u>284,500</u>	<u>40,123,682</u>
Depreciable capital assets:				
Buildings - Borough	24,899,316	101,960	-	25,001,276
Buildings - School	105,879,240	54,520	-	105,933,760
Equipment	5,438,589	83,468	44,770	5,477,287
Fields	4,350,971	-	-	4,350,971
Infrastructure	1,412,982	96,436	-	1,509,418
Land improvements	1,685,923	566,976	-	2,252,899
Pool	22,971,211	-	-	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>177,618,909</u>	<u>903,360</u>	<u>44,770</u>	<u>178,477,499</u>
Total cost of capital assets	<u>217,558,585</u>	<u>1,371,866</u>	<u>329,270</u>	<u>218,601,181</u>
Accumulated depreciation:				
Buildings - Borough	5,674,511	647,163	-	6,321,674
Buildings - School	37,401,649	2,550,372	-	39,952,021
Equipment	3,442,941	364,552	44,770	3,762,723
Fields	1,965,110	172,401	-	2,137,511
Infrastructure	775,142	46,792	-	821,934
Land improvements	177,504	88,069	-	265,573
Pool	2,734,907	919,935	-	3,654,842
South Tongass Water	837,609	166,717	-	1,004,326
Transit - Buses	1,431,270	199,999	-	1,631,269
Total accumulated depreciation	<u>54,440,643</u>	<u>5,156,000</u>	<u>44,770</u>	<u>59,551,873</u>
Governmental activities capital assets, net	<u>\$ 163,117,942</u>	<u>(3,784,134)</u>	<u>284,500</u>	<u>159,049,308</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Governmental activities depreciation:	
General Government	\$ 84,650
Education	2,611,854
Fire and EMS	243,281
Parks and Recreation	1,141,348
Public Services	775,596
Public Works	25,350
Transit	<u>273,921</u>
Total governmental activities depreciation expense	\$ <u>5,156,000</u>

(This page continued on the subsequent page)

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017
Business-type activities:				
Nondepreciable capital assets				
Construction in progress	\$ <u>724,638</u>	<u>38,806</u>	<u>724,638</u>	<u>38,806</u>
Depreciable capital assets:				
Ferry	16,187,177	-	-	16,187,177
Field	4,303,851	39,113	32,469	4,310,495
Terminal building	12,195,197	828,543	-	13,023,740
Murphy's landing	208,800	-	-	208,800
Wastewater	285,626	-	15,365	270,261
Mountain Point wastewater	13,792,489	17,826	-	13,810,315
Forest Park wastewater	<u>32,700</u>	<u>15,365</u>	<u>-</u>	<u>48,065</u>
Total depreciable capital assets	<u>47,005,840</u>	<u>900,847</u>	<u>47,834</u>	<u>47,858,853</u>
Total capital assets	<u>47,730,478</u>	<u>939,653</u>	<u>772,472</u>	<u>47,897,659</u>
Accumulated depreciation:				
Ferry	5,414,487	790,034	-	6,204,521
Field	2,893,125	96,953	32,469	2,957,609
Terminal building	5,870,331	282,539	-	6,152,870
Murphy's landing	208,800	-	-	208,800
Wastewater	252,363	-	-	252,363
Mountain Point wastewater	4,738,979	343,585	-	5,082,564
Forest Park wastewater	<u>31,627</u>	<u>15,236</u>	<u>-</u>	<u>46,863</u>
Total accumulated depreciation	<u>19,409,712</u>	<u>1,528,347</u>	<u>32,469</u>	<u>20,905,590</u>
Business-type activities capital assets, net	\$ <u>28,320,766</u>	<u>(588,694)</u>	<u>740,003</u>	<u>26,992,069</u>
Business-type activities depreciation:				
Airport		\$ 1,169,526		
Wastewater		<u>358,821</u>		
		\$ <u>1,528,347</u>		

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

3-E. Interfund Balances and Transfers

Interfund balances at June 30, 2017, 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	\$ 34,113	-	-
Land Trust Fund - Advances Receivable	-	96,275	225,159
Total	\$ 34,113	96,275	225,159

	Payable From:		
Payable to:	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	\$ 180,646	130,193	344,952
Land Trust Fund - Advances Receivable	195,980	-	517,414
Total	\$ 376,626	130,193	862,366

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfers to:	Transfers From:		
	General Fund	Land Trust Fund	School Bond Capital Imp. Fund
General Fund	\$ -	217,291	-
Local Education Fund	-	-	73,404
Non-Major Debt Service	-	301,994	3,507,316
Non-Major Special Revenue	90,669	-	162,555
Capital Projects	5,500	-	-
Airport Enterprise	5,500	-	-
 Total	\$ 96,169	519,285	3,743,275

Transfers to:	Transfers From:			
	Local Education Fund	Non-Major Special Revenue Funds	Capital Projects	Total
General Fund	\$ -	1,075,756	-	1,293,047
School Bond	-	-	35,162	35,162
Local Education Fund	-	376,462	-	449,866
Non-Major Debt Service	-	1,367,674	-	5,176,984
Non-Major Special Revenue	-	189,351	-	442,575
Capital Projects	2,000	-	-	2,000
Airport Enterprise	-	166,803	-	172,303
 Total	\$ 2,000	3,176,046	35,162	7,571,937

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.

In fiscal year 2014, a Schools Reserve Fund was established through Ordinance 1712; creating Chapter 4.65

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

“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 was a Nonmajor Special Revenue fund in FY 2016. During FY 2017, all Borough property taxes went to this fund and in FY 2017, the fund was classified as a Major fund. On June 6, 2017, with the passage of the FY 2018 budget, the name of this fund was changed to the “Local Education 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, 2017. The leases that are in place as of June 30, 2017 have expiration dates through 2020. One long-term land lease extends through 2049.

The Borough also collects rents from land, a seaplane dock, a floatplane pullout, aircraft tie-downs, an 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 \$638,880 on 170,867 square feet. Land leases generate annual revenues of \$26,679 on 209,350 square feet.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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, 2017 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
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	690,000	1,032,642	(384,330)	648,312	1,338,312
2023-2027	3,825,000	4,578,776	(1,717,100)	2,861,676	6,686,676
2028-2032	4,620,000	3,359,371	(1,290,309)	2,069,062	6,689,062
2033-2037	5,610,000	1,834,788	(756,705)	1,078,083	6,688,083
2038-2039	<u>2,545,000</u>	<u>234,931</u>	<u>(105,719)</u>	<u>129,212</u>	<u>2,674,212</u>
Total	\$ <u>19,835,000</u>	<u>15,492,713</u>	<u>(5,904,058)</u>	<u>9,588,655</u>	<u>29,423,655</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, 2017 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>2,025,000</u>	<u>164,000</u>	<u>2,189,000</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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, 2017 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
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	(33,558)	41,016	281,016
2022	245,000	63,091	(28,391)	34,700	279,700
2023-2026	<u>1,045,000</u>	<u>119,475</u>	<u>(53,764)</u>	<u>65,711</u>	<u>1,110,711</u>
Total	\$ <u>2,205,000</u>	<u>541,869</u>	<u>(243,841)</u>	<u>298,028</u>	<u>2,503,028</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, 2017 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>160,000</u>	<u>6,400</u>	<u>166,400</u>
Total	\$ <u><u>160,000</u></u>	<u><u>6,400</u></u>	<u><u>166,400</u></u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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, 2017 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
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	180,000	210,760	(94,842)	115,918	295,918
2023-2027	995,000	888,850	(365,547)	523,303	1,518,303
2028-2032	1,190,000	533,942	(274,709)	259,233	1,449,233
2033-2035	<u>825,000</u>	<u>114,612</u>	<u>(51,575)</u>	<u>63,037</u>	<u>888,037</u>
Total	\$ <u>3,700,000</u>	<u>2,680,234</u>	<u>(1,206,105)</u>	<u>1,474,129</u>	<u>5,174,129</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, 2017 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	570,000	44,000	614,000
2023	<u>595,000</u>	<u>14,875</u>	<u>609,875</u>
Total	\$ <u>3,205,000</u>	<u>488,625</u>	<u>3,693,625</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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, 2017 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>1,910,000</u>	<u>143,225</u>	<u>2,053,225</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, 2017 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	565,000	46,000	611,000
2023	<u>585,000</u>	<u>23,400</u>	<u>608,400</u>
Total	\$ <u>3,180,000</u>	<u>470,700</u>	<u>3,650,700</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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, 2017 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 560,000	34,200	594,200
2019	<u>575,000</u>	<u>11,500</u>	<u>586,500</u>
Total	\$ <u>1,135,000</u>	<u>45,700</u>	<u>1,180,700</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, 2017:

Governmental Activities	<u>Outstanding 7/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2017</u>	<u>Amounts Due in One Year</u>
GO Bonds - 2009B & C	\$ 20,425,000	-	590,000	19,835,000	610,000
GO Bonds - 2010A One	2,645,000	-	620,000	2,025,000	650,000
GO Bonds - 2010B Four	2,425,000	-	220,000	2,205,000	220,000
GO Bonds - 2011 III	3,655,000	-	450,000	3,205,000	475,000
GO Bonds - 2012 II	2,495,000	-	585,000	1,910,000	605,000
GO Bonds - 2013 One	3,640,000	-	460,000	3,180,000	475,000
GO Bonds - 2015A One	1,665,000	-	530,000	1,135,000	560,000
Certificates of Participation					
C of P 2010A-1	310,000	-	150,000	160,000	160,000
C of P 2010A-2	3,700,000	-	-	3,700,000	-
Compensated absences	<u>691,599</u>	<u>561,612</u>	<u>642,629</u>	<u>610,582</u>	<u>523,411</u>
Total Governmental Activities	\$ <u>41,651,599</u>	<u>561,612</u>	<u>4,247,629</u>	<u>37,965,582</u>	<u>4,278,411</u>
Business-Type Activities					
Compensated absences	\$ <u>220,121</u>	<u>168,811</u>	<u>181,541</u>	<u>207,391</u>	<u>161,327</u>
Total Business-Type Activities	\$ <u>220,121</u>	<u>168,811</u>	<u>181,541</u>	<u>207,391</u>	<u>161,327</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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-I. 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

The Borough recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

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

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

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

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 and 2017, the on-behalf contributions 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	14.96%	20.34%	4.14%
Postemployment healthcare (see Defined Benefits OPEB below)	7.04%	5.80%	0.00%
Total Contribution Rates	22.00%	26.14%	4.14%

	Measurement Period Borough	
	FY 16	FY 17
Employer contributions (including DBUL)	\$ 594,216	\$ 695,794
Nonemployer contributions (on-behalf)	327,428	255,018
Total Contributions	\$ 921,644	\$ 950,812

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, 2017, 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:

	2017
Borough proportionate share of NPL	\$ 12,827,703
State's proportionate share of NPL associated with the Borough	1,616,658
Total Net Pension Liability	\$ 14,444,361

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2017, the Borough's proportion was .22949%, which was an increase of .04331 or 23.262% from its proportion measured as of the prior measurement date. In prior years, all governmental funds

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

that reported PERS wages have been used to liquidate pension liabilities. Those are the General Fund, North Tongass Fire and EMS Service Area, and the South Tongass Service Area.

For the year ended June 30, 2017, the Borough recognized pension expense of \$2,971,071 and \$217,927 on-behalf revenue for support provided by the State. At June 30, 2017, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,179	-
Changes in assumptions	59,164	-
Net difference between projected and actual earnings on pension plan investments	1,260,901	(142,987)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	1,015,937	-
Borough contributions subsequent to the measurement date	<u>695,794</u>	<u>-</u>
Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ <u>3,032,975</u>	<u>(142,987)</u>

The \$695,794 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	\$ 1,063,064
2018	282,821
2019	515,460
2020	332,850

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2016 (Borough fiscal year 2017) was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2016. The actuarial assumptions used in the June 30, 2015 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Actuarial Cost Method	Entry Age Normal - Level Percentage of Payroll
Asset Valuation Method	The actuarial asset value was reinitialized to equal Fair Value of Assets as of June 30, 2014. Beginning in FY2015, the asset value method recognizes 20% of the gain or loss each year, for a period of 5 years. All assets are valued at fair value.
Allocation Methodology	Amounts for FY16 were allocated to employers based on the present value of contributions for FY2018-FY2039, as determined by projections based on the June 30, 2015 valuation.
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):

Asset Class	Long-Term Expected Real Rate of Return
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%

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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	\$ 16,521,433	12,827,704	9,712,214

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended June 30, 2017, the Borough was required to contribute 5.0% 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, 2017 were \$534,616 and \$194,736, 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 and 2017 there were no on-behalf contributions to the OPEB Plan; however, on-behalf contributions to the OPEB Plan in 2016 were \$98,174.

Year Ended June 30,	Annual OPEB Costs	Borough Contributions	% of Costs Contributed
2017	\$ 323,167	323,167	100%
2016	392,449	392,449	100%
2015	429,917	429,917	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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2017 were as follows:

	<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 2017, the Borough contributed \$119,971 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, 2017

The Borough has 25 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 was extended and expires on March 31, 2018.

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 2017, the Borough contributed \$110,939 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, 2017 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, 2017

<u>Net investment in capital assets</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Cost of capital assets	\$ 218,601,180	\$ 47,897,660
Less accumulated depreciation	<u>(59,551,872)</u>	<u>(20,905,591)</u>
Book value	159,049,308	26,992,069
Less capital related debt	(38,542,314)	-
Plus deferred loss on refunding	322,021	-
Plus unspent bond proceeds	<u>1,769,685</u>	<u>-</u>
 Net investment in capital assets	 \$ <u><u>122,598,700</u></u>	 \$ <u><u>26,992,069</u></u>

Restricted net position for governmental activities consists of the following at June 30, 2017:

<u>Net Position</u>	<u>Governmental Activities</u>
Restricted:	
Airport projects	723,820
Capital projects	537,081
Commercial passenger vessel impact	2,109,533
Dock improvements	12,340
Education	7,201,935
Library operations	153,412
Public safety and water	1,025,748
Recreation	2,462,040
Road maintenance	<u>376,470</u>
 Total Restricted Net Position	 14,602,379
 Unspent bond funds related to capital projects	 <u>1,769,685</u>
 Total Restricted Fund Balance	 \$ <u><u>16,372,064</u></u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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. The insurance 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, 2017, but not billed until after fiscal year end. The amounts booked for the Borough were \$90,855 and \$243,384 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. The Borough contributed \$1,739 through April 2017 per month per member and then the rate increased to \$1,812. 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, 2016 and June 30, 2017 follows:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

		Ketchikan Gateway Borough	Borough School District	Total
		<u> </u>	<u> </u>	<u> </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		133,671	171,463	305,134
Premiums expense		346,306	-	346,306
Claims expense		1,594,537	4,451,920	6,046,457
Claims and premiums paid		<u>(1,960,886)</u>	<u>(4,262,624)</u>	<u>(6,223,510)</u>
Claims payable at June 30, 2017	\$	<u>113,628</u>	<u>360,759</u>	<u>474,387</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.

4-C. Tax Abatements

In September 2006, the Borough, the City of Ketchikan, and Ketchikan Public Utilities entered into an agreement with the Alaska Industrial Development and Export Authority (AIDEA) to provide relief from real property taxes on the shipyard for a period of 30 years. AIDEA is the owner of the shipyard property. Vigor Industrial, LLC has operated the shipyard since 2012. For the year ended June 30, 2016, the value of the abatement was \$355,254.

The Borough and the City of Ketchikan have entered into agreements with Ketchikan Indian Community and Tlingit Haida Regional Housing Authority to provide partial tax relief for development of low-income housing. For 2016, the value of the abatement was \$49,711.

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 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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

financial reports of state and local governmental OPEB plans for making decision and assessing accountability.

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



THIS PAGE INTENTIONALLY LEFT BLANK

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,	2017 2016	2016 2015	2015 2014	*
Borough's proportion of the net pension liability	0.229490%	0.186180%	0.14080501%	
Borough's proportionate share of the net pension liability	\$ 12,827,704	9,029,795	6,567,341	
State of Alaska proportionate share of the net pension liability	<u>1,616,658</u>	<u>2,417,411</u>	<u>5,516,963</u>	
Total net pension liability	<u>\$ 14,444,362</u>	<u>11,447,206</u>	<u>12,084,304</u>	
Borough's covered-employee payroll	\$ 5,619,063	5,783,658	5,023,087	
Borough's proportionate share of the net pension liability as a percentage of covered-employee payroll	228.29%	156.13%	130.74%	
Plan fiduciary net position as a percentage of the total pension liability	59.55%	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,	2017	2016	2015	*
Contractually required contribution	\$ 695,794	594,216	576,131	
Contributions in relation to the contractually required contribution	<u>695,794</u>	<u>594,216</u>	<u>576,131</u>	
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	
Borough's covered-employee payroll	\$ 5,619,063	5,647,489	5,529,019	
Contributions as a percentage of covered-employee payroll	12.383%	10.522%	10.420%	

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>2017</u>	<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>
Contractually required contribution	\$ 110,939	99,825	109,054	108,190	113,469	113,830	104,883	121,065	124,377	104,081
Contributions in relation to the contractually required contribution	\$ <u>110,939</u>	<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>
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	\$ 717,220	672,428	709,780	742,885	837,252	696,453	646,618	706,466	734,761	666,362
Contributions as a percentage of covered-employee payroll	15.47%	14.85%	15.36%	14.56%	13.55%	16.34%	16.22%	17.14%	16.93%	15.62%

See accompanying notes to Required Supplementary Information.

Ketchikan Gateway Borough, Alaska
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

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

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

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

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 the present value of contributions for fiscal years 2017 – 2039, as determined by projections based on the June 30, 2014 valuation. For the measurement period ending June 30, 2016, the liability was allocated to employers based on the present value of contributions for fiscal years 2018 -2039, as determined by projections based on the June 30, 2015 valuation.

Schedule of Borough Contributions – Public Employees Retirement System

Table 2 is based on the Borough's contributions during fiscal year 2017. These contributions are reported as a deferred outflow on the June 30, 2017 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.



THIS PAGE INTENTIONALLY LEFT BLANK

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.

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.

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.

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.

Tobacco Tax Fund – This fund is used to account for the collections of excise taxes on tobacco products. Eighty-five percent of the net proceeds are transferred to the Local Education Fund. The remaining fifteen percent is to be spent on cessation programs.

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, 2017

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 5,827,603	-	5,827,603
Restricted cash and investments	1,664,868	-	1,664,868
Receivables:			
Accounts	112,538	-	112,538
Intergovernmental	2,984	-	2,984
Property taxes	8,898	-	8,898
Sales taxes	<u>758,638</u>	<u>-</u>	<u>758,638</u>
Total Assets	\$ <u><u>8,375,529</u></u>	<u><u>-</u></u>	<u><u>8,375,529</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 233,567	-	233,567
Interfund payable	180,646	-	180,646
Interfund advances payable	195,980	-	195,980
Unearned revenue	<u>44,133</u>	<u>-</u>	<u>44,133</u>
Total Liabilities	654,326	-	654,326
Deferred Inflows of Resources			
Property tax revenues	<u>8,898</u>	<u>-</u>	<u>8,898</u>
Total Liabilities and Deferred Inflows of Resources	<u>663,224</u>	<u>-</u>	<u>663,224</u>
Fund Balances			
Restricted	6,929,798	-	6,929,798
Assigned	<u>782,507</u>	<u>-</u>	<u>782,507</u>
Total Fund Balances	<u>7,712,305</u>	<u>-</u>	<u>7,712,305</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u><u>8,375,529</u></u>	<u><u>-</u></u>	<u><u>8,375,529</u></u>

Ketchikan Gateway Borough, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 3,910,833	-	3,910,833
Intergovernmental	203,462	-	203,462
Charges for services	379,901	-	379,901
Water fees	294,097	-	294,097
Commercial passenger vessel tax	2,163,570	-	2,163,570
Interest subsidy	-	555,527	555,527
Investment earnings	2,030	-	2,030
Miscellaneous	407,675	-	407,675
Total Revenues	<u>7,361,568</u>	<u>555,527</u>	<u>7,917,095</u>
Expenditures			
Current			
Library services	402,279	-	402,279
Fire and EMS	1,291,583	-	1,291,583
Water treatment and distribution	238,855	-	238,855
Public services	1,916,857	-	1,916,857
Capital Outlay	850,378	-	850,378
Debt Service			
Principal retirement	-	3,605,000	3,605,000
Interest and fiscal charges	-	2,127,511	2,127,511
Total Expenditures	<u>4,699,952</u>	<u>5,732,511</u>	<u>10,432,463</u>
Less recovery of expenditures from other funds	<u>(3,326)</u>	<u>-</u>	<u>(3,326)</u>
Net Expenditures	<u>4,696,626</u>	<u>5,732,511</u>	<u>10,429,137</u>
Excess (Deficiency) of Revenues Over Expenditures	2,664,942	(5,176,984)	(2,512,042)
Other Financing Sources (Uses)			
Transfers in	442,575	5,176,984	5,619,559
Transfers out	<u>(3,176,046)</u>	<u>-</u>	<u>(3,176,046)</u>
Total Other Financing Sources (Uses)	<u>(2,733,471)</u>	<u>5,176,984</u>	<u>2,443,513</u>
Net Change in Fund Balances	(68,529)	-	(68,529)
Fund Balances Beginning of Year	<u>7,780,834</u>	<u>-</u>	<u>7,780,834</u>
Fund Balances End of Year	<u>\$ 7,712,305</u>	<u>-</u>	<u>7,712,305</u>

Ketchikan Gateway Borough, Alaska

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2017

	<u>Airport PFC</u>	<u>Commercial Passenger Vessel</u>	<u>Economic Development Special Assistance</u>	<u>Forest Park Service Area</u>	<u>Gold Nugget Service Area</u>
Assets					
Cash and investments	\$ 642,295	542,944	819,430	120,130	71,690
Restricted cash and investments	-	1,664,868	-	-	-
Receivables:					
Accounts	81,525	-	-	-	508
Intergovernmental	-	-	-	131	-
Property taxes	-	-	-	465	-
Sales taxes	-	-	-	-	-
Total Assets	\$ <u>723,820</u>	<u>2,207,812</u>	<u>819,430</u>	<u>120,726</u>	<u>72,198</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ -	98,279	36,923	-	-
Interfund payable	-	-	-	-	-
Interfund advances payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>98,279</u>	<u>36,923</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Property tax revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>465</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>98,279</u>	<u>36,923</u>	<u>465</u>	<u>-</u>
Fund Balances					
Restricted	723,820	2,109,533	-	120,261	72,198
Assigned	<u>-</u>	<u>-</u>	<u>782,507</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>723,820</u>	<u>2,109,533</u>	<u>782,507</u>	<u>120,261</u>	<u>72,198</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>723,820</u>	<u>2,207,812</u>	<u>819,430</u>	<u>120,726</u>	<u>72,198</u>



THIS PAGE INTENTIONALLY LEFT BLANK

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

	Homestead Service Area	Loring Service Area	Mud Bight Service Area	Nichols View Service Area	Non- areawide Library
Assets					
Cash and investments	\$ 94,034	56,576	68,794	5,534	152,729
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	219	-	784	-	-
Intergovernmental	-	226	-	-	683
Property taxes	-	-	-	-	1,931
Sales taxes	-	-	-	-	-
Total Assets	\$ 94,253	56,802	69,578	5,534	155,343
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ -	329	-	-	-
Interfund payable	-	-	-	-	-
Interfund advances payable	-	-	-	-	-
Unearned revenue	-	44,133	-	-	-
Total Liabilities	-	44,462	-	-	-
Deferred Inflows of Resources					
Property tax revenues	-	-	-	-	1,931
Total Liabilities and Deferred Inflows of Resources	-	44,462	-	-	1,931
Fund Balances					
Restricted	94,253	12,340	69,578	5,534	153,412
Assigned	-	-	-	-	-
Total Fund Balances	94,253	12,340	69,578	5,534	153,412
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 94,253	56,802	69,578	5,534	155,343

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

	North Tongass Fire and EMS	Recreation Sales Tax	South Tongass Service Area	Tobacco Tax	Waterfall Service Area	Total Nonmajor Special Revenue Funds
Assets						
Cash and investments	\$ 535,553	2,000,427	686,373	-	31,094	5,827,603
Restricted cash and investments	-	-	-	-	-	1,664,868
Receivables:						
Accounts	6,510	-	15,702	-	7,290	112,538
Intergovernmental	892	-	1,052	-	-	2,984
Property taxes	2,864	-	3,638	-	-	8,898
Sales taxes	-	511,557	-	247,081	-	758,638
Total Assets	\$ 545,819	2,511,984	706,765	247,081	38,384	8,375,529
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 20,216	49,944	27,823	-	53	233,567
Interfund payable	-	-	-	180,646	-	180,646
Interfund advances payable	172,295	-	-	-	23,685	195,980
Unearned revenue	-	-	-	-	-	44,133
Total Liabilities	192,511	49,944	27,823	180,646	23,738	654,326
Deferred Inflows of Resources						
Property tax revenues	2,864	-	3,638	-	-	8,898
Total Liabilities and Deferred Inflows of Resources	195,375	49,944	31,461	180,646	23,738	663,224
Fund Balances						
Restricted	350,444	2,462,040	675,304	66,435	14,646	6,929,798
Assigned	-	-	-	-	-	782,507
Total Fund Balances	350,444	2,462,040	675,304	66,435	14,646	7,712,305
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 545,819	2,511,984	706,765	247,081	38,384	8,375,529

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	<u>Airport PFC</u>	<u>Commercial Passenger Vessel</u>	<u>Economic Development Special Assistance</u>	<u>Forest Park Service Area</u>	<u>Gold Nugget Service Area</u>
Revenues					
Taxes	\$ -	-	-	66,463	-
Intergovernmental	-	-	1,653	-	-
Charges for services	-	-	-	-	17,788
Water fees	-	-	-	-	-
Commercial passenger vessel tax	-	2,163,570	-	-	-
Investment earnings	75	1,405	97	14	9
Miscellaneous	<u>397,520</u>	<u>-</u>	<u>8,043</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>397,595</u>	<u>2,164,975</u>	<u>9,793</u>	<u>66,477</u>	<u>17,797</u>
Expenditures					
Current					
Library services	-	-	-	-	-
Fire and EMS	-	-	-	-	-
Water treatment and distribution	-	-	-	-	-
Public services	-	1,056,795	625,708	89,444	28,998
Capital Outlay	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>1,056,795</u>	<u>633,208</u>	<u>89,444</u>	<u>28,998</u>
Less recovery of expenditures from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Expenditures	<u>-</u>	<u>1,056,795</u>	<u>633,208</u>	<u>89,444</u>	<u>28,998</u>
Excess (Deficiency) of Revenues Over Expenditures	397,595	1,108,180	(623,415)	(22,967)	(11,201)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>(827,744)</u>	<u>(179,650)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(827,744)</u>	<u>(179,650)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	397,595	280,436	(803,065)	(22,967)	(11,201)
Fund Balances Beginning of Year	<u>326,225</u>	<u>1,829,097</u>	<u>1,585,572</u>	<u>143,228</u>	<u>83,399</u>
Fund Balances End of Year	<u>\$ 723,820</u>	<u>2,109,533</u>	<u>782,507</u>	<u>120,261</u>	<u>72,198</u>



THIS PAGE INTENTIONALLY LEFT BLANK

Ketchikan Gateway Borough, Alaska

Nonmajor Special Revenue Funds

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

	Homestead Service Area	Loring Service Area	Mud Bight Service Area	Nichols View Service Area	Nonareawide Library
Revenues					
Taxes	-	142	-	-	418,200
Intergovernmental	-	-	-	-	-
Charges for services	9,112	3,000	25,508	-	-
Water fees	-	-	-	-	-
Commercial passenger vessel tax	-	-	-	-	-
Investment earnings	11	7	8	-	18
Miscellaneous	-	20	-	-	-
Total Revenues	<u>9,123</u>	<u>3,169</u>	<u>25,516</u>	<u>-</u>	<u>418,218</u>
Expenditures					
Current					
Library services	-	-	-	-	402,279
Fire and EMS	-	-	-	-	-
Water treatment and distribution	-	-	-	-	-
Public services	27,063	6,680	21,003	500	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>27,063</u>	<u>6,680</u>	<u>21,003</u>	<u>500</u>	<u>402,279</u>
Less recovery of expenditures from other funds	-	-	-	-	-
Net Expenditures	<u>27,063</u>	<u>6,680</u>	<u>21,003</u>	<u>500</u>	<u>402,279</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,940)	(3,511)	4,513	(500)	15,939
Other Financing Sources (Uses)					
Transfers in	31,869	-	-	-	14,764
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>31,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,764</u>
Net Change in Fund Balances	13,929	(3,511)	4,513	(500)	30,703
Fund Balances Beginning of Year	<u>80,324</u>	<u>15,851</u>	<u>65,065</u>	<u>6,034</u>	<u>122,709</u>
Fund Balances End of Year	<u><u>94,253</u></u>	<u><u>12,340</u></u>	<u><u>69,578</u></u>	<u><u>5,534</u></u>	<u><u>153,412</u></u>

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

	North Tongass Fire and EMS	Recreation Sales Tax	South Tongass Service Area	Tobacco Tax	Waterfall Service Area	Total Nonmajor Special Revenue Funds
Revenues						
Taxes	\$ 617,381	1,764,568	596,592	447,487	-	3,910,833
Intergovernmental	9,082	187,157	5,570	-	-	203,462
Charges for services	194,623	-	91,307	700	37,863	379,901
Water fees	-	-	294,097	-	-	294,097
Commercial passenger vessel tax	-	-	-	-	-	2,163,570
Investment earnings	64	235	83	-	4	2,030
Miscellaneous	-	-	2,092	-	-	407,675
Total Revenues	<u>821,150</u>	<u>1,951,960</u>	<u>989,741</u>	<u>448,187</u>	<u>37,867</u>	<u>7,361,568</u>
Expenditures						
Current						
Library services	-	-	-	-	-	402,279
Fire and EMS	672,426	-	619,157	-	-	1,291,583
Water treatment and distribution	-	-	238,855	-	-	238,855
Public services	-	22,272	-	5,290	33,104	1,916,857
Capital Outlay	<u>106,200</u>	<u>660,091</u>	<u>76,587</u>	<u>-</u>	<u>-</u>	<u>850,378</u>
Total Expenditures	<u>778,626</u>	<u>682,363</u>	<u>934,599</u>	<u>5,290</u>	<u>33,104</u>	<u>4,699,952</u>
Less recovery of expenditures from other funds	-	-	(3,326)	-	-	(3,326)
Net Expenditures	<u>778,626</u>	<u>682,363</u>	<u>931,273</u>	<u>5,290</u>	<u>33,104</u>	<u>4,696,626</u>
Excess (Deficiency) of Revenues Over Expenditures	42,524	1,269,597	58,468	442,897	4,763	2,664,942
Other Financing Sources (Uses)						
Transfers in	97,965	177,270	120,707	-	-	442,575
Transfers out	-	(1,792,190)	-	(376,462)	-	(3,176,046)
Total Other Financing Sources (Uses)	<u>97,965</u>	<u>(1,614,920)</u>	<u>120,707</u>	<u>(376,462)</u>	<u>-</u>	<u>(2,733,471)</u>
Net Change in Fund Balances	140,489	(345,323)	179,175	66,435	4,763	(68,529)
Fund Balances Beginning of Year	<u>209,955</u>	<u>2,807,363</u>	<u>496,129</u>	<u>-</u>	<u>9,883</u>	<u>7,780,834</u>
Fund Balances End of Year	<u>\$ 350,444</u>	<u>2,462,040</u>	<u>675,304</u>	<u>66,435</u>	<u>14,646</u>	<u>7,712,305</u>



THIS PAGE INTENTIONALLY LEFT BLANK

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, 2017

	2009-4 G.O. Bond Redemption Fund	2010A One Certificate of Participation Fund	2010B One Certificate of Participation Fund	2010B 2 Four G.O. Bond Redemption Fund	2010 One G.O. Bond Redemption Fund
Revenues					
Intergovernmental - interest subsidy	\$ 407,846	-	100,650	47,031	-
Expenditures					
Debt Service					
Principal retirement	590,000	150,000	-	220,000	620,000
Interest and fiscal charges	1,185,519	12,400	240,244	112,198	105,800
Total Expenditures	1,775,519	162,400	240,244	332,198	725,800
Excess (Deficiency) of Revenues Over Expenditures	(1,367,673)	(162,400)	(139,594)	(285,167)	(725,800)
Other Financing Sources					
Transfers in	1,367,673	162,400	139,594	285,167	725,800
Net Change in Fund Balances	-	-	-	-	-
Fund Balances Beginning of Year	-	-	-	-	-
Fund Balances End of Year	\$ -	-	-	-	-

Ketchikan Gateway Borough, Alaska

Nonmajor Debt Service Funds

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

	2011 III G.O. Bond Redemption Fund	2012 Two G.O. Bond Redemption Fund	2013 One G.O. Bond Redemption Fund	2015A One G.O. Bond Redemption Fund	Total Nonmajor Debt Service Funds
Revenues					
Intergovernmental - interest subsidy	\$ -	-	-	-	555,527
Expenditures					
Debt Service					
Principal retirement	450,000	585,000	460,000	530,000	3,605,000
Interest and fiscal charges	166,300	101,150	150,550	53,350	2,127,511
Total Expenditures	616,300	686,150	610,550	583,350	5,732,511
Excess (Deficiency) of Revenues Over Expenditures	(616,300)	(686,150)	(610,550)	(583,350)	(5,176,984)
Other Financing Sources					
Transfers in	616,300	686,150	610,550	583,350	5,176,984
Net Change in Fund Balances	-	-	-	-	-
Fund Balances Beginning of Year	-	-	-	-	-
Fund Balances End of Year	\$ -	-	-	-	-



THIS PAGE INTENTIONALLY LEFT BLANK

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.

Local Education Fund - This fund is used to account for the receipt of property taxes, Secure Rural Schools revenues, tobacco tax proceeds, and to process payments for local education support.

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, 2017 and 2016

	2017	2016
Assets		
Cash and investments	\$ 7,206,034	6,183,726
Receivables:		
Accounts	45,641	200,345
Intergovernmental	215,493	373,360
Property taxes	65,872	117,691
Sales taxes	5,299,941	5,029,636
Interfund	344,952	682,037
Total Assets	\$ 13,177,933	12,586,795
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 368,900	313,323
Accrued salaries and benefits	17,496	14,070
Unearned revenues	184,968	163,863
Intergovernmental payable	3,704,387	3,515,813
Deposits payable	55,272	66,591
Total Liabilities	4,331,023	4,073,660
Deferred Inflows of Resources		
Property tax revenues	65,872	117,691
Total Liabilities and Deferred Inflows of Resources	4,396,895	4,191,351
Fund Balance		
Unassigned	8,781,038	8,395,444
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 13,177,933	12,586,795



THIS PAGE INTENTIONALLY LEFT BLANK

Ketchikan Gateway Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			Variance	2016
	Original Budget	Final Budget	Actual	On Final Budget	Actual
Revenues					
Taxes:					
Real and personal property	\$ -	-	31,285	31,285	6,761,263
Automobile	60,000	60,000	60,222	222	65,214
Sales	5,154,184	5,154,184	5,353,019	198,835	5,155,781
Penalties and interest	30,000	30,000	33,958	3,958	74,167
Total taxes	<u>5,244,184</u>	<u>5,244,184</u>	<u>5,478,484</u>	<u>234,300</u>	<u>12,056,425</u>
Licenses and permits					
Zoning fees	-	-	350	350	366
Intergovernmental:					
State fisheries tax	240,000	240,000	209,372	(30,628)	249,593
State revenue sharing	397,393	397,393	397,754	361	598,123
PERS relief	137,934	137,934	160,766	22,832	206,142
State and local PILT	19,700	19,700	25,609	5,909	30,165
Federal payment in lieu of taxes	-	-	1,128,941	1,128,941	1,202,357
State operating grant - transit system	1,000,000	1,000,000	1,000,000	-	1,081,658
National forest receipts	-	-	-	-	993,052
Total intergovernmental	<u>1,795,027</u>	<u>1,795,027</u>	<u>2,922,442</u>	<u>1,127,415</u>	<u>4,361,090</u>
Charges for services:					
Animal control	45,000	45,000	33,535	(11,465)	40,047
Bus system revenue	225,000	225,000	206,273	(18,727)	189,230
Parks and recreation	725,000	725,000	802,398	77,398	725,988
Other revenues	352,356	352,356	174,761	(177,595)	969,917
Total charges for services	<u>1,347,356</u>	<u>1,347,356</u>	<u>1,216,967</u>	<u>(130,389)</u>	<u>1,925,182</u>
Investment earnings	1,000	1,000	4,062	3,062	1,008
Total Revenues	<u>8,387,567</u>	<u>8,387,567</u>	<u>9,622,305</u>	<u>1,234,738</u>	<u>18,344,071</u>
Other Financing Sources					
Transfers In:					
Commercial Passenger Vessel Fund	471,590	471,590	471,590	-	455,499
Economic Development Assistance					
Program Fund	179,650	179,650	179,650	-	144,650
Land Trust Fund	217,291	217,291	217,291	-	221,069
Recreation Sales Tax Fund	424,516	424,516	424,516	-	446,280
Total Other Financing Sources	<u>1,293,047</u>	<u>1,293,047</u>	<u>1,293,047</u>	<u>-</u>	<u>1,267,498</u>
Total Revenues and Other Financing Sources	<u>\$ 9,680,614</u>	<u>9,680,614</u>	<u>10,915,352</u>	<u>1,234,738</u>	<u>19,611,569</u>

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

	2017			2016	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance On Final Budget</u>	<u>Actual</u>
Expenditures					
Current:					
General government:					
Mayor and assembly	\$ 155,792	155,792	139,126	16,666	134,181
Manager	913,375	913,375	963,820	(50,445)	843,805
Clerk	458,621	458,621	449,205	9,416	445,954
Law	410,279	410,279	387,863	22,416	390,852
Finance	1,339,158	1,339,158	1,230,161	108,997	1,289,232
Assessment	733,741	733,741	672,562	61,179	672,847
Automation	519,380	519,380	445,167	74,213	435,581
Total general government	<u>4,530,346</u>	<u>4,530,346</u>	<u>4,287,904</u>	<u>242,442</u>	<u>4,212,452</u>
Less recovery of expenditures from other funds	<u>(919,862)</u>	<u>(919,862)</u>	<u>(912,771)</u>	<u>(7,091)</u>	<u>(986,410)</u>
Net general government	<u>3,610,484</u>	<u>3,610,484</u>	<u>3,375,133</u>	<u>235,351</u>	<u>3,226,042</u>
Public services:					
Animal protection	519,792	519,792	450,843	68,949	470,323
Planning	744,888	744,888	734,109	10,779	558,972
Total public services	<u>1,264,680</u>	<u>1,264,680</u>	<u>1,184,952</u>	<u>79,728</u>	<u>1,029,295</u>
Parks and recreation	<u>2,351,445</u>	<u>2,351,445</u>	<u>2,337,665</u>	<u>13,780</u>	<u>2,242,488</u>
Public works	<u>1,228,707</u>	<u>1,228,707</u>	<u>1,014,255</u>	<u>214,452</u>	<u>1,076,951</u>
Transit - bus system	<u>2,018,749</u>	<u>2,018,749</u>	<u>2,033,548</u>	<u>(14,799)</u>	<u>2,012,331</u>
Nondepartmental	<u>253,032</u>	<u>253,032</u>	<u>237,186</u>	<u>15,846</u>	<u>266,125</u>
Education	<u>138,445</u>	<u>138,445</u>	<u>-</u>	<u>138,445</u>	<u>8,529,765</u>
Capital Outlay	<u>375,620</u>	<u>412,093</u>	<u>250,850</u>	<u>161,243</u>	<u>93,979</u>
Total Expenditures	<u>11,241,162</u>	<u>11,277,635</u>	<u>10,433,589</u>	<u>844,046</u>	<u>18,476,976</u>
Other Financing Uses					
Transfers Out:					
Airport Fund	5,500	5,500	5,500	-	5,500
Homestead Service Area Fund	31,869	31,869	31,869	-	3,869
Fire and EMS	58,800	58,800	58,800	-	58,494
School Bond CIP	-	-	-	-	248,126
Schools Reserve Fund	-	-	-	-	<u>2,724,685</u>
Total Other Financing Uses	<u>96,169</u>	<u>96,169</u>	<u>96,169</u>	<u>-</u>	<u>3,040,674</u>
Total Expenditures and Other Financing Uses	<u>11,337,331</u>	<u>11,373,804</u>	<u>10,529,758</u>	<u>844,046</u>	<u>21,517,650</u>
Net Change in Fund Balance	<u>\$ (1,656,717)</u>	<u>(1,693,190)</u>	385,594	<u>2,078,784</u>	(1,906,081)
Fund Balance Beginning of Year			<u>8,395,444</u>		<u>10,301,525</u>
Fund Balance End of Year			<u>\$ 8,781,038</u>		<u>8,395,444</u>

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments:		
Unrestricted	\$ 3,851,216	3,239,170
Restricted	410,397	408,716
Receivables:		
Accounts	4,285	3,855
Interfund advances	<u>517,414</u>	<u>668,094</u>
Total Assets	<u>\$ 4,783,312</u>	<u>4,319,835</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 9,550	15,324
Deposits	<u>26,459</u>	<u>25,908</u>
Total Liabilities	<u>36,009</u>	<u>41,232</u>
Fund Balance		
Committed:		
Noncurrent portion of advances	361,181	479,397
Borough-owned land management	<u>4,386,122</u>	<u>3,799,206</u>
Total Fund Balance	<u>4,747,303</u>	<u>4,278,603</u>
Total Liabilities and Fund Balance	<u>\$ 4,783,312</u>	<u>4,319,835</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	\$ 485,347	485,347	483,800	(1,547)	492,252
Intergovernmental	1,534	1,534	1,086	(448)	1,363
Investment earnings	24,599	24,599	26,760	2,161	32,875
Proceeds from sale of property	100,000	100,000	537,896	437,896	571,512
Miscellaneous	-	-	281,590	281,590	30,557
Total Revenues	<u>611,480</u>	<u>611,480</u>	<u>1,331,132</u>	<u>719,652</u>	<u>1,128,559</u>
Expenditures					
Current					
Public services	985,812	985,812	343,147	642,665	247,530
Capital Outlay	<u>65,000</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>	<u>-</u>
Total Expenditures	<u>1,050,812</u>	<u>1,050,812</u>	<u>343,147</u>	<u>707,665</u>	<u>247,530</u>
Excess (Deficiency) of Revenues Over Expenditures	(439,332)	(439,332)	987,985	1,427,317	881,029
Other Financing Uses					
Transfers out	<u>(512,625)</u>	<u>(512,625)</u>	<u>(519,285)</u>	<u>(6,660)</u>	<u>(473,643)</u>
Net Change in Fund Balance	\$ <u>(951,957)</u>	<u>(951,957)</u>	468,700	<u>1,420,657</u>	407,386
Fund Balance Beginning of Year			<u>4,278,603</u>		<u>3,871,217</u>
Fund Balance End of Year		\$	<u><u>4,747,303</u></u>		<u>4,278,603</u>

Ketchikan Gateway Borough, Alaska
School Bond Capital Improvements Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 4,088,731	4,630,652
Receivables:		
Intergovernmental	424,144	27,777
Sales taxes	<u>511,567</u>	<u>484,491</u>
Total Assets	\$ <u>5,024,442</u>	<u>5,142,920</u>
 Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>-</u>	<u>-</u>
 Fund Balance		
Restricted for education	<u>5,024,442</u>	<u>5,142,920</u>
Total Liabilities and Fund Balance	\$ <u>5,024,442</u>	<u>5,142,920</u>

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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Sales taxes	\$ 1,698,065	1,698,065	1,759,580	61,515	1,699,105
Intergovernmental	2,452,701	2,452,701	1,926,565	(526,136)	2,530,287
Penalties and interest	2,500	2,500	4,998	2,498	6,949
Investment earnings	-	-	480	480	-
Total Revenues	<u>4,153,266</u>	<u>4,153,266</u>	<u>3,691,623</u>	<u>(461,643)</u>	<u>4,236,341</u>
Expenditures					
Current					
Education	20,000	20,000	33,059	(13,059)	160,680
Capital Outlay	<u>400,000</u>	<u>550,000</u>	<u>68,929</u>	<u>481,071</u>	<u>-</u>
Total Expenditures	<u>420,000</u>	<u>570,000</u>	<u>101,988</u>	<u>468,012</u>	<u>160,680</u>
Excess (Deficiency) of Revenues Over Expenditures	3,733,266	3,583,266	3,589,635	6,369	4,075,661
Other Financing Sources (Uses)					
Transfers in	-	-	35,162	35,162	248,126
Transfers out	<u>(3,748,414)</u>	<u>(3,748,414)</u>	<u>(3,743,275)</u>	<u>5,139</u>	<u>(3,814,946)</u>
Total Other Financing Sources Uses	<u>(3,748,414)</u>	<u>(3,748,414)</u>	<u>(3,708,113)</u>	<u>40,301</u>	<u>(3,566,820)</u>
Net Change in Fund Balance	\$ <u>(15,148)</u>	<u>(165,148)</u>	(118,478)	<u>46,670</u>	<u>508,841</u>
Fund Balance Beginning of Year			<u>5,142,920</u>		<u>4,634,079</u>
Fund Balance End of Year			\$ <u>5,024,442</u>		<u>5,142,920</u>

Ketchikan Gateway Borough, Alaska
Local Education Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and investments	\$ 3,402,679	3,005,042
Receivables:		
Property	34,801	-
Intergovernmental	85,015	-
Total Assets	\$ 3,522,495	3,005,042
 Liabilities and Fund Balance		
Liabilities		
Due to Component Unit	\$ 1,376,636	280,157
 Deferred Inflows of Resources		
Property tax revenue	34,801	-
Total Liabilities and Deferred Inflows of Resources	1,411,437	-
 Fund Balance		
Restricted for education	2,111,058	2,724,885
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 3,522,495	3,005,042

Ketchikan Gateway Borough, Alaska
Local Education Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Property taxes	\$ 6,916,914	6,916,914	6,922,519	5,605	-
Excise taxes	331,500	331,500	-	(331,500)	-
Intergovernmental	750,000	750,000	85,016	(664,984)	-
Investment earnings	-	-	2,269	2,269	200
Total Revenues	<u>7,998,414</u>	<u>7,998,414</u>	<u>7,009,804</u>	<u>(988,610)</u>	<u>200</u>
Expenditures					
Current					
Education	<u>8,196,550</u>	<u>8,080,092</u>	<u>8,071,497</u>	<u>8,595</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	(198,136)	(81,678)	(1,061,693)	(980,015)	200
Other Financing Sources (Uses)					
Transfers in	82,000	82,000	449,866	367,866	2,724,685
Transfers out	-	-	(2,000)	(2,000)	-
Total Other Financing Sources (Uses)	<u>82,000</u>	<u>82,000</u>	<u>447,866</u>	<u>365,866</u>	<u>2,724,685</u>
Net Change in Fund Balance	\$ <u>(116,136)</u>	<u>322</u>	(613,827)	<u>(614,149)</u>	2,724,885
Fund Balance Beginning of Year			<u>2,724,885</u>		-
Fund Balance End of Year		\$ <u>2,111,058</u>			<u>2,724,885</u>

Ketchikan Gateway Borough, Alaska
State & Federal Grants Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Intergovernmental receivable	\$ <u>56,692</u>	<u>807,415</u>
Total Assets	\$ <u><u>56,692</u></u>	<u><u>807,415</u></u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 22,579	417,543
Interfund payable	<u>34,113</u>	<u>389,872</u>
Total Liabilities	<u>56,692</u>	<u>807,415</u>
Fund Balance		
Nonspendable	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	\$ <u><u>56,692</u></u>	<u><u>807,415</u></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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Intergovernmental	\$ <u>340,209</u>	<u>598,138</u>
Expenditures		
Current		
Public services	292,248	415,821
Capital Outlay	<u>47,961</u>	<u>182,317</u>
Total Expenditures	<u>340,209</u>	<u>598,138</u>
Fund Balance Beginning of Year	<u>-</u>	<u>-</u>
Fund Balance End of Year	\$ <u><u>-</u></u>	<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.

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.

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.

Nonareawide 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.

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.

Tobacco Tax Fund – This fund is used to account for the collections of excise taxes on tobacco products. Eighty-five percent of the net proceeds are transferred to the Local Education Fund. The remaining fifteen percent is to be spent on cessation programs.

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 642,295	251,017
Accounts receivable	<u>81,525</u>	<u>75,208</u>
Total Assets	\$ <u>723,820</u>	<u>326,225</u>
Fund Balance		
Restricted for airport projects	<u>723,820</u>	<u>326,225</u>
Total Liabilities and Fund Balance	\$ <u>723,820</u>	<u>326,225</u>

Ketchikan Gateway Borough, Alaska
Airport PFC Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
PFC revenues	\$ 375,000	375,000	397,520	22,520	397,403
Investment earnings	<u>-</u>	<u>-</u>	<u>75</u>	<u>75</u>	<u>-</u>
Total Revenues	<u>375,000</u>	<u>375,000</u>	<u>397,595</u>	<u>22,595</u>	<u>397,403</u>
Net Change in Fund Balance	\$ <u>375,000</u>	<u>375,000</u>	397,595	<u>22,595</u>	397,403
Fund Balance Beginning of Year			<u>326,225</u>		<u>(71,178)</u>
Fund Balance End of Year		\$	<u>723,820</u>		<u>326,225</u>

Ketchikan Gateway Borough, Alaska
Commercial Passenger Vessel Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 542,944	541,735
Restricted cash and investments	<u>1,664,868</u>	<u>1,468,092</u>
Total Assets	\$ <u>2,207,812</u>	<u>2,009,827</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>98,279</u>	<u>180,730</u>
Fund Balance		
Restricted for commercial passenger vessel impact	<u>2,109,533</u>	<u>1,829,097</u>
Total Liabilities and Fund Balance	\$ <u>2,207,812</u>	<u>2,009,827</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>2017</u>			<u>2016</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance On Final Budget</u>	<u>Actual</u>
Revenues					
Intergovernmental	\$ -	-	-	-	3,771
Commercial passenger vessel tax	2,000,000	2,000,000	2,163,570	163,570	2,141,633
Investment earnings	<u>850</u>	<u>850</u>	<u>1,405</u>	<u>555</u>	<u>1,030</u>
Total Revenues	<u>2,000,850</u>	<u>2,000,850</u>	<u>2,164,975</u>	<u>164,125</u>	<u>2,146,434</u>
Expenditures					
Current					
Public services	901,892	1,018,814	1,056,795	(37,981)	1,506,183
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,744</u>
Total Expenditures	<u>901,892</u>	<u>1,018,814</u>	<u>1,056,795</u>	<u>(37,981)</u>	<u>1,527,927</u>
Excess of Revenues Over Expenditures	1,098,958	982,036	1,108,180	126,144	618,507
Other Financing Uses					
Transfers out	<u>(827,744)</u>	<u>(827,744)</u>	<u>(827,744)</u>	<u>-</u>	<u>(1,035,254)</u>
Net Change in Fund Balance	\$ <u>271,214</u>	<u>154,292</u>	280,436	<u>126,144</u>	(416,747)
Fund Balance Beginning of Year			<u>1,829,097</u>		<u>2,245,844</u>
Fund Balance End of Year			\$ <u>2,109,533</u>		<u>1,829,097</u>

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ <u>819,430</u>	<u>1,639,794</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>36,923</u>	<u>54,222</u>
Fund Balance		
Assigned for economic development	<u>782,507</u>	<u>1,585,572</u>
Total Liabilities and Fund Balance	\$ <u>819,430</u>	<u>1,639,794</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Intergovernmental	\$ 1,475	1,475	1,653	178	2,736
Investment Earnings	-	-	97	97	-
Miscellaneous revenue	-	-	8,043	8,043	456
Total Revenues	<u>1,475</u>	<u>1,475</u>	<u>9,793</u>	<u>8,318</u>	<u>3,192</u>
Expenditures					
Current					
Public services	532,950	589,950	625,708	(35,758)	996,640
Capital Outlay	-	-	7,500	(7,500)	-
Total Expenditures	<u>532,950</u>	<u>589,950</u>	<u>633,208</u>	<u>(43,258)</u>	<u>996,640</u>
Excess (Deficiency) of Revenues Over Expenditures	(531,475)	(588,475)	(623,415)	(34,940)	(993,448)
Other Financing Uses					
Transfers out	(179,650)	(179,650)	(179,650)	-	(144,650)
Net Change in Fund Balance	\$ <u>(711,125)</u>	<u>(768,125)</u>	(803,065)	<u>(34,940)</u>	(1,138,098)
Fund Balance Beginning of Year			<u>1,585,572</u>		<u>2,723,670</u>
Fund Balance End of Year		\$	<u>782,507</u>		<u>1,585,572</u>

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 120,130	168,040
Receivables:		
Intergovernmental	131	146
Property taxes	<u>465</u>	<u>257</u>
Total Assets	\$ <u>120,726</u>	<u>168,443</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ <u>-</u>	<u>24,958</u>
Deferred Inflows of Resources		
Property tax revenue	<u>465</u>	<u>257</u>
Total Liabilities and Deferred Inflows of Resources	<u>465</u>	<u>25,215</u>
Fund Balance		
Restricted for road maintenance	<u>120,261</u>	<u>143,228</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ <u>120,726</u>	<u>168,443</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Taxes	\$ 66,546	66,546	66,463	(83)	63,953
Investment earnings	-	-	14	14	-
Total Revenues	66,546	66,546	66,477	(69)	63,953
Expenditures					
Current					
Public services	76,130	76,130	89,444	(13,314)	60,090
Net Change in Fund Balance	\$ <u>(9,584)</u>	<u>(9,584)</u>	(22,967)	<u>(13,383)</u>	3,863
Fund Balance Beginning of Year			143,228		139,365
Fund Balance End of Year			\$ <u>120,261</u>		<u>143,228</u>

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 71,690	83,140
Accounts receivable	<u>508</u>	<u>259</u>
Total Assets	<u>\$ 72,198</u>	<u>83,399</u>
Fund Balance		
Restricted for road maintenance	<u>\$ 72,198</u>	<u>83,399</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>2017</u>			<u>2016</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance On Final Budget</u>	<u>Actual</u>
Revenues					
Charges for services	\$ 23,520	23,520	17,788	(5,732)	23,571
Investment earnings	-	-	9	9	-
Total Revenues	<u>23,520</u>	<u>23,520</u>	<u>17,797</u>	<u>(5,723)</u>	<u>23,571</u>
Expenditures					
Current					
Public services	<u>33,920</u>	<u>33,920</u>	<u>28,998</u>	<u>4,922</u>	<u>5,112</u>
Net Change in Fund Balance	\$ <u>(10,400)</u>	<u>(10,400)</u>	(11,201)	<u>(801)</u>	18,459
Fund Balance Beginning of Year			<u>83,399</u>		<u>64,940</u>
Fund Balance End of Year			\$ <u>72,198</u>		<u>83,399</u>

Ketchikan Gateway Borough, Alaska
Homestead Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and investments	\$ 94,034	80,411
Accounts receivable	219	-
Total Assets	\$ 94,253	80,411
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ -	87
Fund Balance		
Restricted for road maintenance	94,253	80,324
Total Liabilities and Fund Balance	\$ 94,253	80,411

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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	\$ 5,535	5,535	9,112	3,577	31,601
Investment earnings	-	-	11	11	-
Total Revenues	<u>5,535</u>	<u>5,535</u>	<u>9,123</u>	<u>3,588</u>	<u>31,601</u>
Expenditures					
Current					
Public services	<u>38,202</u>	<u>38,202</u>	<u>27,063</u>	<u>11,139</u>	<u>17,868</u>
Excess (Deficiency) of Revenues Over Expenditures	(32,667)	(32,667)	(17,940)	14,727	13,733
Other Financing Sources					
Transfers in	<u>31,869</u>	<u>31,869</u>	<u>31,869</u>	-	<u>3,869</u>
Net Change in Fund Balance	\$ <u>(798)</u>	<u>(798)</u>	13,929	<u>14,727</u>	17,602
Fund Balance Beginning of Year			<u>80,324</u>		<u>62,722</u>
Fund Balance End of Year		\$ <u>94,253</u>			<u>80,324</u>

Ketchikan Gateway Borough, Alaska
Loring Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 56,576	59,960
Intergovernmental receivable	<u>226</u>	<u>24</u>
Total Assets	<u>\$ 56,802</u>	<u>59,984</u>
Liabilities		
Accounts payable	\$ 329	-
Unearned revenue	<u>44,133</u>	<u>44,133</u>
Total Liabilities	<u>44,462</u>	<u>44,133</u>
Fund Balance		
Restricted for dock improvements	<u>12,340</u>	<u>15,851</u>
Total Liabilities and Fund Balance	<u>\$ 56,802</u>	<u>59,984</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Property taxes	\$ -	-	142	142	2,431
Charges for services	3,000	3,000	3,000	-	-
Intergovernmental	44,133	44,133	-	(44,133)	-
Investment earnings	-	-	7	7	-
Miscellaneous	-	-	20	20	-
Total Revenues	<u>47,133</u>	<u>47,133</u>	<u>3,169</u>	<u>(43,964)</u>	<u>2,431</u>
Expenditures					
Current					
Public services	<u>48,230</u>	<u>48,230</u>	<u>6,680</u>	<u>41,550</u>	<u>1,866</u>
Net Change in Fund Balance	\$ <u>(1,097)</u>	<u>(1,097)</u>	(3,511)	<u>(2,414)</u>	565
Fund Balance Beginning of Year			<u>15,851</u>		<u>15,286</u>
Fund Balance End of Year		\$	<u>12,340</u>		<u>15,851</u>

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 68,794	63,434
Accounts receivable	<u>784</u>	<u>1,631</u>
Total Assets	\$ <u>69,578</u>	<u>65,065</u>
Fund Balance		
Restricted for road maintenance	\$ <u>69,578</u>	<u>65,065</u>

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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	\$ 12,720	12,720	25,508	12,788	13,726
Investment earnings	-	-	8	8	-
Miscellaneous	-	-	-	-	67
Total Revenues	<u>12,720</u>	<u>12,720</u>	<u>25,516</u>	<u>12,796</u>	<u>13,793</u>
Expenditures					
Current					
Public services	<u>26,500</u>	<u>26,500</u>	<u>21,003</u>	<u>5,497</u>	<u>6,058</u>
Net Change in Fund Balance	\$ <u>(13,780)</u>	<u>(13,780)</u>	4,513	<u>18,293</u>	7,735
Fund Balance Beginning of Year			<u>65,065</u>		<u>57,330</u>
Fund Balance End of Year		\$	<u>69,578</u>		<u>65,065</u>

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ <u>5,534</u>	<u>6,034</u>
Fund Balance		
Restricted for road maintenance	\$ <u>5,534</u>	<u>6,034</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Expenditures					
Current					
Public services	\$ 500	500	500	-	500
Net Change in Fund Balance	\$ <u>(500)</u>	<u>(500)</u>	(500)	<u>-</u>	(500)
Fund Balance Beginning of Year			<u>6,034</u>		<u>6,534</u>
Fund Balance End of Year		\$ <u>5,534</u>			<u>6,034</u>

Ketchikan Gateway Borough, Alaska
Nonareawide Library Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 152,729	121,949
Receivables:		
Intergovernmental	683	760
Property taxes	<u>1,931</u>	<u>2,459</u>
Total Assets	\$ <u>155,343</u>	<u>125,168</u>
 Deferred Inflows of Resources and Fund Balance		
 Deferred Inflows of Resources		
Property tax revenue	\$ <u>1,931</u>	<u>2,459</u>
 Fund Balance		
Restricted for library operations	<u>153,412</u>	<u>122,709</u>
Total Deferred Inflows of Resources and Fund Balance	\$ <u>155,343</u>	<u>125,168</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Property taxes	\$ 416,446	416,446	418,200	1,754	404,794
Investment earnings	-	-	18	18	-
Miscellaneous	-	-	-	-	552
Total Revenues	<u>416,446</u>	<u>416,446</u>	<u>418,218</u>	<u>1,772</u>	<u>405,346</u>
Expenditures					
Current					
Library services	<u>402,279</u>	<u>402,279</u>	<u>402,279</u>	-	<u>390,575</u>
Excess of Revenues Over Expenditures	14,167	14,167	15,939	1,772	14,771
Other Financing Sources					
Transfers in	<u>14,764</u>	<u>14,764</u>	<u>14,764</u>	-	<u>25,910</u>
Net Change in Fund Balance	\$ <u>28,931</u>	<u>28,931</u>	30,703	<u>1,772</u>	40,681
Fund Balance Beginning of Year			<u>122,709</u>		<u>82,028</u>
Fund Balance End of Year			\$ <u>153,412</u>		<u>122,709</u>

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 535,553	449,204
Prepaid items	-	-
Receivables:		
Accounts	6,510	19,026
Intergovernmental	892	892
Property taxes	<u>2,864</u>	<u>4,236</u>
Total Assets	<u>\$ 545,819</u>	<u>473,358</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 20,216	19,624
Interfund advances payable	<u>172,295</u>	<u>239,543</u>
Total Liabilities	192,511	259,167
Deferred Inflows of Resources		
Property tax revenue	<u>2,864</u>	<u>4,236</u>
Total Liabilities and Deferred Inflows of Resources	<u>195,375</u>	<u>263,403</u>
Fund Balance		
Restricted for public safety	<u>350,444</u>	<u>209,955</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 545,819</u>	<u>473,358</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Taxes	\$ 611,756	611,756	617,381	5,625	598,316
Intergovernmental	8,223	8,223	9,082	859	11,191
Service area fees	118,910	118,910	111,646	(7,264)	131,950
Investment earnings	-	-	64	64	-
EMS revenues	55,000	55,000	82,977	27,977	76,496
Miscellaneous	-	-	-	-	1,328
Total Revenues	<u>793,889</u>	<u>793,889</u>	<u>821,150</u>	<u>27,261</u>	<u>819,281</u>
Expenditures					
Current					
Fire and EMS	765,399	805,399	672,426	132,973	631,262
Capital Outlay	<u>115,600</u>	<u>115,600</u>	<u>106,200</u>	<u>9,400</u>	<u>11,679</u>
Total Expenditures	<u>880,999</u>	<u>920,999</u>	<u>778,626</u>	<u>142,373</u>	<u>642,941</u>
Excess (Deficiency) of Revenues Over Expenditures	(87,110)	(127,110)	42,524	169,634	176,340
Other Financing Sources					
Transfers in	<u>97,965</u>	<u>97,965</u>	<u>97,965</u>	<u>-</u>	<u>106,919</u>
Net Change in Fund Balance	\$ <u>10,855</u>	<u>(29,145)</u>	140,489	<u>169,634</u>	283,259
Fund Balance Beginning of Year			<u>209,955</u>		<u>(73,304)</u>
Fund Balance End of Year			\$ <u>350,444</u>		<u>209,955</u>

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 2,000,427	2,340,722
Sales tax receivable	<u>511,557</u>	<u>484,492</u>
Total Assets	\$ <u>2,511,984</u>	<u>2,825,214</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>49,944</u>	<u>17,851</u>
Fund Balance		
Restricted for recreation	<u>2,462,040</u>	<u>2,807,363</u>
Total Liabilities and Fund Balance	\$ <u>2,511,984</u>	<u>2,825,214</u>

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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Sales taxes	\$ 1,698,065	1,698,065	1,759,580	61,515	1,706,054
Intergovernmental	238,749	238,749	187,157	(51,592)	247,374
Penalties and interest	3,500	3,500	4,988	1,488	-
Investment earnings	-	-	235	235	-
Total Revenues	1,940,314	1,940,314	1,951,960	11,646	1,953,428
Expenditures					
Current					
Public services	64,667	64,667	22,272	42,395	120,038
Capital Outlay	565,000	715,000	660,091	54,909	140,021
Total Expenditures	629,667	779,667	682,363	97,304	260,059
Excess of Revenues Over Expenditures	1,310,647	1,160,647	1,269,597	108,950	1,693,369
Other Financing Sources (Uses)					
Transfers in	177,270	177,270	177,270	-	177,956
Transfers out	(1,762,197)	(1,762,197)	(1,792,190)	(29,993)	(1,817,079)
Total Other Financing Sources (Uses)	(1,584,927)	(1,584,927)	(1,614,920)	(29,993)	(1,639,123)
Net Change in Fund Balance	\$ <u>(274,280)</u>	<u>(424,280)</u>	(345,323)	<u>78,957</u>	54,246
Fund Balance Beginning of Year			2,807,363		2,753,117
Fund Balance End of Year			\$ <u>2,462,040</u>		2,807,363

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 686,373	502,457
Receivables:		
Accounts	15,702	7,209
Intergovernmental	1,052	1,171
Property taxes	<u>3,638</u>	<u>3,261</u>
Total Assets	\$ <u>706,765</u>	<u>514,098</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ <u>27,823</u>	<u>14,708</u>
Deferred Inflows of Resources		
Property tax revenues	<u>3,638</u>	<u>3,261</u>
Total Liabilities and Deferred Inflows of Resources	31,461	17,969
Fund Balance		
Restricted for public safety and water	<u>675,304</u>	<u>496,129</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ <u>706,765</u>	<u>514,098</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	\$ 27,273	27,273	24,000	(3,273)	26,939
Taxes	595,200	595,200	596,592	1,392	573,317
Intergovernmental	9,505	9,505	5,570	(3,935)	6,801
Water fees	279,912	279,912	294,097	14,185	286,472
Investment earnings	-	-	83	83	-
EMS revenue	65,000	65,000	67,307	2,307	41,427
Miscellaneous	-	-	2,092	2,092	2,852
Total Revenues	<u>976,890</u>	<u>976,890</u>	<u>989,741</u>	<u>12,851</u>	<u>937,808</u>
Expenditures					
Current					
Fire and EMS	672,842	672,842	619,157	53,685	539,833
Water treatment and distribution	351,772	351,772	238,855	112,917	226,452
Capital Outlay	<u>-</u>	<u>-</u>	<u>76,587</u>	<u>(76,587)</u>	<u>19,036</u>
Total Expenditures	1,024,614	1,024,614	934,599	90,015	785,321
Less recovery of expenditures from other funds	<u>(3,326)</u>	<u>(3,326)</u>	<u>(3,326)</u>	<u>-</u>	<u>(1,800)</u>
Net Expenditures	<u>1,021,288</u>	<u>1,021,288</u>	<u>931,273</u>	<u>90,015</u>	<u>783,521</u>
Excess (Deficiency) of Revenues Over Expenditures	(44,398)	(44,398)	58,468	102,866	154,287
Other Financing Sources					
Transfers in	<u>120,707</u>	<u>120,707</u>	<u>120,707</u>	<u>-</u>	<u>196,416</u>
Net Change in Fund Balance	\$ <u>76,309</u>	<u>76,309</u>	179,175	<u>102,866</u>	350,703
Fund Balance Beginning of Year			<u>496,129</u>		<u>145,426</u>
Fund Balance End of Year		\$	<u>675,304</u>		<u>496,129</u>

Ketchikan Gateway Borough, Alaska
Tobacco Tax Special Revenue Fund
Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>
Assets	
Cash and investments	\$ -
Accounts receivable	
Taxes	<u>247,081</u>
Total Assets	\$ <u><u>247,081</u></u>
 Liabilities and Fund Balance	
 Liabilities	
Interfund payable	\$ <u>180,646</u>
 Fund Balance	
Restricted for education	<u>66,435</u>
 Total Liabilities and Fund Balance	\$ <u><u>247,081</u></u>

Ketchikan Gateway Borough, Alaska
Tobacco Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	2017			Variance On Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Tobacco tax	\$ -	-	447,487	447,487
Charges for services	-	-	700	700
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>448,187</u>	<u>448,187</u>
Expenditures				
Current				
Public services	-	-	5,290	(5,290)
Other Financing Uses				
Transfers out	-	-	(376,462)	376,462
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	66,435	<u>819,359</u>
Fund Balance Beginning of Year			-	
Fund Balance End of Year			\$ <u>66,435</u>	

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ 31,094	47,860
Accounts receivable	<u>7,290</u>	<u>3,024</u>
Total Assets	\$ <u>38,384</u>	<u>50,884</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 53	2,105
Interfund advances payable	<u>23,685</u>	<u>38,896</u>
Total Liabilities	<u>23,738</u>	<u>41,001</u>
Fund Balance		
Restricted for road maintenance	<u>14,646</u>	<u>9,883</u>
Total Liabilities and Fund Balance	\$ <u>38,384</u>	<u>50,884</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, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	\$ 37,125	37,125	37,863	738	44,211
Investment earnings	-	-	4	4	-
Miscellaneous	-	-	-	-	158
Total Revenues	<u>37,125</u>	<u>37,125</u>	<u>37,867</u>	<u>742</u>	<u>44,369</u>
Expenditures					
Current					
Public services	<u>33,466</u>	<u>33,466</u>	<u>33,104</u>	<u>362</u>	<u>11,391</u>
Net Change in Fund Balance	\$ <u>3,659</u>	<u>3,659</u>	4,763	<u>1,104</u>	32,978
Fund Balance Beginning of Year			<u>9,883</u>		<u>(23,095)</u>
Fund Balance End of Year		\$	<u>14,646</u>		<u>9,883</u>



THIS PAGE INTENTIONALLY LEFT BLANK

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ -	10,777
Restricted cash and investments	<u>2,460,412</u>	<u>2,748,035</u>
Total Assets	\$ <u>2,460,412</u>	<u>2,758,812</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 153,646	63,910
Deposits	<u>-</u>	<u>2,000</u>
Total Liabilities	<u>153,646</u>	<u>65,910</u>
Fund Balance		
Restricted for capital projects	<u>2,306,766</u>	<u>2,692,902</u>
Total Liabilities and Fund Balance	\$ <u>2,460,412</u>	<u>2,758,812</u>

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Investment earnings	\$ 742	1,370
Expenditures		
Current		
Public services	199,967	47,576
Capital Outlay		
Educational facilities	153,749	736,917
Total Expenditures	<u>353,716</u>	<u>784,493</u>
Excess (Deficiency) of Revenues Over Expenditures	(352,974)	(783,123)
Other Financing Sources (Uses)		
Transfers in	2,000	-
Transfers out	<u>(35,162)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(33,162)</u>	<u>-</u>
Net Change in Fund Balance	(386,136)	(783,123)
Fund Balance Beginning of Year	<u>2,692,902</u>	<u>3,476,025</u>
Fund Balance End of Year	\$ <u><u>2,306,766</u></u>	<u><u>2,692,902</u></u>



THIS PAGE INTENTIONALLY LEFT BLANK

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and investments	\$ 2,268,082	1,143,601
Prepaid items	5,941	11,718
Receivables:		
Accounts, net	234,583	369,997
Intergovernmental	<u>42,492</u>	<u>29,906</u>
Total Current Assets	<u>2,551,098</u>	<u>1,555,222</u>
Noncurrent Assets		
Capital Assets		
Non-depreciable	19,231	724,638
Depreciable, net	<u>18,206,413</u>	<u>18,508,283</u>
Total Noncurrent Assets	<u>18,225,644</u>	<u>19,232,921</u>
Total Assets	<u>20,776,742</u>	<u>20,788,143</u>
Deferred Outflows of Resources		
Related to pensions	<u>912,434</u>	<u>454,280</u>
Total Assets and Deferred Outflows of Resources	\$ <u>21,689,176</u>	<u>21,242,423</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 58,913	185,783
Interfund advances payable	31,120	30,204
Compensated absences payable	<u>161,327</u>	<u>173,359</u>
Total Current Liabilities	<u>251,360</u>	<u>389,346</u>
Long-Term Liabilities, Net of Current Portion		
Compensated absences payable	46,064	46,762
Net pension liability	3,858,547	2,715,627
Interfund advances payable	<u>65,155</u>	<u>96,275</u>
Total Long-Term Liabilities	<u>3,969,766</u>	<u>2,858,664</u>
Total Liabilities	<u>4,221,126</u>	<u>3,248,010</u>
Deferred Inflows of Resources		
Related to pensions	<u>42,999</u>	<u>48,078</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,264,125</u>	<u>3,296,088</u>
Net Position		
Net investment in capital assets	18,225,644	19,232,921
Unrestricted	<u>(800,593)</u>	<u>(1,286,586)</u>
Total Net Position	\$ <u><u>17,425,051</u></u>	<u><u>17,946,335</u></u>

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Revenues,
Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Charges for services	\$ 5,533,220	4,947,152
Operating Expenses		
Personnel services	3,791,609	3,299,490
Supplies and services	1,427,545	1,247,799
Insurance	233,096	235,627
Depreciation	1,169,526	1,114,563
Total Operating Expenses	<u>6,621,776</u>	<u>5,897,479</u>
Operating Loss	(1,088,556)	(950,327)
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(3,458)	(4,359)
Gain on disposal of capital assets	12,908	533
Investment income	273	-
Operating grants	262,110	125,597
Total Non-Operating Revenues (Expenses)	<u>271,833</u>	<u>121,771</u>
Income (Loss) Before Capital Contributions and Transfers	(816,723)	(828,556)
Capital contributions	123,136	1,731,076
Transfers in	172,303	299,765
Change in Net Position	(521,284)	1,202,285
Net Position Beginning of Year	<u>17,946,335</u>	<u>16,744,050</u>
Net Position End of Year	\$ <u>17,425,051</u>	<u>17,946,335</u>

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 5,668,634	5,431,123
Cash payments to employees for services	(3,124,652)	(2,985,377)
Cash payments for goods and services	<u>(1,781,734)</u>	<u>(1,428,840)</u>
Net Cash Provided by Operating Activities	<u>762,248</u>	<u>1,016,906</u>
Cash Flows from Noncapital Financing Activities		
Interfund payable	-	(376,854)
Operating grants	249,524	142,889
Transfers in	<u>172,303</u>	<u>299,765</u>
Net Cash Provided by Noncapital Financing Activities	<u>421,827</u>	<u>65,800</u>
Cash Flows from Capital and Related Financing Activities		
Sale of capital assets	12,908	532
Capital grant	123,136	1,731,076
Interest paid on debt service	(3,458)	(4,359)
Interfund advance payable	(30,204)	(29,303)
Payments for capital acquisitions	<u>(162,249)</u>	<u>(1,637,051)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(59,867)</u>	<u>60,895</u>
Cash Flows from Investing Activities		
Investment earnings	<u>273</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	1,124,481	1,143,601
Cash and Cash Equivalents Beginning of Year	<u>1,143,601</u>	<u>-</u>
Cash and Cash Equivalents End of Year	\$ <u>2,268,082</u>	<u>1,143,601</u>

(continued)

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows, continued
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Loss	\$ (1,088,556)	(950,327)
Adjustments:		
Depreciation	1,169,526	1,114,563
Amortization of deferred outflows of resources for pensions	(458,154)	(241,641)
Amortization of deferred inflows of resources for pensions	(5,079)	(180,109)
Decrease in Assets:		
Accounts receivable	135,414	483,971
Prepaid items	5,777	21,324
Increase (Decrease) in Liabilities:		
Accounts payable	(126,870)	33,262
Compensated absences payable	(12,730)	(4,697)
Net pension liability	<u>1,142,920</u>	<u>740,560</u>
Net Cash Provided by Operating Activities	\$ <u>762,248</u>	<u>1,016,906</u>

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and investments	\$ 671,592	592,772
Accounts receivable, net	<u>56,769</u>	<u>89,583</u>
Total Current Assets	<u>728,361</u>	<u>682,355</u>
Noncurrent Assets		
Capital Assets		
Non-depreciable	19,575	-
Depreciable, net	<u>8,746,850</u>	<u>9,087,845</u>
Total Noncurrent Assets	<u>8,766,425</u>	<u>9,087,845</u>
Total Assets	\$ <u>9,494,786</u>	<u>9,770,200</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 66,197	37,150
Interfund advances payable	<u>40,151</u>	<u>38,016</u>
Total Current Liabilities	106,348	75,166
Long-Term Liabilities		
Interfund advances payable (net of current portion)	<u>185,008</u>	<u>225,160</u>
Total Liabilities	<u>291,356</u>	<u>300,326</u>
Net Position		
Net investment in capital assets	8,766,425	9,087,845
Unrestricted	<u>437,005</u>	<u>382,029</u>
Total Net Position	\$ <u><u>9,203,430</u></u>	<u><u>9,469,874</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Charges for services	\$ 728,983	780,854
Operating Expenses		
Personnel services	175,151	168,118
Supplies and services	449,461	444,678
Insurance	6,138	6,599
Depreciation	358,821	357,864
Total Operating Expenses	989,571	977,259
Less recovery of expenses from other funds	(7,768)	(6,496)
Net Operating Expenses	981,803	970,763
Operating Loss	(252,820)	(189,909)
Non-Operating Expenses		
Interest and fiscal charges	(13,704)	(16,038)
Investment earnings	80	-
Total Non-Operating Revenues (Expenses)	(13,624)	(16,038)
Change in Net Position	(266,444)	(205,947)
Net Position Beginning of Year	9,469,874	9,675,821
Net Position End of Year	\$ 9,203,430	9,469,874

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 761,797	735,152
Cash payments to employees for services	(175,151)	(168,118)
Cash payments for goods and services	<u>(418,784)</u>	<u>(440,334)</u>
Net Cash Provided by (Used in) Operating Activities	<u>167,862</u>	<u>126,700</u>
Cash Flows from Capital and Related Financing Activities		
Interest paid on debt service	(13,704)	(16,038)
Interfund advance payable	(38,017)	(41,387)
Payments for capital acquisitions	<u>(37,401)</u>	<u>-</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(89,122)</u>	<u>(57,425)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>80</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	78,820	69,275
Cash and Cash Equivalents Beginning of Year	<u>592,772</u>	<u>523,497</u>
Cash and Cash Equivalents End of Year	<u>\$ 671,592</u>	<u>592,772</u>

(continued)

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows, continued
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating Loss	\$ (252,820)	(189,909)
Adjustments:		
Depreciation	358,821	357,864
(Increase) Decrease in Assets:		
Accounts receivable	32,814	(45,702)
Increase (Decrease) in Liabilities:		
Accounts payable	<u>29,047</u>	<u>4,447</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u>167,862</u>	<u>126,700</u>



THIS PAGE INTENTIONALLY LEFT BLANK

INTERNAL SERVICE FUNDS

School District Self-Insured 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.

Borough Self-Insured 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
Self-Insured Health Insurance Internal Service Funds
Combining Statement of Net Position
June 30, 2017

	<u>School District</u>	<u>Borough</u>	<u>Total Internal Service Funds</u>
Current Assets			
Cash and investments	\$ -	743,281	743,281
Noncurrent Assets			
Note receivable	<u>490,952</u>	<u>-</u>	<u>490,952</u>
Total Assets	\$ <u>490,952</u>	<u>743,281</u>	<u>1,234,233</u>
Current Liabilities			
Claims payable	\$ 360,759	113,628	474,387
Noncurrent Liabilities			
Interfund payable	<u>130,193</u>	<u>-</u>	<u>130,193</u>
Total Liabilities	<u>490,952</u>	<u>113,628</u>	<u>604,580</u>
Net Position			
Unrestricted	\$ <u>-</u>	<u>629,653</u>	<u>629,653</u>

Ketchikan Gateway Borough, Alaska
Self-Insured Health Insurance Internal Service Funds
Combining Statement of Revenues,
Expenses and Changes in Net Position
For the Year Ended June 30, 2017

	<u>School District</u>	<u>Borough</u>	<u>Total Internal Service Funds</u>
Operating Revenues			
Insurance premiums	\$ 5,162,893	2,769,596	7,932,489
Operating Expenses			
Administration	710,973	284,681	995,654
Premiums	-	346,306	346,306
Claims	4,451,920	1,594,537	6,046,457
Total Operating Expenses	<u>5,162,893</u>	<u>2,225,524</u>	<u>7,388,417</u>
Operating Income (loss)	-	544,072	544,072
Non-Operating Revenues			
Investment earnings	-	87	87
Change in Net Position	-	544,159	544,159
Net Position Beginning of Year	-	85,494	85,494
Net Position End of Year	\$ <u>-</u>	<u>629,653</u>	<u>629,653</u>

Ketchikan Gateway Borough, Alaska
Self-Insured Health Insurance Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2017

	<u>School District</u>	<u>Borough</u>	<u>Total Internal Service Funds</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	\$ 5,135,569	2,769,596	7,905,165
Cash payments for goods and services	(710,973)	(630,987)	(1,341,960)
Cash payments for claims	<u>(4,262,624)</u>	<u>(1,614,580)</u>	<u>(5,877,204)</u>
Net Cash Provided by (Used in) Operating Activities	<u>161,972</u>	<u>524,029</u>	<u>686,001</u>
Cash Flows from Noncapital Financing Activities			
Interfund payable	<u>(161,972)</u>	<u>-</u>	<u>(161,972)</u>
Cash Flows from Investing Activities			
Investment earnings	<u>-</u>	<u>87</u>	<u>87</u>
Net Increase in Cash and Cash Equivalents	-	524,116	524,116
Cash and Cash Equivalents Beginning of Year	<u>-</u>	<u>219,165</u>	<u>219,165</u>
Cash and Cash Equivalents End of Year	\$ <u><u>-</u></u>	<u><u>743,281</u></u>	<u><u>743,281</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities			
Operating Income	\$ <u>-</u>	<u>544,072</u>	<u>544,072</u>
Decrease (Increase) in Assets:			
Note receivable	(27,324)	-	(27,324)
Increase (Decrease) in Liabilities:			
Claims payable	<u>189,296</u>	<u>(20,043)</u>	<u>169,253</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>161,972</u></u>	<u><u>524,029</u></u>	<u><u>686,001</u></u>



THIS PAGE INTENTIONALLY LEFT BLANK

Ketchikan Gateway Borough, Alaska
School District Self-Insured Insurance Internal Service Fund
Comparative Statement of Net Position
June 30, 2017 and 2016

	2017	2016
Noncurrent Assets		
Note receivable	\$ <u>490,952</u>	<u>463,628</u>
Current Liabilities		
Claims payable	\$ 360,759	171,463
Noncurrent Liabilities		
Interfund payable	<u>130,193</u>	<u>292,165</u>
Total Liabilities	<u>490,952</u>	<u>463,628</u>
Net Position		
Unrestricted	\$ <u><u>-</u></u>	<u><u>-</u></u>

Ketchikan Gateway Borough, Alaska
School District Self-Insured Insurance Internal Service Fund
Comparative Statement of Revenues,
Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Insurance premiums	\$ 5,162,893	4,912,773
Operating Expenses		
Administration	710,973	670,705
Claims	4,451,920	4,242,068
Total Operating Expenses	<u>5,162,893</u>	<u>4,912,773</u>
Change in Net Position	-	-
Net Position Beginning of Year	<u>-</u>	<u>-</u>
Net Position End of Year	\$ <u>-</u>	<u>-</u>

Ketchikan Gateway Borough, Alaska
Borough Self-Insured Insurance Internal Service Fund
Comparative Statement of Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and investments	\$ <u>743,281</u>	<u>219,165</u>
Current Liabilities		
Claims payable	\$ <u>113,628</u>	<u>133,671</u>
Net Position		
Unrestricted	\$ <u><u>629,653</u></u>	<u><u>85,494</u></u>

Ketchikan Gateway Borough, Alaska
Borough Self-Insured Insurance Internal Service Fund
Comparative Statement of Revenues,
Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Insurance premiums	\$ 2,769,596	2,429,665
Operating Expenses		
Administration	284,681	270,143
Premiums	346,306	338,174
Claims	1,594,537	1,699,881
Total Operating Expenses	<u>2,225,524</u>	<u>2,308,198</u>
Operating Income	544,072	121,467
Investment earnings	<u>87</u>	<u>-</u>
Change in Net Position	544,159	121,467
Net Position Beginning of Year	<u>85,494</u>	<u>(35,973)</u>
Net Position End of Year	\$ <u>629,653</u>	<u>85,494</u>



THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

(Un-Audited)



THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

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
Changes in Net Position.....	Table 2
Fund Balances, Governmental Funds.....	Table 3
Changes in Governmental Fund Balances.....	Table 4

Tax Data

Assessed Value and Actual Value of Taxable Property.....	Table 5
Principal Property Tax Payers.....	Table 6
Property Tax Levies and Collections.....	Table 7
Taxable Sales by Category.....	Table 8

Long-term Debt

Current Year Debt Service by Type.....	Table 9
Ratios of General Bonded Debt Outstanding.....	Table 10
Direct and Overlapping Governmental Activities Debt.....	Table 11
Revenue Bond Coverage – Ketchikan International Airport.....	Table 12

Other Data

Demographic Statistics.....	Table 13
Principal Employers Current Year and Nine Years Ago.....	Table 14
Miscellaneous Statistics.....	Table 15



THIS PAGE INTENTIONALLY LEFT BLANK

KETCHIKAN GATEWAY BOROUGH

Government-wide Statement of Net Position

June 30, 2017

	Fiscal Year				
	2017	2016	2015	2014	2013
Governmental Activities					
Net investment in capital assets	\$ 122,598,700	123,108,660	121,277,988	121,446,896	119,848,381
Restricted	14,602,379	6,865,378	6,819,220	7,148,989	13,928,936
Unrestricted	<u>6,842,646</u>	<u>15,737,037</u>	<u>15,584,427</u>	<u>19,954,904</u>	<u>11,945,485</u>
Total governmental activities net position	<u>144,043,725</u>	<u>145,711,075</u>	<u>143,681,635</u>	<u>148,550,789</u>	<u>145,722,802</u>
Business-type Activities					
Net investment in capital assets	26,992,069	28,320,766	28,156,141	29,131,474	28,458,282
Restricted	-	-	-	-	-
Unrestricted (deficit)	<u>(231,649)</u>	<u>(913,623)</u>	<u>(1,771,657)</u>	<u>(287,748)</u>	<u>(413,071)</u>
Total business-type activities net position	<u>26,760,420</u>	<u>27,407,143</u>	<u>26,384,484</u>	<u>28,843,726</u>	<u>28,045,211</u>
Primary Government					
Net investment in capital assets	149,590,769	151,429,426	149,434,129	150,578,370	148,306,663
Restricted	14,602,379	6,865,378	6,819,220	7,148,989	13,928,936
Unrestricted	<u>6,610,997</u>	<u>14,823,414</u>	<u>13,812,770</u>	<u>19,667,156</u>	<u>11,532,414</u>
Total primary government net position	\$ <u>170,804,145</u>	<u>173,118,218</u>	<u>170,066,119</u>	<u>177,394,515</u>	<u>173,768,013</u>

	Fiscal Year				
	2012	2011	2010	2009	2008
Governmental Activities					
Net investment in capital assets	\$ 121,020,663	117,038,168	116,791,016	113,763,548	103,567,159
Restricted	9,800,504	9,326,387	6,749,034	6,194,066	4,801,620
Unrestricted	<u>14,338,149</u>	<u>18,194,923</u>	<u>24,295,274</u>	<u>21,669,692</u>	<u>23,817,829</u>
Total governmental activities net position	<u>145,159,316</u>	<u>144,559,478</u>	<u>147,835,324</u>	<u>141,627,306</u>	<u>132,186,608</u>
Business-type Activities					
Net investment in capital assets	26,857,847	17,458,210	17,703,199	17,756,821	18,438,737
Restricted	385,000	385,000	385,000	385,000	385,000
Unrestricted (deficit)	<u>(2,838,539)</u>	<u>(3,141,624)</u>	<u>(3,311,312)</u>	<u>(3,185,352)</u>	<u>(2,920,876)</u>
Total business-type activities net position	<u>24,404,308</u>	<u>14,701,586</u>	<u>14,776,887</u>	<u>14,956,469</u>	<u>15,902,861</u>
Primary Government					
Net investment in capital assets	147,878,510	134,496,378	134,494,215	131,520,369	122,005,896
Restricted	10,185,504	9,711,387	7,134,034	6,579,066	5,186,620
Unrestricted	<u>11,499,610</u>	<u>15,053,299</u>	<u>20,983,962</u>	<u>18,484,340</u>	<u>20,896,953</u>
Total primary government net position	\$ <u>169,563,624</u>	<u>159,261,064</u>	<u>162,612,211</u>	<u>156,583,775</u>	<u>148,089,469</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, 2017

	2017	2016	2015	2014	2013
Expenses					
Governmental activities:					
General government	\$ 4,017,111	3,517,224	4,037,970	3,514,098	4,623,576
Fire and EMS	1,577,017	1,438,761	1,545,356	1,376,751	1,252,822
Water treatment and distribution	235,529	224,652	324,110	318,826	249,401
Library services	402,279	390,575	405,199	422,570	410,326
Parks and recreation	3,617,576	3,432,887	3,340,866	3,338,139	2,601,546
Public works	1,059,778	1,168,318	1,027,166	1,001,996	1,209,701
Public services	4,842,281	5,306,734	8,890,872	5,342,481	3,875,327
Transit	2,498,261	2,384,212	2,221,390	2,164,006	2,071,438
Education	15,879,303	16,182,438	15,015,738	15,357,268	14,465,416
Interest	1,885,487	1,957,353	2,254,374	2,310,634	2,394,406
Total governmental activities expenses	<u>36,014,622</u>	<u>36,003,154</u>	<u>39,063,041</u>	<u>35,146,769</u>	<u>33,153,959</u>
Business-type activities:					
Airport	6,471,321	5,874,984	5,665,297	5,679,424	5,810,984
Wastewater	995,507	986,801	1,098,072	881,576	897,029
Total business-type activities expenses	<u>7,466,828</u>	<u>6,861,785</u>	<u>6,763,369</u>	<u>6,561,000</u>	<u>6,708,013</u>
Total primary government expenses	<u>43,481,450</u>	<u>42,864,939</u>	<u>45,826,410</u>	<u>41,707,769</u>	<u>39,861,972</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Fire and EMS	285,930	276,812	253,670	238,838	254,234
Water treatment and distribution	294,097	286,472	251,863	217,149	193,081
Parks and recreation	802,398	725,988	775,960	753,563	732,284
Public services	786,417	1,615,691	1,559,619	1,256,400	1,239,091
Transit	206,273	189,230	200,588	222,236	242,111
Education	5,162,893	4,912,773	4,677,856	4,937,191	4,295,465
Capital grants	2,161,683	5,189,749	5,828,520	4,503,237	3,529,066
Operating grants	2,110,949	3,330,138	3,181,765	4,072,710	3,738,574
Nondepartmental	-	-	-	-	-
Total governmental activities program revenues	<u>11,810,640</u>	<u>16,526,853</u>	<u>16,729,841</u>	<u>16,201,324</u>	<u>14,223,906</u>
Business-type activities:					
Charges for services:					
Airport	5,533,220	4,947,152	4,694,448	4,401,938	3,878,788
Wastewater	728,983	780,854	656,048	596,426	555,396
Operating grants	172,675	3,332	7,386	73,994	2,710,000
Capital grants	123,136	1,731,076	487,172	1,865,802	1,310,860
Total business-type activities program revenues	<u>6,558,014</u>	<u>7,462,414</u>	<u>5,845,054</u>	<u>6,938,160</u>	<u>8,455,044</u>
Total primary government program revenues	<u>18,368,654</u>	<u>23,989,267</u>	<u>22,574,895</u>	<u>23,139,484</u>	<u>22,678,950</u>
Net (Expense) Revenue					
Governmental activities	(24,203,982)	(19,476,301)	(22,333,200)	(18,945,445)	(18,930,053)
Business-type activities	(908,814)	600,629	(918,315)	377,160	1,747,031
Total primary government net expense	<u>(25,112,796)</u>	<u>(18,875,672)</u>	<u>(23,251,515)</u>	<u>(18,568,285)</u>	<u>(17,183,022)</u>
General Revenues and Other Changes In Net Position					
Governmental activities:					
Property taxes	9,175,916	8,545,890	8,359,993	8,169,731	7,890,521
Sales taxes	8,882,165	8,567,889	8,553,791	8,625,653	8,682,819
Payment in lieu of taxes	1,154,550	1,232,522	1,052,512	1,131,659	1,035,188
Grants and entitlements not restricted	2,770,696	2,989,349	3,466,541	3,598,414	3,559,577
Transfers	(172,303)	(299,765)	(272,424)	(184,881)	(1,652,342)
Investment earnings	36,343	36,483	49,504	54,254	59,449
Property sales (loss on requisitions)	-	-	-	-	-
Miscellaneous	689,265	433,373	400,057	378,601	354,128
Write off delinquent note	-	-	-	-	-
Settlement	-	-	-	-	-
Total governmental activities general revenues and other changes in net position	<u>22,536,632</u>	<u>21,505,741</u>	<u>21,609,974</u>	<u>21,773,431</u>	<u>19,929,340</u>
Business-type activities:					
Unrestricted grant/investment earnings	89,788	122,265	167,786	236,474	241,530
Transfers	172,303	299,765	272,424	184,881	1,652,342
Total business-type activities general revenues and other changes in net position	<u>262,091</u>	<u>422,030</u>	<u>440,210</u>	<u>421,355</u>	<u>1,893,872</u>
Total primary government general revenues and other changes in net position	<u>22,798,723</u>	<u>21,927,771</u>	<u>22,050,184</u>	<u>22,194,786</u>	<u>21,823,212</u>
Changes in Net Position					
Governmental activities	(1,667,350)	2,029,440	(723,226)	2,827,986	999,287
Business-type activities	(646,723)	1,022,659	(478,105)	798,515	3,640,903
Total primary government, change in net position	<u>\$ (2,314,073)</u>	<u>3,052,099</u>	<u>(1,201,331)</u>	<u>3,626,501</u>	<u>4,640,190</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, 2017

Fiscal Year	2012	2011	2010	2009	2008
Expenses					
Governmental activities:					
General government	\$ 4,239,516	3,502,989	3,198,263	3,098,135	3,105,409
Fire and EMS	1,305,555	1,289,444	1,249,053	1,207,673	1,219,557
Water treatment and distribution	226,424	207,102	228,725	246,479	
Library services	380,266	372,794	371,886	420,190	420,100
Parks and recreation	2,374,277	2,066,242	2,004,219	1,658,671	1,883,894
Public works	1,043,521	1,093,054	1,391,689	1,388,867	1,248,572
Public services	5,086,592	3,595,580	4,162,195	5,415,283	1,908,428
Transit	1,960,671	1,640,624	1,427,218	1,149,142	1,075,033
Education	14,300,313	15,091,534	16,017,284	14,401,413	13,522,531
Interest	2,504,748	2,453,966	1,540,248	1,299,122	1,405,115
Total governmental activities expenses	<u>33,421,883</u>	<u>31,313,329</u>	<u>31,590,780</u>	<u>30,284,975</u>	<u>25,788,639</u>
Business-type activities:					
Airport	5,262,004	4,835,323	4,625,758	4,758,390	4,312,540
Wastewater	1,176,513	1,010,836	912,252	1,095,332	890,038
Total business-type activities expenses	<u>6,438,517</u>	<u>5,846,159</u>	<u>5,538,010</u>	<u>5,853,722</u>	<u>5,202,578</u>
Total primary government expenses	<u>39,860,400</u>	<u>37,159,488</u>	<u>37,128,790</u>	<u>36,138,697</u>	<u>30,991,217</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Fire and EMS	317,569	242,335	236,534	234,659	360,311
Water treatment and distribution	176,394	177,610	165,463	132,884	-
Parks and recreation	565,998	538,013	410,238	446,557	458,064
Public services	911,068	862,291	684,279	668,042	405,626
Transit	217,131	184,624	179,729	160,764	140,721
Education	3,769,524	3,535,740	3,153,995	2,849,699	3,020,959
Capital grants	5,154,055	6,426,775	8,369,771	10,990,255	4,059,938
Operating grants	2,431,499	904,866	705,498	555,861	498,425
Nondepartmental	-	-	-	-	-
Total governmental activities program revenues	<u>13,543,238</u>	<u>12,872,254</u>	<u>13,905,507</u>	<u>16,038,721</u>	<u>8,944,044</u>
Business-type activities:					
Charges for services:					
Airport	3,973,769	3,633,607	3,283,332	3,424,190	3,759,832
Wastewater	760,358	702,530	576,803	583,196	613,663
Operating grants	42,959	79,122	128,193	72,412	152,035
Capital grants	10,016,959	556,653	638,665	28,392	8,685
Total business-type activities program revenues	<u>14,794,045</u>	<u>4,971,912</u>	<u>4,626,993</u>	<u>4,108,190</u>	<u>4,534,215</u>
Total primary government program revenues	<u>28,337,283</u>	<u>17,844,166</u>	<u>18,532,500</u>	<u>20,146,911</u>	<u>13,478,259</u>
Net (Expense) Revenue					
Governmental activities	(19,878,645)	(18,441,075)	(17,685,273)	(14,246,254)	(16,844,595)
Business-type activities	8,355,528	(874,247)	(911,017)	(1,745,532)	(668,363)
Total primary government net expense	<u>(11,523,117)</u>	<u>(19,315,322)</u>	<u>(18,596,290)</u>	<u>(15,991,786)</u>	<u>(17,512,958)</u>
General Revenues and Other Changes In Net Position					
Governmental activities:					
Property taxes	8,746,139	9,015,302	9,491,422	10,233,372	11,133,400
Sales taxes	8,316,512	8,105,296	7,974,171	8,430,433	6,843,335
Payment in lieu of taxes	1,054,735	1,020,959	1,036,032	1,366,194	579,736
Grants and entitlements not restricted	3,353,441	3,451,680	3,677,791	3,815,114	3,615,710
Transfers	(439,935)	(632,983)	(625,258)	(374,452)	(222,905)
Investment earnings	(114,092)	650,810	361,309	275,681	1,511,764
Property sales (loss on reacquisitions)	-	(7,313,222)	1,650,939	(909,920)	599,456
Miscellaneous	351,236	867,387	326,885	850,530	390,152
Write off delinquent note	(789,553)	-	-	-	-
Settlement	-	-	-	-	-
Total governmental activities general revenues and other changes in net position	<u>20,478,483</u>	<u>15,165,229</u>	<u>23,893,291</u>	<u>23,686,952</u>	<u>24,450,648</u>
Business-type activities:					
Unrestricted grant/investment earnings	907,259	165,963	106,177	424,688	96,969
Transfers	439,935	632,983	625,258	374,452	222,905
Total business-type activities general revenues and other changes in net position	<u>1,347,194</u>	<u>798,946</u>	<u>731,435</u>	<u>799,140</u>	<u>319,874</u>
Total primary government general revenues and other changes in net position	<u>21,825,677</u>	<u>15,964,175</u>	<u>24,624,726</u>	<u>24,486,092</u>	<u>24,770,522</u>
Changes in Net Position					
Governmental activities	599,838	(3,275,846)	6,208,018	9,440,698	7,606,053
Business-type activities	9,702,722	(75,301)	(179,582)	(946,392)	(348,489)
Total primary government, change in net position	<u>\$ 10,302,560</u>	<u>(3,351,147)</u>	<u>6,028,436</u>	<u>8,494,306</u>	<u>7,257,564</u>

KETCHIKAN GATEWAY BOROUGH

Changes in Governmental Fund Balances
June 30, 2017

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes	\$ 18,076,414	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
Intergovernmental	5,478,780	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
Licenses and permits	350	366	275	90	835	11,543	14,168	11,108	20,333	26,800
Water fees	294,097	286,472	251,863	217,149	193,081	176,394	177,610	165,463	-	-
Charges for services	2,080,668	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
Commercial vessel passenger tax	2,163,570	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	555,527	607,601	458,053	606,982	600,911	615,002	547,193	-	-	-
Investment earnings	36,343	36,483	49,504	54,234	59,449	(114,090)	710,139	354,644	272,695	612,485
Proceeds from sale of property	537,896	571,512	87,322	473,320	-	1,632,855	69,000	3,555,179	-	1,248,605
Miscellaneous	689,265	433,373	401,991	389,216	360,996	367,004	330,620	330,086	317,622	390,359
Total Revenues	<u>29,912,910</u>	<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>
Expenditures										
General government	3,375,133	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
Library services	402,279	390,575	405,199	422,570	410,326	380,266	372,794	371,886	420,190	420,100
Fire and EMS	1,291,583	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	235,529	224,652	324,110	318,826	249,401	226,424	209,885	229,160	246,731	-
Public services	3,937,171	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
Parks and recreation	2,337,665	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	1,014,255	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	2,033,548	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
Education	8,104,556	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
Nondepartmental	237,186	266,125	272,048	260,433	227,909	215,849	378,305	376,593	539,397	219,754
Capital Outlay	1,371,867	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
Debt Service:										
Principal retirement	3,605,000	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
Interest and fiscal charges	2,127,511	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
Bond issuance costs	-	-	17,318	-	37,962	75,066	149,870	250,738	-	-
Total Expenditures	<u>30,073,283</u>	<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>
Excess (Deficiency) of Revenues Over Expenditures	(160,373)	898,498	(3,315,230)	363,154	206,949	(17,239,826)	(15,805,256)	4,394,392	8,593,645	3,974,409
Other Financing Sources (Uses)										
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
Transfers in	7,399,634	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
Other financing proceeds (uses)	-	-	(2,292,344)	-	-	-	-	-	877,500	-
Capital leases	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Transfers out	(7,571,937)	(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)
Payment to refunding bond escrow agent	-	-	-	-	-	(9,277,870)	-	(6,204,412)	-	-
Total Other Financing Sources (Uses)	(172,303)	(299,765)	(249,782)	(184,881)	3,876,463	(360,146)	7,590,300	23,032,537	553,048	2,877,095
Special item - write off delinquent note	-	-	-	-	-	(789,553)	-	-	-	-
Net Change in Fund Balances	<u>\$ (332,676)</u>	<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>
Debt Service as a										
Percentage of noncapital expenditures	19.97%	19.86%	17.22%	19.88%	19.38%	18.91%	18.77%	13.02%	13.97%	17.24%

KETCHIKAN GATEWAY BOROUGH

Assessed Value and Actual Value of Taxable Property
 Changes in Assessment
 June 30, 2017

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	5.00
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
2016	2017	902,461,300	275,878,300	128,061,200	104,389,500	-	171,080,400	137,714,400	33,366,000	1,410,790,300	1,581,870,700	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 nine 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, 2017

Taxpayer	2017			2008		
	Assessed (Taxable) Value	Rank	Percentage of Total Assessed Value	Assessed (Taxable) Value	Rank	Percentage of Total Assessed Value
Trident Seafoods Corporation	\$ 14,451,700	1	1.04%	\$ 8,265,200	4	0.70%
Ketchikan Dock Company LLC	13,299,400	2	0.96%			0.00%
Cape Fox Heritage Foundation Inc	11,938,100	3	0.86%	12,271,000	1	1.04%
Harbor Enterprises	11,113,300	4	0.80%	7,502,900	7	0.63%
Tongass Trading Company	10,608,400	5	0.77%	9,325,100	2	0.79%
Boyer Towing Inc	9,168,800	6	0.66%			-
Dock Street Building Corporation	8,699,700	7	0.63%			-
Alaska General Seafood	8,237,800	8	0.60%			-
ECPS Inc.	8,190,000	9	0.59%	6,504,100	9	0.55%
The Landing LLC	8,144,500	10	0.59%	8,086,600	5	0.68%
Renaissance Ketchikan Group, LLC	-	-	-	8,979,700	3	0.76%
Carr-Gottstein Foods	-	-	-	7,857,900	6	0.66%
Wal-Mart	-	-	-	6,731,800	8	0.57%
Ketchikan Plaze Inc	-	-	-	5,852,600	10	0.49%
Total Principal Property Tax Payers	<u>103,851,700</u>		<u>7.51%</u>	<u>81,376,900</u>		<u>6.87%</u>
Total Assessment	<u>1,383,382,789</u>		<u>100.00%</u>	<u>1,185,102,300</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, 2017

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
2008	\$ 7,641,357	7,213,060	94.4%	\$ 428,297	7,641,357	100.0%
2009	8,288,123	7,437,374	89.7%	850,662	8,288,036	100.0%
2010	8,642,875	7,911,034	91.5%	731,722	8,642,756	100.0%
2011	7,848,169	7,120,983	90.7%	727,008	7,847,991	100.0%
2012	7,241,869	7,201,114	99.4%	40,755	7,241,869	100.0%
2013	6,982,379	6,872,731	98.4%	108,293	6,981,024	100.0%
2014	6,573,379	6,511,100	99.1%	60,285	6,571,385	100.0%
2015	6,741,942	6,674,436	99.0%	64,284	6,738,720	100.0%
2016	6,740,723	6,707,598	99.5%	27,502	6,735,100	99.9%
2017	6,738,896	6,712,505	99.6%	-	6,712,505	99.6%

KETCHIKAN GATEWAY BOROUGH

Taxable Sales by Category, Fiscal Years
June 30, 2017

Borough & City	Fiscal Year				
	2017	2016	2015	2014	2013
Contractors	\$ 8,811,924	8,059,250	8,013,267	7,828,256	8,341,403
Finance, insurance, banks	2,118,811	2,032,190	1,965,554	2,177,388	2,382,608
Hotels, motels, lodges	17,177,719	16,797,675	15,891,898	14,884,185	14,172,548
Manufacturing	5,419,665	5,107,522	4,905,355	5,158,746	5,134,717
Real estate	25,461,332	24,879,019	24,192,234	23,596,203	23,620,663
Retail trade	30,772,507	30,569,387	30,261,554	30,479,623	31,082,386
Retail trade - food	50,915,538	51,234,395	50,050,946	49,828,115	49,191,379
Retail trade, bars & catering	22,423,776	22,606,016	21,053,279	20,652,476	21,067,069
Retail, automotive	15,917,566	15,649,919	15,675,897	15,718,601	15,506,019
Retail, specialty	8,459,826	8,492,298	8,556,228	8,131,272	9,028,790
Retail, var, jewelry, curios	71,367,167	70,207,886	69,045,256	68,656,574	68,972,807
Services, entertainment	4,894,229	4,142,301	4,023,139	3,868,802	3,645,970
Service, general	7,405,794	7,056,408	6,631,063	6,317,339	5,822,680
Services, professional	3,961,176	3,674,948	3,631,121	3,783,013	3,733,164
Trans, comm, utilities	<u>70,132,969</u>	<u>67,452,284</u>	<u>72,040,222</u>	<u>77,611,687</u>	<u>77,125,153</u>
	\$ <u>345,239,999</u>	<u>337,961,498</u>	<u>335,937,013</u>	<u>338,692,280</u>	<u>338,827,356</u>

	Fiscal Year				
	2012	2011	2010	2009	2008
Contractors	\$ 7,415,207	6,141,701	6,251,223	7,215,832	6,553,234
Finance, insurance, banks	1,995,024	2,192,021	2,183,286	2,417,371	2,332,930
Hotels, motels, lodges	13,689,815	12,603,094	12,888,607	14,303,080	15,059,772
Manufacturing	4,790,346	6,140,406	5,926,608	6,103,646	6,189,634
Real estate	23,056,248	24,485,430	24,840,277	23,075,357	22,218,581
Retail trade	29,591,532	61,376,056	61,939,877	69,582,975	68,505,073
Retail trade - food	48,912,887	46,657,847	46,474,680	45,444,444	46,370,309
Retail trade, bars & catering	20,478,553	18,350,884	17,928,618	18,371,267	18,359,258
Retail, automotive	15,515,934	14,139,519	13,897,325	15,037,370	16,289,550
Retail, specialty	9,218,351	14,635,547	15,022,750	13,523,937	13,548,960
Retail, var, jewelry, curios	68,721,446	28,413,986	31,046,295	32,481,607	34,955,545
Services, entertainment	3,458,109	3,922,744	4,113,145	4,182,048	4,794,739
Service, general	5,746,990	8,943,572	9,111,881	9,331,525	8,893,378
Services, professional	3,580,581	3,477,776	3,614,729	3,598,073	4,094,957
Trans, comm, utilities	<u>75,656,992</u>	<u>66,144,540</u>	<u>61,645,321</u>	<u>69,174,913</u>	<u>74,459,549</u>
	\$ <u>331,828,015</u>	<u>317,625,123</u>	<u>316,884,622</u>	<u>\$ 333,843,445</u>	<u>342,625,469</u>

Source: Ketchikan Gateway Borough Finance Department

KETCHIKAN GATEWAY BOROUGH

Current Year Debt Service by Type, Last Ten Fiscal Years
June 30, 2017

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	Population	Per Capita Cost	Principal	Interest	Total	Total Revenues - 1/2 cent Sales Tax, Penalties, Interest, Misc.	Other Expenses	Available for Other Projects
2008	\$ 2,340,000	1,366,236	3,706,236	2,059,731	114,974	1,708,684	3,883,389	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	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	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	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	13,750	(9)	353,500	829,863	1,183,363	1,659,745	-	476,382
2013	2,394,500	1,366,698	3,761,198	3,353,421	81,487	1,650,132	5,085,040	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	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	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	13,778	(73)	413,000	523,377	936,377	1,706,054	260,059	509,618
2017	2,512,000	991,653	3,503,653	1,926,565	40,640	1,764,578	3,731,783	13,746	(17)	413,000	829,863	1,242,863	1,764,568	27,834	493,871

Note: G.O. Bonds only

KETCHIKAN GATEWAY BOROUGH

Ratios of General Bonded Debt Outstanding
June 30, 2017

Fiscal Year	General Obligation Bonds			Total Debt	Personal Income	Total Debt/Personal Income	Percentage of Actual Taxable Value of Property (1)	Per Capita
	Governmental Type	Loans and Leases	Certificates of Participation					
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	766,690,588	5.3%	3.0%	2,973
2017	33,495,000	-	3,860,000	37,355,000	764,909,916	4.9%	2.7%	2,718

1 Assessment data in table 5

KETCHIKAN GATEWAY BOROUGH
Direct and Overlapping Governmental Activities Debt
 June 30, 2017

Governmental Unit

Ketchikan Gateway Borough	
Total Direct Debt	
Outstanding G.O. Bonds	\$ 33,495,000
Certificates of Participation	<u>3,860,000</u>
 Total Direct Debt	 37,355,000
 City of Ketchikan Direct Debt	 <u>55,960,000</u>
 Total Direct and Overlapping Debt	 \$ <u><u>93,315,000</u></u>

The figures reported for the City of Ketchikan reflect the amounts shown in the FY2016 Comprehensive Annual Financial Report for the year ended December 31, 2016.

KETCHIKAN GATEWAY BOROUGH

Revenue Bond Coverage
Ketchikan International Airport
 Last Ten Years
 June 30, 2017

Fiscal Year	Gross Revenues - (1)	Operating Expenses - (2)	Net Revenue Available for Debt Service	Debt Service Requirements - (3)			Coverage
				Principal	Interest	Total	
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	-	-	-	-
2017	6,192,850	5,452,250	740,600	-	-	-	-

- (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, 2017

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
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	766,690,588	55,646	6.00%	2,365	7	147	154
2017	13,746	764,909,916	55,646	6.20%	2,392	7	147	151

(1) Census and Per Capita Income per State of Alaska Department of Labor. Data not available for Fiscal Year 2017 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 2016 and Ten Years Ago
June 30, 2016

Calendar Year Employer	2016			2007		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Trade, Transportation and Utilities	1,698	1	22.90%	1,802	1	24.65%
Local Government	1,100	2	14.84%	1,090	2	14.91%
Leisure & Hospitality	930	3	12.54%	854	3	11.68%
Educational & Health Services	928	4	12.52%	702	4	9.60%
State of Alaska	602	5	8.12%	683	5	9.34%
Manufacturing	540	6	7.28%	509	6	6.96%
Financial Activities	373	7	5.03%	367	7	5.02%
Construction	345	8	4.65%	276	9	3.78%
Professional & Business Services	289	9	3.90%	217	10	2.97%
US Federal Government	233	10	3.14%	308	8	4.21%
Other	157	11	2.12%	193	12	2.64%
Natural Resource and Mining Information	133	12	1.79%	216	11	2.96%
	86	13	1.16%	92	13	1.26%
	<u>7,414</u>		<u>100.00%</u>	<u>7,309</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/ee06.pdf> and
<http://labor.alaska.gov/research/qcew/ee17.pdf>

KETCHIKAN GATEWAY BOROUGH

Table 15

Miscellaneous Statistics

June 30, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Date of Incorporation & Code of Ordinances Adopted- 1963 Form of Government - Elected Assembly - Manager Second-Class Borough										
<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	6,900
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 *	449	725	824	808	833	820	828	774	810	775
Animals Impounded	217	259	296	251	441	411	392	362	509	475
Animals Surrendered	121	166	148	161	192	303	310	296	309	278
Animals Adopted	139	210	170	162	224	209	182	130	121	109
Animals Claimed	91	122	126	117	112	124	136	161	171	184
<i>* 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>										
<i>Employees by function</i>										
General Government	23	24	24	24	22	23	24	25	24	23
Fire and EMS	5	5	5	5	5	5	4	4	4	4
Public services	12	12	12	12	11	11	13	13	14	12
Parks and Recreation	15	15	15	15	15	15	15	15	15	15
Public works	12	12	12	12	15	14	19	23	20	22
Transit	13	13	14	12	12	12	11	9	9	9
Automation	1	1	1	1	1	1	1	1	1	1
Airport	28	28	27	27	27	27	27	28	27	27
	109	110	110	108	108	108	114	118	114	113
<i>South Tongass Volunteer Fire Department</i>										
Stations	2	2	2	1	1	1	1	1	1	1
Volunteers	24	35	35	36	36	35	39	43	39	40
Fire Calls	55	53	41	32	31	33	67	34	29	8
Emergency Calls/EMS Incidents	129	124	135	121	141	113	101	96	125	102
Fire Investigations	7	6	7	6	5	7	6	5	7	4
<i>North Tongass Volunteer Fire Department</i>										
Stations	2	2	2	2	2	2	2	2	2	2
Volunteers	24	18	21	26	24	20	24	23	26	31
Fire Calls	21	16	10	21	40	26	24	25	43	37
Emergency Calls/EMS Incidents	232	186	154	207	156	113	126	145	149	95
Fire Investigations	1	0	1	1	1	0	0	0	0	0
<i>Elections</i>										
Registered Voters	10,401	10,286	10,071	9,963	9,836	10,065	10,105	10,354	10,255	10,380
Votes Cast Last Borough Election	2,158	2,762	2,204	2,233	2,407	1,554	1,849	2,127	2,189	2,456
% Voting Last Borough Election	21%	27%	22%	22%	24%	15%	18%	21%	21%	24%

KETCHIKAN GATEWAY BOROUGH

Table 15

Miscellaneous Statistics

June 30, 2017

	<u>2017</u>	<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>
Date of Incorporation & Code of Ordinances Adopted- 1963 Form of Government - Elected Assembly - Manager Second-Class Borough										
<i>Ketchikan Gateway Borough</i>										
<i>Sewer & Water Plants</i>										
Wastewater Enterprise Fund:										
Miles of Sanitary Sewers	8	8	8	8	8	6	6	6	6	6
Average Daily Treatment (gals)	180,000	180,000	180,000	180,000	180,000	100,000	100,000	100,000	100,000	47,000
Treatment Capacity (gals)	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	330,000
Sewer Connections (Billable EDU's)	649	628	613	598	580	522	522	522	522	257
Sludge Pumping Customers	1,263	1,281	1,254	1,241	1,235	1,231	1,231	Not available	Not available	Not available
South Tongass Service Area:										
Water, Hydrant, Connections	485	485	427	405	404	402	402	402	402	327
Average Daily Treatment (gals)	175,000	175,000	175,000	175,000	175,000	149,533	149,533	149,533	149,533	92,580
Treatment Capacity (gals)	288,000	288,000	288,000	288,000	288,000	288,000	288,000	288,000	288,000	288,000
<i>Municipal Parks</i>										
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	7
<i>Ketchikan International Airport (Calendar Year)</i>										
Inbound Passengers	107,000(est)	107,646	94,251	89,013	102,390	100,568	99,072	96,160	100,851	119,376
Outbound Passengers	105,000(est)	105,433	90,233	86,718	101,947	100,054	98,262	95,050	99,650	112,746
<i>Airport Ferry</i>										
Passengers	385,000 (est)	388,631	365,306	354,728	347,939	337,255	337,996	336,422	381,961	449,790
Vehicles	95,000 (est)	96,061	85,725	85,783	79,648	79,847	76,243	83,690	105,653	127,516
<i>Transit</i>										
Passengers	424,894	448,585	414,297	403,884	458,703	406,164	346,249	307,999	265,536	226,356
<i>Visitor Industry (Calendar Year)</i>										
Cruise Ship Passengers	850,000 est	865,428	856,653	812,950	791,108	778,899	835,325	925,517	930,459	897,834

Data supplied by Ketchikan Gateway Borough Department Directors



THIS PAGE INTENTIONALLY LEFT BLANK