



Ketchikan Gateway Borough
Ketchikan, Alaska

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

Photo provided by Carlos Rojas
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, 2018

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, 2018

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	11
---	----

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position	28
Statement of Activities	30

Fund Financial Statements:

Governmental Funds:

Balance Sheet	32
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	34
Statement of Revenues, Expenditures and Changes in Fund Balances	36
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	38
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual: <i>General Fund</i>	39
<i>Land Trust Special Revenue Fund</i>	40
<i>School Bond Capital Improvements Fund</i> <i>Special Revenue Fund</i>	41
<i>Local Education Special Revenue Fund</i>	42

Proprietary Funds:

Statement of Net Position	44
Statement of Revenues, Expenses, and Changes in Fund Net Position	45
Statement of Cash Flows	46

Notes to the Basic Financial Statements	49
---	----

Required Supplementary Information

Schedule of Borough Information on NPL – PERS	94
Schedule of Borough Contributions – PERS	95
Schedule of Borough Information on OPEB – PERS	96
Schedule of Borough Contributions – OPEB	97

Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2018

Schedule of Borough Contributions – IBEW	98
Notes to the Required Supplementary Information	99

Other Supplementary Information

Combining and Individual Fund Financial Statements and Schedules:

Governmental Funds

Nonmajor Governmental Funds:

Combining Balance Sheet – By Fund Type	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances By Fund Type	103

Nonmajor Special Revenue Funds:

Combining Balance Sheet	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	108

Nonmajor Debt Service Funds:

Combining Statement of Revenues, Expenditures and Changes in Fund Balances	114
--	-----

General Fund:

Comparative Balance Sheet.....	118
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	120

Special Revenue Funds:

Major Special Revenue Funds:

<i>Land Trust Special Revenue Fund</i>	
Comparative Balance Sheet.....	122
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	123
<i>School Bond Capital Improvements Special Revenue Fund</i>	
Comparative Balance Sheet	124
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	125
<i>Local Education Special Revenue Fund</i>	
Comparative Balance Sheet.....	126
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	127
<i>State & Federal Grants Special Revenue Fund</i>	
Comparative Balance Sheet	128
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	129

Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2018

Nonmajor Special Revenue Funds:

<i>Airport PFC Special Revenue Fund</i>	
Comparative Balance Sheet.....	132
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	133
<i>Commercial Passenger Vessel Special Revenue Fund</i>	
Comparative Balance Sheet	134
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	135
<i>Economic Development Assistance Program Special Revenue Fund</i>	
Comparative Balance Sheet	136
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	137
<i>Forest Park 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>Gold Nugget 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>Homestead 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>Loring 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>Mud Bight 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>Nichols View Service Area Special Revenue Fund</i>	
Comparative Balance Sheet	148
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	149
<i>Nonareawide Library Special Revenue Fund</i>	
Comparative Balance Sheet.....	150
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	151
<i>North Tongass Fire and EMS Service Area Special Revenue Fund</i>	
Comparative Balance Sheet	152
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	153

Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2018

Nonmajor Special Revenue Funds, continued:

<i>Recreation Sales Tax Special Revenue Fund</i>	
Comparative Balance Sheet.....	154
Comparative Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	155
<i>South Tongass Service Area Special Revenue Fund</i>	
Comparative Balance Sheet.....	156
Comparative Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	157
<i>Tobacco Tax Special Revenue Fund</i>	
Comparative Balance Sheet.....	158
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	159
<i>Waterfall Service Area Special Revenue Fund</i>	
Comparative Balance Sheet.....	160
Comparative Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual	161

Capital Projects Fund:

Comparative Balance Sheet.....	164
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	165

Proprietary Funds:

Major Enterprise Funds:

<i>Airport Enterprise Fund</i>	
Comparative Statement of Net Position.....	168
Comparative Statement of Revenues, Expenses, and Changes in Net Position.....	169
Comparative Statement of Cash Flows.....	170
<i>Wastewater Enterprise Fund</i>	
Comparative Statement of Net Position	172
Comparative Statement of Revenues, Expenses, and Changes in Net Position	173
Comparative Statement of Cash Flows.....	174

Internal Service Funds

Combining Statement of Net Position	178
Combining Statement of Revenues, Expenses and Changes in Net Position	179
Combining Statement of Cash Flows	180
<i>School District Self-Insured Insurance Internal Service Fund</i>	
Comparative Statement of Net Position	182
Comparative Statement of Revenues, Expenses, and Changes in Net Position	183
<i>Borough Self-Insured Insurance Internal Service Fund</i>	
Comparative Statement of Net Position	184
Comparative Statement of Revenues, Expenses and Changes in Net Position	185

Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2018

Statistical Section
(Unaudited)

Revenues and Expenditures/Expenses

Government-wide Statement of Net Position.....	189
Changes in Net Position.....	190
Fund Balances, Governmental Funds.....	192
Changes in Governmental Fund Balances	193

Tax Data

Assessed Value and Actual Value of Taxable Property.....	194
Principal Property Tax Payers.....	195
Property Tax Levies and Collections	196
Taxable Sales by Category.....	197

Long-term Debt

Current Year Debt Service by Type.....	198
Ratios of General Bonded Debt Outstanding	199
Direct and Overlapping Governmental Activities Debt.....	200
Revenue Bond Coverage – Ketchikan International Airport	201

Other Data

Demographic Statistics.....	202
Principal Employers Current Year and Nine Years Ago	203
Miscellaneous Statistics	204



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 27, 2018

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, 2018. 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, 2018, 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, 2018 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 Ketchikan Gateway Borough 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 and 75

The Ketchikan Gateway Borough participates in the State of Alaska Public Employees' Retirement (PERS) plan. 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. GASB 75 requires the recognition of liabilities related to other postemployment benefits (OPEB). The State's PERS and Teachers' Retirement System (TRS) are cost-sharing multi-employer plans, and under GASB rules, the NPL and OPEB must be allocated among the plans and all employers in the plans, based on legal responsibility for payment of the liabilities.

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 and OPEB. 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 and OPEB as calculated by the State, and have not recorded the non-employer portion.

However, Management of the Borough also contends that the State's calculations for the employer portion of NPL and OPEB are materially flawed. For PERS, Management of the Borough argues that the Borough's and School District's legal responsibility for the NPL is only the portion of the statutorily capped employer contribution that is greater than the normal cost rates for pension and OPEB through the year 2030. The School District's legal responsibility for the TRS NPL and OPEB is arguably none.

At June 30, 2018, the amount of net pension liability and other postemployment benefits recognized, with reservations, by the Borough and School District, and the related State proportion, were as follows:

	Borough	School District	Total
Pension Liabilities			
PERS Employer	\$ 9,712,765	10,199,359	19,912,124
PERS NonEmployer (State)	<u>3,618,387</u>	<u>3,799,067</u>	<u>7,417,454</u>
	13,331,152	13,998,426	27,329,578
TRs Employer	-	13,921,993	13,921,993
TRs NonEmployer (State)	<u>-</u>	<u>24,299,087</u>	<u>24,299,087</u>
	-	38,221,080	38,221,080
Total Employer	9,712,765	24,121,352	33,834,117
Total NonEmployer (State)	<u>3,618,387</u>	<u>28,098,154</u>	<u>31,716,541</u>
Total Pension Liabilities	\$ <u>13,331,152</u>	<u>52,219,506</u>	<u>65,550,658</u>
OPEB Liabilities (ARCHT, RMP and ODD)			
PERS Employer	\$ 1,566,068	1,630,342	3,196,410
PERS NonEmployer (State)	<u>591,650</u>	<u>622,371</u>	<u>1,214,021</u>
	2,157,718	2,252,713	4,410,431
TRs Employer	-	1,132,417	1,132,417
TRs NonEmployer (State)	<u>-</u>	<u>2,209,601</u>	<u>2,209,601</u>
	-	3,342,018	3,342,018
Total Employer	1,566,068	2,762,759	4,328,827
Total NonEmployer (State)	<u>591,650</u>	<u>2,831,972</u>	<u>3,423,622</u>
Total OPEB Liabilities	\$ <u>2,157,718</u>	<u>5,594,731</u>	<u>7,752,449</u>
Total Local Share Pension and OPEB Liabilities	\$ <u><u>11,278,833</u></u>	<u><u>26,884,111</u></u>	<u><u>38,162,944</u></u>
Total Pension and OPEB Liabilities	\$ <u><u>15,488,870</u></u>	<u><u>57,814,237</u></u>	<u><u>73,303,107</u></u>

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, 2017. This is the twelfth 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.

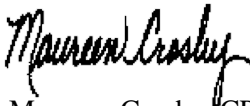
The preparation of the CAFR requires input from the professional staff of the Finance Department. Without their efforts, it would not have been possible to produce this report. We would like to thank the following staff members for their efforts and contributions:

Brenda Bjork
Amy Briggs
Claire Kelly
Lhen Pabilona
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

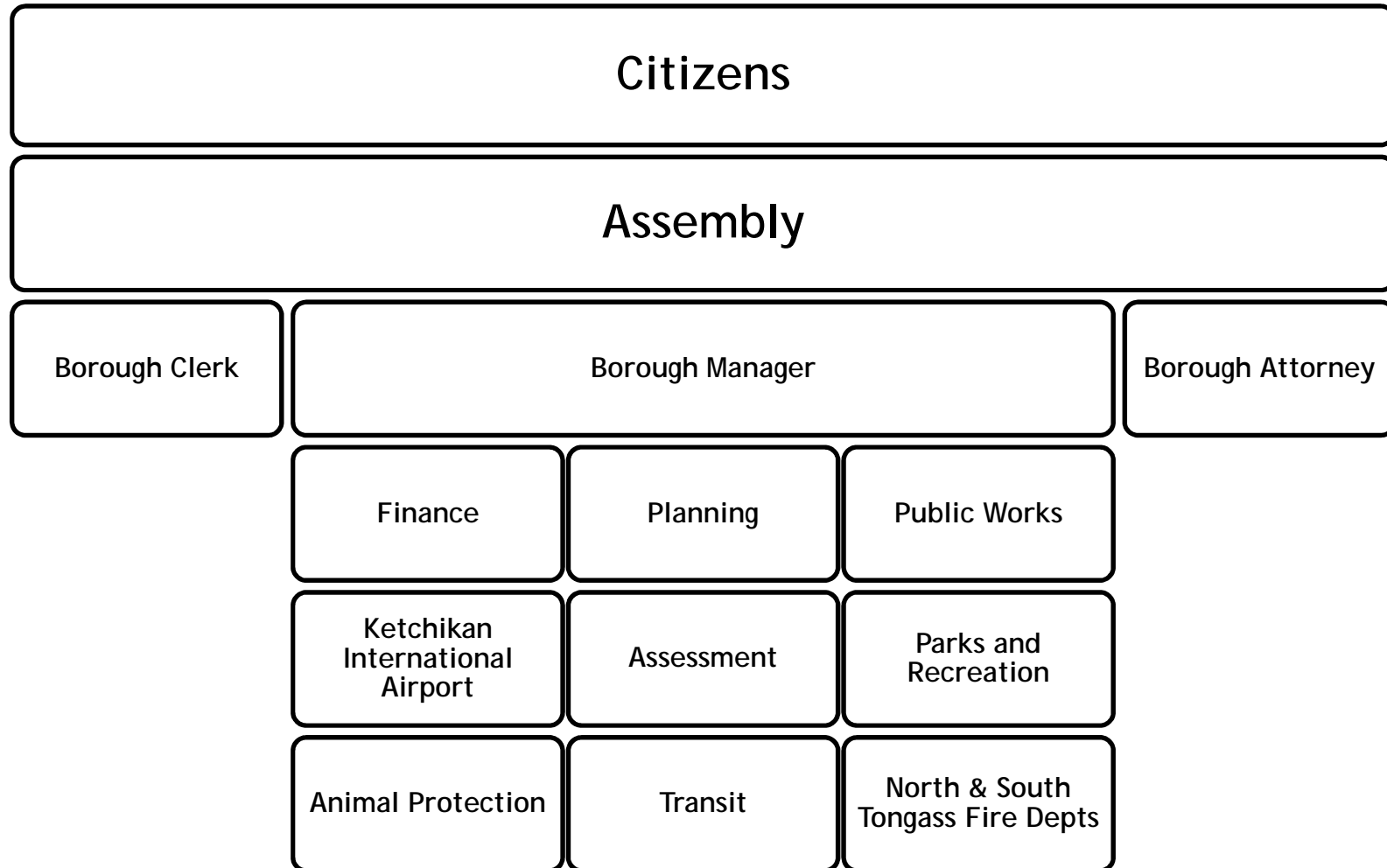
June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Ketchikan Gateway Borough

FY 2018



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2018

MAYOR AND ASSEMBLY

		<u>Term Expires</u>
<i>Mayor</i>	David Landis	2019
<i>Vice-Mayor</i>	Stephen Bradford	2018
<i>Assembly Member</i>	Allen Bailey	2020
<i>Assembly Member</i>	Rodney Dial	2019
<i>Assembly Member</i>	Judith McQuerry	2019
<i>Assembly Member</i>	Susan Pickrell	2020
<i>Assembly Member</i>	Amanda Pierce	2020
<i>Assembly Member</i>	Felix Wong	2018

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 Thomas
<i>Borough Attorney</i>	Glenn Brown
<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>	Richard Harney
<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



Teuscher Walpole, LLC

CERTIFIED PUBLIC ACCOUNTANTS • TRUSTED ADVISORS

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 aggregate 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, 2018, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Ketchikan Gateway Borough as of June 30, 2018, 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 11-27 and the Public Employees Retirement System Schedule of Net Pension Liability, Net OPEB Liability and the Schedule of Pension Contributions, and the IBEW Pension Contributions on page 94–99 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 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 the 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 27, 2018, 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 solely 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 27, 2018

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2018

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, 2018. The Borough's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Borough's net position exceeded its liabilities by \$173,573,803 for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$147,888,624 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 \$18,684,440 is restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$7,000,739 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 \$34,921,601 this year. This compares to the prior year ending fund balance of \$30,682,912, showing an increase of \$4,238,689 during the current year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$10,695,816 or 100.05% of total General Fund expenditures, exclusive of transfers to other funds. This is compared to the fiscal year 2017 unassigned fund balance of \$8,781,038, which was 84.16% of total General Fund expenditures, exclusive of transfers to other funds. The change of 21.8% is due to an increase in sales taxes, intergovernmental revenues, and charges for services.
- The Borough's mill rate is currently 5.0 and has been at this rate for 7 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, 2018

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, 2018

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 \$173,573,803. 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, 2018

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current assets	\$ 41,208,736	37,471,225	4,214,010	3,089,964	45,422,746	40,561,189
Receivable from Component Unit	164,957	490,952	-	-	164,957	490,952
Capital assets	<u>155,550,385</u>	<u>159,049,308</u>	<u>25,799,473</u>	<u>26,992,069</u>	<u>181,349,858</u>	<u>186,041,377</u>
Total Assets	196,924,078	197,011,485	30,013,483	30,082,033	226,937,561	227,093,518
Deferred Outflows of Resources:						
Loss on refunding	223,442	322,021	-	-	223,442	322,021
Related to pensions	868,578	2,120,541	260,594	912,434	1,129,172	3,032,975
Related to OPEB	<u>166,217</u>	<u>-</u>	<u>86,542</u>	<u>-</u>	<u>252,759</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 198,182,315</u>	<u>\$ 199,454,047</u>	<u>\$ 30,360,619</u>	<u>\$ 30,994,467</u>	<u>\$ 228,542,934</u>	<u>\$ 230,448,514</u>
Liabilities:						
Current liabilities	\$ 10,672,064	11,466,693	289,063	286,437	10,961,127	11,753,130
Long-term liabilities	<u>38,596,162</u>	<u>43,843,641</u>	<u>2,863,563</u>	<u>3,904,611</u>	<u>41,459,725</u>	<u>47,748,252</u>
Total Liabilities	49,268,226	55,310,334	3,152,626	4,191,048	52,420,852	59,501,382
Deferred Inflows of Resources:						
Property tax revenues	-	-	-	-	-	-
Related to pensions	774,231	99,988	394,046	42,999	1,168,277	142,987
Related to OPEB	<u>554,891</u>	<u>-</u>	<u>288,907</u>	<u>-</u>	<u>843,798</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	50,597,348	55,410,322	3,835,579	4,234,047	54,432,927	59,644,369
Net Position:						
Net investment in capital assets	122,089,151	122,598,700	25,799,473	26,992,069	147,888,624	149,590,769
Restricted	18,684,440	14,602,379	-	-	18,684,440	14,602,379
Unrestricted (deficit)	<u>6,811,378</u>	<u>6,842,646</u>	<u>189,361</u>	<u>(231,649)</u>	<u>7,000,739</u>	<u>6,610,997</u>
Total Net Position	<u>\$ 147,584,969</u>	<u>144,043,725</u>	<u>25,988,834</u>	<u>26,760,420</u>	<u>173,573,803</u>	<u>170,804,145</u>

Approximately 9.5% or \$3,508,264, of Ketchikan Gateway Borough's cash and investments are subject to external restrictions on how they must be used. \$414,806 is restricted for debt in the Land Trust Fund, \$1,223,794 is restricted for capital projects, and \$1,869,664 is restricted for commercial passenger vessel related projects.

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2018

The largest component of the Borough's governmental total assets is invested in capital assets. Capital assets account for 78.6% of total assets and deferred outflows of resources and net investment in capital assets accounts for 81.1% of total net position. The Borough's capital assets include land, Borough buildings and improvements, School District buildings and improvements, vehicles, transit buses, and infrastructure. The Borough uses these capital assets to provide services to its citizens. However, with business type activities, the Borough has spent approximately 85.2% 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. 83.1% of the Borough's total net position is included in capital assets. Net investment in capital assets for governmental activities decreased by \$509,549 and net investment in capital assets for business type activities decreased by \$1,192,596.

Changes in Net Position

The Borough's total net position increased by \$2,769,658 in 2018. The net position for governmental activities increased by \$3,531,244 and the net position for business-type activities decreased by \$771,586. 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, 2018

Summary of Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program:						
Charges for services	\$ 8,205,699	\$ 7,538,008	6,147,939	6,262,203	14,353,638	13,800,211
Operating grants	2,678,938	2,110,949	18,236	172,675	2,697,174	2,283,624
Capital grants	3,089,461	2,161,683	257,707	123,136	3,347,168	2,284,819
General:						
Taxes	20,939,399	18,058,081	-	-	20,939,399	18,058,081
Other	3,813,041	4,650,854	129,122	89,788	3,942,163	4,740,642
Total revenues	<u>38,726,538</u>	<u>34,519,575</u>	<u>6,553,004</u>	<u>6,647,802</u>	<u>45,279,542</u>	<u>41,167,377</u>
Program Expenses:						
General government	3,259,926	4,017,111	-	-	3,259,926	4,017,111
Fire and EMS	1,558,838	1,577,017	-	-	1,558,838	1,577,017
Water treatment & distribution	283,366	235,529	-	-	283,366	235,529
Library services	415,612	402,279	-	-	415,612	402,279
Parks and recreation	3,457,704	3,617,576	-	-	3,457,704	3,617,576
Public works	1,042,506	1,059,778	-	-	1,042,506	1,059,778
Public services	3,566,217	4,842,281	-	-	3,566,217	4,842,281
Transit	2,394,033	2,498,261	-	-	2,394,033	2,498,261
Education	15,841,676	15,879,303	-	-	15,841,676	15,879,303
Interest	1,701,147	1,885,487	-	-	1,701,147	1,885,487
Airport	-	-	5,680,358	6,471,321	5,680,358	6,471,321
Wastewater	-	-	1,042,474	995,507	1,042,474	995,507
Total expenses	<u>33,521,025</u>	<u>36,014,622</u>	<u>6,722,832</u>	<u>7,466,828</u>	<u>40,243,857</u>	<u>43,481,450</u>
Excess (deficiency)	5,205,513	(1,495,047)	(169,828)	(819,026)	5,035,685	(2,314,073)
Transfers	(174,104)	(172,303)	174,104	172,303	-	-
Change in net position	5,031,409	(1,667,350)	4,276	(646,723)	5,035,685	(2,314,073)
Net Position Beginning of Year, as restated	<u>142,553,560</u>	<u>145,711,075</u>	<u>25,984,558</u>	<u>27,407,143</u>	<u>168,538,118</u>	<u>173,118,218</u>
Net Position End of Year	<u>\$ 147,584,969</u>	<u>144,043,725</u>	<u>25,988,834</u>	<u>26,760,420</u>	<u>173,573,803</u>	<u>170,804,145</u>

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2018

GOVERNMENTAL ACTIVITIES

The Borough is heavily reliant on property and sales taxes to support governmental operations and capital. Property taxes of \$10.2 million accounted for approximately 41.0% of the total general revenues. Sales taxes provided 37.5% of the Borough's total governmental general revenues. The Borough recognized \$283,080 in investment income for fiscal year 2018. 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 43.6% of governmental operating expenses; this is an increase of 10.8% over the prior year. This increase in coverage is due to a decrease in expenses and an increase in program revenues.

GOVERNMENTAL FUNCTIONAL REVENUES AND EXPENDITURES

- Charges for services increased \$667,691 from fiscal year 2017. This increase is due mainly to an increase in health insurance contributions for education. Insurance contributions from the component unit increased from \$5,162,893 in fiscal year 2017 to \$5,772,579 in fiscal year 2018.
- Operating grants and contributions in total increased \$567,989 from fiscal year 2017, due mainly to an increase in National Forest Receipts. There were decreases in operating grants in other areas.
- Capital grants and contributions increased by \$927,778 from fiscal year 2017, due to the return to normal of Legislative funding reimbursements for G.O. bond principal and interest payments, and the recognition of grant funds to purchase new buses for the Transit system.
- General Government expenditures decreased by \$757,185 from fiscal year 2017, due to a credit allocation in the Borough's Net Pension Liability and the Borough's Net OPEB Liability.
- Parks and Recreation expenditures decreased \$159,872 from fiscal year 2017, due to a credit allocation in the Borough's Net Pension Liability and the Borough's Net OPEB Liability, decreases in temporary pay and benefits, and electricity.
- Public Services expenditures decreased by \$1,276,064 from fiscal year 2017, due to a decrease in expenditures in State and Federal Grants, Capital Projects, Commercial Passenger Vessel Fund, Economic Development Special Assistance Fund, and a credit allocation in the Borough's Net Pension Liability and the Net OPEB Liability.
- Total program expenditures for government funds decreased by \$2,493,597 or 7%. Of that decrease, 71% or \$1,772,749 is attributable to a credit in the Borough's Net Pension Liability and the Net OPEB Liability.

BUSINESS-TYPE ACTIVITIES

Airport Enterprise Fund - 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 decreased by \$151,154 or 2.73% and operating expenses decreased by \$897,715 or 13.56%. This is mainly due to a credit in the Borough's Net Pension expense of

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2018

\$28,380 instead of an expense of \$668,525, which was recognized in fiscal year 2017, and a credit in the Borough's Net OPEB expense of \$37,293. The net reduction in expenses related to pensions and OPEB was \$734,198. Operating grants decreased by \$143,273 and is due to contributed capital from grants allocated as operating capital.

As discussed in Note 2-A in the Notes to the Financial Statements, due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the borough recorded an adjustment to opening net position, in the amount of \$775,862, to reflect the opening balance OPEB liability and related accounts.

Personnel services decreased by \$742,008 or 19.57%. This decrease is due to the allocation of credits rather than expenses for pension and OPEB expense allocated through GASB 68 and GASB 75. Supplies and services decreased by \$170,404 or 11.94%. The decrease from fiscal year 2017 is due to asbestos removal on the ARFF building that was performed in fiscal year 2017, and was reimbursed through a State Designated Legislative grant and recognized as operating grant funds.

Insurance costs decreased slightly and depreciation increased by \$26,149 or 2.24%. The increase in calculated depreciation is due to the addition of new assets at the end of fiscal year 2017 that were subject to depreciation for the first time in fiscal year 2018.

The Wastewater Enterprise Fund (WEF) - is used to account for the operations of Ketchikan Gateway Borough's wastewater utility, sludge pumping, and other wastewater programs. The operating position of the WEF decreased during fiscal year 2018. Net position decreased by \$192,198 or 2.1% from fiscal year 2017. Operating revenues increased by \$36,891 or 5.06%, attributable to the reduction of revenues and an increase to allowance for doubtful accounts for delinquent accounts in fiscal year 2017. Operating expenses increased by \$49,101 or 4.96%, attributable to increases in supplies and services. "Recovery of expenditures from other funds" was comparable to fiscal year 2017. Personnel services decreased by \$25,031 or 14.29%. Supplies and services increased by \$74,920 or 16.67%, and is attributed to an increase in contractual services. Insurance costs decreased slightly and depreciation increased nominally.

Financial Analysis of the Borough's Funds

Governmental Funds

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 \$34,921,601. Of this year-end total, \$10,695,816 is unassigned. Legally restricted fund balances totaling \$19,462,576 include \$1,091,760 for airport projects; \$1,223,794 for capital projects; \$2,413,821 for commercial passenger vessel impacts; \$7,671 for dock improvements; \$9,730,277 for education; \$218,347 for library operations; \$1,549,497 for public safety and water; \$2,821,629 for recreation; and \$405,780 for road maintenance. Fund balances are committed in total for \$4,763,209, consisting of \$187,708 for interfund loans and \$4,575,501 for Borough owned land management. The total ending fund balances of governmental funds increased by \$4,238,689 or 13.8% from fiscal year 2017.

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 \$1,914,778, a 21.8% increase. This increase is due to an increase in intergovernmental revenue, sales taxes, and interfund transfers, and a decrease

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2018

in expenditures. The intergovernmental revenues include: fisheries tax, community assistance program, and Federal PILT.

Total taxes collected were \$418,948 more than budgeted. No property taxes were budgeted in the General Fund in fiscal year 2018, as they are now budgeted in the Local Education Fund effective in fiscal year 2017. \$5,934 in delinquent property taxes from prior years were received in the General Fund. Taxes reported include automobile, sales, and penalties and interest.

Intergovernmental revenues were \$590,734 more than budgeted and were \$547,593 more than fiscal year 2017. The increase from fiscal year 2017 is because revenues from fisheries tax, community assistance program, and Federal PILT increased in total by \$599,190, and the total increase was offset by decreases in the other intergovernmental revenues.

Community assistance program revenue of \$427,566 was received in fiscal year 2018. The State Legislature provided \$184,242 in PERS relief to Ketchikan Gateway Borough and \$115,486 of the total relief was recognized in the General Fund. Total General Fund expenditures and transfers out decreased by \$209,107 or 2.0% over fiscal year 2017.

Charges for services were \$83,974 more than budgeted primarily due increases in Parks and Recreation fees and miscellaneous revenues. Charges for services in fiscal year 2018 were \$64,651 more than fiscal year 2017 due to increased revenues in animal control fees, bus system revenue, parks and recreation fees and miscellaneous revenues. Insurance proceeds were received for a totaled animal control truck and were credited to miscellaneous revenue.

All general government departments with the exception of the Manager and Finance departments under spent their final budgets. The Manager's office was over budget due to the failure to budget for the Manager's retention bonus that is accrued at year-end. The Finance Department was over budget to higher than budgeted credit card fees related to increased usage by customers. A 14.0% favorable variance in revenue collections of \$1,499,115 and a 5.0% favorable variance in expenditures and transfers out of \$542,075 increased the projected net change in fund balance by \$2,041,190. Sales tax collections were \$238,085 or 4.5% more than fiscal year 2017 and \$426,920 or 8.3% more than budgeted for fiscal year 2018.

Land Trust Fund – During fiscal year 2018, charges for services, land sales, investment earnings, and miscellaneous revenue brought total revenues to \$877,436. The Land Trust Fund recognized \$29,000 in miscellaneous revenues from easements. The fund expended \$306,714 for public services and \$305,669 was transferred out 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. The fund transferred \$249,147 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 \$15,906 increase.

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 \$1,834,991 in sales tax revenue, \$2,429,779 in debt reimbursement revenues, \$5,193 in penalties and interest, and \$33,095 in investment earnings. Debt reimbursement was budgeted at \$1,842,873 and \$2,429,779 was received. The difference of \$586,906 is a 31.8% increase due to a return to normal in Legislative funding. This fund transferred out \$3,513,403 for G.O. bond principal and interest payments into Debt Service Funds, \$163,219 to the Recreation CIP Fund and \$74,776 to the Local Education Fund for building insurance. This fund also expended \$9,403 towards sidewalk work at the Houghtaling Elementary School, and \$71,680 towards

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2018

maintenance work at the Point Higgins Elementary School. The ending fund balance increased by \$470,578 or 9.4%

Local Education Special Revenue Fund – This fund is used to account for the receipt of property taxes, National Forest Receipts, and to process payments for local education support. Property tax collections were \$56,072 more than budgeted. Total transfers in were budgeted at \$755,000 and \$1,150,579 was transferred into the Local Education Fund, due to higher than expected tobacco excise tax proceeds. The tobacco excise taxes are receipted in the Tobacco Tax Special Revenue Fund and then eighty-five percent is transferred into the Local Education Fund. Total transfers in to the Local Education Fund were \$1,150,579, of which \$1,075,803 was from the Tobacco Tax Fund and \$74,776 was from the School Bond CIP Fund for school building insurance. National Forest Receipts was budgeted at \$675,000 and \$905,127 was received.

Ketchikan Gateway Borough Code §4.05.060(b) limits the unreserved fund balance within the School District's separate component unit fund balance to a maximum of 5% of the total budget as approved by the Assembly. The School District's unreserved fund balance at June 30, 2017, exceeded that amount. As a result, the School District returned \$809,687 which is shown as a recovery of expenditures in the fund statements.

The fund balance of the Local Education Fund increased by \$1,867,918, for an ending fund balance of \$3,978,976.

State & Federal Grants Fund – During the current fiscal year, the Borough received \$445,382 in State and Federal grants. The Borough expended \$108,695 on public services and \$336,687 towards governmental capital projects or equipment.

Capital Projects Fund – Construction continued on several school facility projects. Total costs were \$1,073,697 for construction projects and \$9,948 for public services. Investment earnings of \$673 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, 2018, was \$155,550,385 and \$25,799,473 respectively. The total change in net book value of capital assets was a decrease of 2.2% for governmental and a 4.4% decrease for business-type activities. The overall change was a 2.5% 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.

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2018

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Non-depreciable assets:						
Art	\$ 7,500	\$ 7,500	-	-	7,500	7,500
Land	39,560,817	39,625,899	-	-	39,560,817	39,625,899
Construction in progress	61,014	490,283	327,298	38,806	388,312	529,089
Total non-depreciable	39,629,331	40,123,682	327,298	38,806	39,956,629	40,162,488
Depreciable assets:						
Buildings and improvements	154,512,022	153,906,248	17,386,737	17,334,237	171,898,759	171,240,485
Vehicles, ferry and equipment	8,403,035	8,122,131	16,395,977	16,395,977	24,799,012	24,518,108
Wastewater assets	-	-	14,150,565	14,128,639	14,150,565	14,128,639
Infrastructure	17,764,785	16,449,120	-	-	17,764,785	16,449,120
Total depreciable assets	180,679,842	178,477,499	47,933,279	47,858,853	228,613,121	226,336,352
Less accumulated depreciation	64,758,788	59,551,873	22,461,104	20,905,590	87,219,892	80,457,463
Book value - depreciable assets	115,921,054	118,925,626	25,472,175	26,953,263	141,393,229	145,878,889
Percentage depreciated	36%	33%	47%	44%	38%	36%
Book value - all assets	\$ 155,550,385	159,049,308	25,799,473	26,992,069	181,349,858	186,041,377

At June 30, 2018, the depreciable capital assets for governmental activities were 36% depreciated. This is a 3% increase from fiscal year 2017. 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 and Wastewater projects.

With the Borough's business type activities, 47% of the asset values were depreciated at June 30, 2018 compared to 44% at June 30, 2017. The accumulated depreciation for FY 18 increased 8.7% for governmental activities and increased 7.4% for business-type activities.

The Borough owns the school district's land and buildings, which is approximately 51.6% of the total cost of the Borough's governmental capital assets.

Major capital asset changes during 2018 included the following:

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2018

General Governmental Assets:

- A 2018 Chevy Silverado was purchased for the Animal Control Department in the amount of \$32,822 and was funded through the General Fund.
- A new server was purchased for the Automation Department in the amount of \$21,835 and funded through the General Fund.
- A Manikin was donated to the North Tongass Fire Department by the North Tongass Auxillary. The North Tongass Fire Department contributed \$5,750 towards the purchase and \$43,955 was recognized as contributed capital.
- A Rescue Support Vehicle was donated to the South Tongass Fire Department by the City of Ketchikan. Contributed capital in the amount of \$25,000 was recognized.
- A 2017 Ford F250 was purchased by the Public Works Department and will be used in the South Tongass Water Department and the Wastewater Department. South Tongass Water contributed \$20,000 towards the purchase of the vehicle.
- A 2018 Suburban was purchased by the South Tongass Fire Department in the amount of \$59,827 and funded through the South Tongass Fire Department. This vehicle is to be used as a command vehicle.
- Three thermal imagers were purchased by the South Tongass Fire Department in the amount of \$23,457 and funded through the South Tongass Fire Department.
- An remanufactured engine was purchased and installed in Bus #82 in the Transit Department in the amount of \$47,500 and was funded through Federal and State grants.
- Bleachers were purchased and installed at the Esther Shea Field in the amount of \$37,246 and funded through the Recreation CIP Fund.
- Improvements to the Animal Shelter building were completed and capitalized in the amount of \$237,252 and funded through the General Fund.
- Improvements to the South Tongass water plant filter were completed and capitalized in the amount of \$65,127.
- Improvements to the Fawn Mountain sidewalk were completed and capitalized in the amount of \$239,388 and funded through bond proceeds.
- Improvements to the Houghtaling Bus Pullout were completed and capitalized in the amount of \$1,011,149 and funded through bond proceeds and the School Bond CIP fund.
- Improvements to the Bus Barn Remodel and Bus Wash Bay were completed and capitalized in the amount of \$368,523 and funded through a Federal grant and the General Fund.
- Construction began on the Dudley Field Grandstands in the amount of \$25,997 and funded through the Recreation CIP Fund. This project is still in progress.

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2018

- Construction began on the Esther Shea Grandstand and Scorebooth project in the amount of \$25,976 and funded through the Recreation CIP Fund. This project is still in progress.
- Engineering design was begun on the Walker Field Maintenance Facility in the amount of \$4,580 and was funded through the General Fund.

Enterprise Funds:

- Terminal seating for the Airport terminal was purchased in the amount of \$19,402 and funded through the Airport Enterprise Fund.
- A 2017 Ford F250 was purchased for the Airport Field in the amount of \$33,100 and funded through the Airport Enterprise Fund.
- A 2017 Ford F250 was purchased by the Public Works Department for the Wastewater Fund and South Tongass Water. The cost of this vehicle was allocated between the Wastewater Department and the South Tongass Water Department. The Wastewater Fund contributed \$14,100 towards the purchase of this vehicle.
- A new pump was purchased for the Wastewater Enterprise fund in the amount of \$7,824 and funded through the Wastewater Fund.
- Construction in progress continued on Airport Water and Sewer improvements in the amount of \$178,524 and funded through a State Designated Legislative grant.
- Construction in progress continued on wastewater improvements in the area of Shoup to Forest Park in the amount of \$109,968 and funded through a State DEC grant and loan.

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 \$3,595,000 of its existing G.O. bonds, and \$160,000 of certificates of participation.

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

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2018

Outstanding Long Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 29,900,000	\$33,495,000	-	-	29,900,000	33,495,000
Certificates of participation	3,700,000	3,860,000	-	-	3,700,000	3,860,000
Compensated absences	611,274	610,582	220,642	207,391	831,916	817,973
Unamortized premiums	862,812	1,187,314	-	-	862,812	1,187,314
Unamortized loss on refunding	(223,442)	(322,021)	-	-	(223,442)	(322,021)
Net pension liability	6,920,736	8,969,156	2,792,029	3,858,547	9,712,765	12,827,703
Net OPEB liability	<u>1,029,864</u>	<u>-</u>	<u>536,204</u>	<u>-</u>	<u>1,566,068</u>	<u>-</u>
Total	<u>\$ 42,801,244</u>	<u>47,800,031</u>	<u>3,548,875</u>	<u>4,065,938</u>	<u>46,350,119</u>	<u>51,865,969</u>

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

In 2018, the Borough adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net OPEB Liability (and related deferred inflow/outflow accounts), as of the beginning of the Borough's fiscal year 2018. As a result of the implementation of this statement, the borough has recorded an adjustment to opening net position as discussed in Note 2-A to the financial statements.

Economic Conditions Affecting the Borough

Tourism Industry

Ketchikan's cruise ship industry generates over 800,000 visitors to the community. In calendar year 2017, 1,059,200 visitors travelled to Ketchikan, and commercial passenger vessel tax was collected from 899,975 cruise ship passengers. For purposes of the Commercial Passenger Vessel (CPV) Excise Tax Fund, it is conservatively estimated that 950,000 CPV excise taxpaying passengers will visit Ketchikan in calendar year 2018. One large post-Panamax cruise ship, which can accommodate as many as 3,500 passengers, began visiting Ketchikan during 2018, and more are expected in 2019. A number of factors, including the health of the tourism industry, affect sales tax proceeds.

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2018

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 expired in January 2018. A new PFC application is being prepared, with a target submission date of December 2018 and a collection start date of March 2019.

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.

In September 2018, Ucore entered into an agreement to purchase a separation plant development site approximately 11 miles north of the City of Ketchikan, and contracted with a local engineering firm to perform due diligence on the site.

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

Shipbuilding

The Ketchikan shipyard is owned by the Alaska Industrial Development and Export Authority (AIDEA) and operated by Vigor Alaska. Vigor completed construction of the *MV Tazlina*, a 280-foot Alaska Class ferry, in May 2018. Work on a sister ship, the *Hubbard*, is finishing up and expected to be complete in March 2019. As of this writing, Vigor Alaska is planning layoffs of 50 to 80 local employees, and approximately 100 contract workers brought in for specialized work on the *Hubbard*. The Borough Assembly has consistently supported the shipyard, and is requesting an exemption for the shipyard to federal regulations requiring small business set asides for Coast Guard maintenance and repair work. If an exemption is granted, Vigor Alaska will be able to pursue maintenance and repair work on Coast Guard vessels homeported in Ketchikan, which is currently prohibited under the above-mentioned regulations.

Ketchikan Gateway Borough, Alaska
Management's Discussion and Analysis
Year Ended June 30, 2018

Ward Cove

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

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

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

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

Plans provide for the relocation of all Ketchikan based AMHS management and engineering functions to the new office space. Original plans also called for working and layup berths for AMHS vessels but uncertainty remains as to schedule and future availability of construction funding. There are ample funds for Phase 1A but identified funds are insufficient to construct the marine facilities. Negotiations with a neighboring property owner are underway, and must be complete before dredging can begin.

Fiscal Challenges at the State Level

Oil prices are still about 25% lower than the three and a half years starting in 2013, but have increased significantly from the low in early 2016 and are stable at this time. The State has considered alternative revenue sources such as a statewide income or sales tax to offset the loss in oil tax revenue, but no firm action has yet occurred. The Permanent Fund Dividend has been cut in half for the past three 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 on July 1, 2020, the level of partial reimbursement by the State for new school-related debt will drop approximately 30% compared to pre-moratorium levels.

The Governor cut bond debt reimbursement by 25% for FY 2017. Management budgeted for reduced funding in FY 2018, but funding levels were restored after adoption of the Borough budget.

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, 2018

For fiscal year 2018, Ketchikan received \$0 in State General Fund appropriations, and only \$2.0 million in federal funds in the State Capital Budget. For fiscal year 2019, the Ketchikan House District will receive \$5.0 million in State General Funds and \$3.0 million in other capital funds, an increase of \$6.0 million over 2018.

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
2019	5.0	3.0	8.0
	* \$(millions)		

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.

Ketchikan Gateway Borough, Alaska
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and investments	\$ 29,550,487	3,808,447	33,358,934	2,615,277
Restricted cash and investments	3,508,264	-	3,508,264	-
Prepaid items	-	20,924	20,924	-
Receivables	8,078,009	456,617	8,534,626	612,145
Receivable from trust fund	-	-	-	61,100
Internal balances	71,978	(71,978)	-	-
Inventory	-	-	-	48,950
Total Current Assets	41,208,738	4,214,010	45,422,748	3,337,472
Noncurrent Assets				
Long-term receivables:				
Receivable from component unit	164,957	-	164,957	-
Capital assets:				
Nondepreciable capital assets	39,629,331	327,298	39,956,629	354,857
Depreciable capital assets, net	115,921,054	25,472,175	141,393,229	406,501
Total Noncurrent Assets	155,715,342	25,799,473	181,514,815	761,358
Total Assets	196,924,080	30,013,483	226,937,563	4,098,830
Deferred Outflows of Resources				
Loss on refunding	223,442	-	223,442	-
Related to pensions	868,578	260,594	1,129,172	3,194,592
Related to OPEB	166,217	86,542	252,759	-
Total Assets and Deferred Outflows of Resources	198,182,317	30,360,619	228,542,936	7,293,422
Liabilities				
Current Liabilities				
Accounts payable	\$ 462,286	109,173	571,459	287,142
Accrued salaries and benefits	34,476	-	34,476	-
Intergovernmental payable	3,817,904	-	3,817,904	-
Accrued interest payable	466,335	-	466,335	-
Due to component unit	846,389	-	846,389	-
Payable to agency fund	-	-	-	40,964
Deposits	34,520	-	34,520	-
Claims payable	394,052	-	394,052	-
Unearned revenue	187,578	-	187,578	11,772
Compensated absences payable	528,524	179,891	708,415	320,519
General obligation bonds payable	3,735,000	-	3,735,000	-
Certificates of participation payable	165,000	-	165,000	-
Total Current Liabilities	10,672,064	289,064	10,961,128	660,397

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Statement of Net Position, continued
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	
Long-Term Liabilities, net of current portion				
Compensated absences	82,750	40,751	123,501	138,017
Self insurance payable	-	-	-	164,957
Net pension liability	6,920,736	2,792,029	9,712,765	26,884,111
Net OPEB liability	1,029,864	536,204	1,566,068	
LWCF note payable	-	30,784	30,784	
General obligation bonds payable, including unamortized premium	26,986,691	-	26,986,691	-
Certificates of participation payable, including unamortized premium	3,576,121	-	3,576,121	-
Total Long-Term Liabilities	<u>38,596,162</u>	<u>3,399,768</u>	<u>41,995,930</u>	<u>27,187,085</u>
Total Liabilities	49,268,226	3,688,832	52,957,058	27,847,482
Deferred Inflows of Resources				
Related to pensions	774,231	394,046	1,168,277	5,007,449
Related to OPEB	554,891	288,907	843,798	-
Total Liabilities and Deferred Inflows of Resources	<u>50,597,348</u>	<u>4,371,785</u>	<u>54,969,133</u>	<u>32,854,931</u>
Net Position				
Net investment in capital assets	122,089,151	25,799,473	147,888,624	761,358
Restricted:				
Airport projects	1,091,760	-	1,091,760	-
Capital projects	445,658	-	445,658	-
Commercial passenger vessel impact	2,413,821	-	2,413,821	-
Dock improvements	7,671	-	7,671	-
Education	9,730,277	-	9,730,277	-
Library operations	218,347	-	218,347	-
Public safety and water	1,549,497	-	1,549,497	-
Recreation	2,821,629	-	2,821,629	-
Road maintenance	405,780	-	405,780	-
Unrestricted	6,811,378	189,361	7,000,739	(26,322,867)
Total Net Position	<u>\$ 147,584,969</u>	<u>25,988,834</u>	<u>173,573,803</u>	<u>(25,561,509)</u>

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>			
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Primary Government								
Governmental Activities								
General government	\$ 3,259,926	-	55,964	-	(3,203,962)	-	(3,203,962)	
Fire and EMS	1,558,838	285,590	10,766	74,384	(1,188,098)	-	(1,188,098)	
Water treatment & distribution	283,366	296,613	-	-	13,247	-	13,247	
Library services	415,612	-	-	-	(415,612)	-	(415,612)	
Parks and recreation	3,457,704	806,584	9,757	8,253	(2,633,110)	-	(2,633,110)	
Public works	1,042,506	-	12,714	-	(1,029,792)	-	(1,029,792)	
Public services	3,566,217	808,363	105,433	-	(2,652,421)	-	(2,652,421)	
Transit	2,394,033	235,970	1,032,749	330,022	(795,292)	-	(795,292)	
Education	15,841,676	5,772,579	907,445	2,676,802	(6,484,850)	-	(6,484,850)	
Interest	1,701,147	-	544,110	-	(1,157,037)	-	(1,157,037)	
Total Governmental Activities	<u>33,521,025</u>	<u>8,205,699</u>	<u>2,678,938</u>	<u>3,089,461</u>	<u>(19,546,927)</u>	<u>-</u>	<u>(19,546,927)</u>	
Business Type Activities								
Airport	5,680,358	5,382,065	18,236	178,524	-	(101,533)	(101,533)	
Wastewater	1,042,474	765,874	-	79,183	-	(197,417)	(197,417)	
Total Business-Type Activities	<u>6,722,832</u>	<u>6,147,939</u>	<u>18,236</u>	<u>257,707</u>	<u>-</u>	<u>(298,950)</u>	<u>(298,950)</u>	
Total Primary Government	<u>40,243,857</u>	<u>14,353,638</u>	<u>2,697,174</u>	<u>3,347,168</u>	<u>(19,546,927)</u>	<u>(298,950)</u>	<u>(19,845,877)</u>	

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2018

Component Unit	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	
Ketchikan Gateway Borough School District	\$ 39,220,959	239,315	7,099,757	908,166				\$ (30,973,721)
General Revenues								
Property taxes					\$ 10,155,598	-	10,155,598	-
Sales taxes					9,271,481	-	9,271,481	-
Payment in lieu of taxes					1,512,320	-	1,512,320	-
Grants and entitlements not restricted to specific programs					3,094,716	100,602	3,195,318	25,652,240
E-Rate					-	-	-	78,849
Primary government appropriation					-	-	-	7,354,592
Investment earnings					283,080	28,520	311,600	67
Miscellaneous					435,245	-	435,245	156,988
Total General Revenues					24,752,440	129,122	24,881,562	33,242,736
Transfers					(174,104)	174,104	-	-
Total General Revenues and Transfers					24,578,336	303,226	24,881,562	33,242,736
Change in Net Position					5,031,409	4,276	5,035,685	2,269,015
Net Position Beginning of Year					142,553,560	25,984,558	168,538,118	(27,830,524)
Net Position End of Year					\$ 147,584,969	25,988,834	173,573,803	(25,561,509)

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet
June 30, 2018

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Local Education</u>
Assets				
Cash and investments	\$ 8,643,855	3,992,646	4,934,608	4,824,767
Restricted cash and investments	-	414,806	-	-
Receivables:				
Accounts	23,817	13,100	-	-
Intergovernmental	55,641	-	26,769	-
Investment earnings	-	-	-	-
Property taxes	20,105	-	-	23,231
Sales taxes	5,544,421	-	543,063	-
Interfund	783,618	-	-	-
Advances	-	361,182	-	-
Total Assets	<u>15,071,457</u>	<u>4,781,734</u>	<u>5,504,440</u>	<u>4,847,998</u>
Liabilities				
Accounts payable	337,516	6,184	9,420	
Accrued salaries and benefits	34,476	-	-	-
Intergovernmental payable	3,817,904	-	-	-
Interfund payable	-	-	-	-
Interfund advances payable	-	-	-	-
Due to component unit	-	-	-	846,389
Deposits	22,179	12,341	-	-
Unearned revenues	143,445	-	-	-
Total Liabilities	4,355,520	18,525	9,420	846,389
Deferred Inflows of Resources				
Property tax revenues	20,121	-	-	22,633
Total Liabilities and Deferred Inflows of Resources	<u>4,375,641</u>	<u>18,525</u>	<u>9,420</u>	<u>869,022</u>
Fund Balances				
Restricted:				
Airport projects	-	-	-	-
Capital projects	-	-	-	-
Commercial passenger vessel impact	-	-	-	-
Dock improvements	-	-	-	-
Education	-	-	5,495,020	3,978,976
Library operations	-	-	-	-
Public safety and water	-	-	-	-
Recreation	-	-	-	-
Road maintenance	-	-	-	-
Committed:				
Advances receivable	-	187,708	-	-
Borough-owned land management	-	4,575,501	-	-
Unassigned	10,695,816	-	-	-
Total Fund Balances	<u>10,695,816</u>	<u>4,763,209</u>	<u>5,495,020</u>	<u>3,978,976</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 15,071,457</u>	<u>4,781,734</u>	<u>5,504,440</u>	<u>4,847,998</u>

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet, continued

	State & Federal Grants	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ -	-	6,267,715	28,663,591
Restricted cash and investments	-	1,223,794	1,869,664	3,508,264
Receivables:				
Accounts	-	-	58,347	95,264
Intergovernmental	165,630	-	8,879	256,919
Investment earnings	-	-	-	-
Property taxes	-	-	4,822	48,158
Sales taxes	-	-	892,784	6,980,268
Interfund	-	-	-	783,618
Advances	-	-	-	361,182
Total Assets	<u>165,630</u>	<u>1,223,794</u>	<u>9,102,211</u>	<u>40,697,264</u>
Liabilities				
Accounts payable	25,005	-	84,161	462,286
Accrued salaries and benefits	-	-	-	34,476
Intergovernmental payable	-	-	-	3,817,904
Interfund payable	140,625	-	93,310	233,935
Interfund advances payable	-	-	111,019	111,019
Due to component unit	-	-	-	846,389
Deposits	-	-	-	34,520
Unearned revenues	-	-	44,133	187,578
Total Liabilities	165,630	-	332,623	5,728,107
Deferred Inflows of Resources				
Property tax revenues	-	-	4,802	47,556
Total Liabilities and Deferred Inflows of Resources	<u>165,630</u>	<u>-</u>	<u>337,425</u>	<u>5,775,663</u>
Fund Balances				
Restricted:				
Airport projects	-	-	1,091,760	1,091,760
Capital projects	-	1,223,794	-	1,223,794
Commercial passenger vessel impact	-	-	2,413,821	2,413,821
Dock improvements	-	-	7,671	7,671
Education	-	-	256,281	9,730,277
Library operations	-	-	218,347	218,347
Public safety and water	-	-	1,549,497	1,549,497
Recreation	-	-	2,821,629	2,821,629
Road maintenance	-	-	405,780	405,780
Committed:				
Advances receivable	-	-	-	187,708
Borough-owned land management	-	-	-	4,575,501
Unassigned	-	-	-	10,695,816
Total Fund Balances	<u>-</u>	<u>1,223,794</u>	<u>8,764,786</u>	<u>34,921,601</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 165,630</u>	<u>1,223,794</u>	<u>9,102,211</u>	<u>40,697,264</u>

Ketchikan Gateway Borough, Alaska
*Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018*

Total Governmental Fund Balances	\$	34,921,601
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	\$ 220,309,173	
Less accumulated depreciation	<u>(64,758,788)</u>	155,550,385
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.		47,556
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.		
		805,516
The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements.		
		(178,185)
Accrued interest payable is not reported at the fund financial reporting level.		
		(466,335)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(29,900,000)	
Certificates of participation	(3,700,000)	
Premium for GO bonds	(821,691)	
Premium for certificates of participation	(41,121)	
Deferred loss on refunding	223,442	
Compensated absences	(611,274)	
Net pension liability	(6,920,734)	
Net OPEB liability	<u>(1,029,864)</u>	
Total long-term liabilities		<u>(42,801,242)</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	868,578	
Deferred inflows of resources related to pensions	(774,231)	
Deferred outflows of resources related to OPEB	166,217	
Deferred inflows of resources related to OPEB	<u>(554,891)</u>	
Total deferred pension items		<u>(294,327)</u>
Net Position Of Governmental Activities	\$	<u><u>147,584,969</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, 2018

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Local Education</u>
Revenues				
Taxes	\$ 5,673,132	-	1,840,184	7,107,622
Intergovernmental	3,470,035	1,770	2,429,779	905,127
Licenses and permits	75	-	-	-
Charges for services	1,281,618	496,383	-	-
Water fees	-	-	-	-
Commercial passenger vessel tax	-	-	-	-
Interest subsidy	-	-	-	-
Investment earnings	70,062	53,745	33,095	61,742
Proceeds from sale of property	-	251,794	-	-
Miscellaneous	-	73,744	-	-
Total Revenues	<u>10,494,922</u>	<u>877,436</u>	<u>4,303,058</u>	<u>8,074,491</u>
Expenditures				
Current				
General government	3,281,029	-	-	-
Library services	-	-	-	-
Fire and EMS	-	-	-	-
Water treatment and distribution	-	-	-	-
Public services	1,048,987	306,714	-	-
Parks and recreation	2,344,439	-	-	-
Public works	1,043,389	-	-	-
Transit	2,173,557	-	-	-
Education	4,200	-	71,679	7,357,152
Nondepartmental	224,197	-	-	-
Capital Outlay	107,779	-	9,403	-
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>10,227,577</u>	<u>306,714</u>	<u>81,082</u>	<u>7,357,152</u>
Excess (Deficiency) of Revenues Over Expenditures	267,345	570,722	4,221,976	717,339
Other Financing Sources (Uses)				
Transfers in	1,740,507	-	-	1,150,579
Transfers out	(93,074)	(554,816)	(3,751,398)	-
Total Other Financing Sources (Uses)	<u>1,647,433</u>	<u>(554,816)</u>	<u>(3,751,398)</u>	<u>1,150,579</u>
Net Change in Fund Balances	1,914,778	15,906	470,578	1,867,918
Fund Balances Beginning of Year	<u>8,781,038</u>	<u>4,747,303</u>	<u>5,024,442</u>	<u>2,111,058</u>
Fund Balances End of Year	<u>\$ 10,695,816</u>	<u>4,763,209</u>	<u>5,495,020</u>	<u>3,978,976</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	\$ -	-	4,868,156	19,489,094
Intergovernmental	445,382	-	257,789	7,509,882
Licenses and permits	-	-	-	75
Charges for services	-	-	358,431	2,136,432
Water fees	-	-	296,613	296,613
Commercial passenger vessel tax	-	-	2,252,488	2,252,488
Interest subsidy	-	-	544,110	544,110
Investment earnings	-	673	63,763	283,080
Proceeds from sale of property	-	-	-	251,794
Miscellaneous	-	-	361,503	435,247
Total Revenues	<u>445,382</u>	<u>673</u>	<u>9,002,853</u>	<u>33,198,815</u>
Expenditures				
Current				
General government	-	-	-	3,281,029
Library services	-	-	415,612	415,612
Fire and EMS	-	-	1,290,684	1,290,684
Water treatment and distribution	-	-	283,366	283,366
Public services	108,695	9,948	1,349,728	2,824,072
Parks and recreation	-	-	-	2,344,439
Public works	-	-	-	1,043,389
Transit	-	-	-	2,173,557
Education	-	-	-	7,433,031
Nondepartmental	-	-	-	224,197
Capital Outlay	336,687	1,073,697	213,043	1,740,609
Debt Service				
Principal retirement	-	-	3,755,000	3,755,000
Interest and fiscal charges	-	-	1,977,037	1,977,037
Total Expenditures	<u>445,382</u>	<u>1,083,645</u>	<u>9,284,470</u>	<u>28,786,022</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(1,082,972)	(281,617)	4,412,793
Other Financing Sources (Uses)				
Transfers in	-	-	5,798,273	8,689,359
Transfers out	-	-	(4,464,175)	(8,863,463)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,334,098</u>	<u>(174,104)</u>
Net Change in Fund Balances	-	(1,082,972)	1,052,481	4,238,689
Fund Balances Beginning of Year	<u>-</u>	<u>2,306,766</u>	<u>7,712,305</u>	<u>30,682,912</u>
Fund Balances End of Year	\$ <u>-</u>	<u>1,223,794</u>	<u>8,764,786</u>	<u>34,921,601</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, 2018*

Net Changes In Fund Balances - Total Governmental Funds \$ 4,238,689

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	\$ (5,234,018)	
Capital outlay	<u>1,740,609</u>	(3,493,409)

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. (74,469)

Capital assets activity relating to:

Equipment donated to North and South Tongass Fire and EMS departments.	<u>68,955</u>	68,955
--	---------------	--------

Internal service funds are used by management to charge the costs of self-insurance to individual funds. A portion of the net gain of the activity is reported in governmental activities. 129,616

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in deferred property taxes. (62,015)

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	3,755,000	
Net decrease in premium	324,502	
Decrease in accrued interest	49,967	
Net decrease in deferred loss on bonds	<u>(98,579)</u>	4,030,890

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in accrued leave	(692)	
Decrease in net pension obligation and related accounts	122,215	
Decrease in net OPEB obligation and related accounts	<u>71,629</u>	<u>193,152</u>

Change In Net Position of Governmental Activities \$ 5,031,409

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, 2018

	2018			Variance on Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$ 5,254,184	5,254,184	5,673,132	418,948
Licenses and permits	200	200	75	(125)
Intergovernmental	2,879,301	2,879,301	3,470,035	590,734
Charges for services	1,197,644	1,197,644	1,281,618	83,974
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>70,062</u>	<u>69,062</u>
Total Revenues	<u>9,332,329</u>	<u>9,332,329</u>	<u>10,494,922</u>	<u>1,162,593</u>
Expenditures				
Current				
General government	3,288,220	3,349,691	3,281,029	68,662
Public services	1,156,458	1,188,476	1,048,987	139,489
Parks and recreation	1,797,042	2,286,896	2,344,439	(57,543)
Public works	1,192,284	1,209,667	1,043,389	166,278
Transit - bus system	2,165,477	2,165,477	2,173,557	(8,080)
Nondepartmental	250,758	250,758	224,197	26,561
Education	138,445	138,445	4,200	134,245
Capital Outlay	<u>128,930</u>	<u>180,242</u>	<u>107,779</u>	<u>72,463</u>
Total Expenditures	<u>10,117,614</u>	<u>10,769,652</u>	<u>10,227,577</u>	<u>542,075</u>
Excess (Deficiency) of Revenues Over Expenditures	(785,285)	(1,437,323)	267,345	1,704,668
Other Financing Sources (Uses)				
Transfers in	1,403,985	1,403,985	1,740,507	336,522
Transfers out	<u>(93,074)</u>	<u>(93,074)</u>	<u>(93,074)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,310,911</u>	<u>1,310,911</u>	<u>1,647,433</u>	<u>336,522</u>
Net Change in Fund Balance	\$ <u>525,626</u>	<u>(126,412)</u>	1,914,778	<u>2,041,190</u>
Fund Balance Beginning of Year			<u>8,781,038</u>	
Fund Balance End of Year			\$ <u><u>10,695,816</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, 2018

	2018			Variance on Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Charges for services	\$ 497,335	497,335	496,383	(952)
Intergovernmental	1,945	1,945	1,770	(175)
Investment earnings	15,000	15,000	53,745	38,745
Proceeds from sale of property	150,000	150,000	251,794	101,794
Miscellaneous	-	-	73,744	73,744
Total Revenues	<u>664,280</u>	<u>664,280</u>	<u>877,436</u>	<u>213,156</u>
Expenditures				
Current				
Public services	564,095	638,673	306,714	331,959
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Expenditures	<u>574,095</u>	<u>648,673</u>	<u>306,714</u>	<u>341,959</u>
Excess (Deficiency) of Revenues Over Expenditures	90,185	15,607	570,722	555,115
Other Financing Uses				
Transfers out	<u>(543,681)</u>	<u>(543,681)</u>	<u>(554,816)</u>	<u>(11,135)</u>
Net Change in Fund Balance	\$ <u>(453,496)</u>	<u>(528,074)</u>	15,906	<u>543,980</u>
Fund Balance Beginning of Year			<u>4,747,303</u>	
Fund Balance End of Year		\$	<u><u>4,763,209</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, 2018

	2018			
	Original Budget	Final Budget	Actual	Variance on Final Budget
Revenues				
Sales taxes	\$ 1,698,065	1,698,065	1,834,991	136,926
Intergovernmental	1,842,873	1,842,873	2,429,779	586,906
Penalties and interest	3,500	3,500	5,193	1,693
Investment earnings	-	-	33,095	33,095
Total Revenues	<u>3,544,438</u>	<u>3,544,438</u>	<u>4,303,058</u>	<u>758,620</u>
Expenditures				
Current				
Education	-	-	71,679	(71,679)
Capital Outlay	<u>400,000</u>	<u>400,000</u>	<u>9,403</u>	<u>390,597</u>
Total Expenditures	<u>400,000</u>	<u>400,000</u>	<u>81,082</u>	<u>318,918</u>
Excess of Revenues Over Expenditures	3,144,438	3,144,438	4,221,976	1,077,538
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	<u>(3,748,452)</u>	<u>(3,748,452)</u>	<u>(3,751,398)</u>	<u>(2,946)</u>
Total Other Financing Sources (Uses)	<u>(3,748,452)</u>	<u>(3,748,452)</u>	<u>(3,751,398)</u>	<u>(2,946)</u>
Net Change in Fund Balance	\$ <u>(604,014)</u>	<u>(604,014)</u>	470,578	<u>1,074,592</u>
Fund Balance Beginning of Year			<u>5,024,442</u>	
Fund Balance End of Year		\$	<u>5,495,020</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, 2018

	2018			Variance on Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Property taxes	\$ 7,051,550	7,051,550	7,107,622	56,072
Excise taxes	-	-	-	-
Intergovernmental	675,000	675,000	905,127	230,127
Investment earnings	-	-	61,742	61,742
Total Revenues	<u>7,726,550</u>	<u>7,726,550</u>	<u>8,074,491</u>	<u>347,941</u>
Expenditures				
Current				
Education	8,167,063	8,167,063	8,166,839	224
Less recovery of school district excess fund balance	-	-	(809,687)	809,687
Total Expenditures	<u>8,167,063</u>	<u>8,167,063</u>	<u>7,357,152</u>	<u>809,911</u>
Excess (Deficiency) of Revenues Over Expenditures	(440,513)	(440,513)	717,339	1,157,852
Other Financing Uses				
Transfers in	<u>755,000</u>	<u>755,000</u>	<u>1,150,579</u>	<u>395,579</u>
Total Other Financing Sources	<u>755,000</u>	<u>755,000</u>	<u>1,150,579</u>	<u>395,579</u>
Net Change in Fund Balance	\$ <u>314,487</u>	<u>314,487</u>	1,867,918	<u>1,553,431</u>
Fund Balance Beginning of Year			<u>2,111,058</u>	
Fund Balance End of Year		\$	<u>3,978,976</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, 2018

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Assets				
Current Assets				
Cash and investments	\$ 3,155,232	653,215	3,808,447	886,896
Prepaid items	20,924	-	20,924	-
Receivables:				
Accounts	360,548	77,348	437,896	697,398
Intergovernmental	18,721	-	18,721	-
Total Current Assets	<u>3,555,425</u>	<u>730,563</u>	<u>4,285,988</u>	<u>1,584,294</u>
Noncurrent Assets				
Longterm Receivables:				
Note receivable from component unit	-	-	-	164,957
Capital Assets				
Nondepreciable	197,755	129,543	327,298	-
Depreciable, net	17,063,240	8,408,935	25,472,175	-
Total Noncurrent Assets	<u>17,260,995</u>	<u>8,538,478</u>	<u>25,799,473</u>	<u>164,957</u>
Total Assets	<u>20,816,420</u>	<u>9,269,041</u>	<u>30,085,461</u>	<u>1,749,251</u>
Deferred Outflows of Resources				
Related to pensions	260,594	-	260,594	-
Related to OPEB	86,542	-	86,542	-
Total Assets and Deferred Outflows of Resources	<u>\$ 21,163,556</u>	<u>9,269,041</u>	<u>30,432,597</u>	<u>1,749,251</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 67,157	42,016	109,173	-
Interfund advances payable	51,667	42,405	94,072	-
Compensated absences payable	179,891	-	179,891	-
Claims payable	-	-	-	394,052
Total Current Liabilities	<u>298,715</u>	<u>84,421</u>	<u>383,136</u>	<u>394,052</u>
Long-Term Liabilities, net of current portion				
Compensated absences payable	40,751	-	40,751	-
Net pension liability	2,792,029	-	2,792,029	-
Net OPEB liability	536,204	-	536,204	-
Interfund advances payable	13,487	142,604	156,091	-
LWCF note payable	-	30,784	30,784	-
Interfund payable	-	-	-	549,683
Total Long-Term Liabilities	<u>3,382,471</u>	<u>173,388</u>	<u>3,555,859</u>	<u>549,683</u>
Total Liabilities	<u>3,681,186</u>	<u>257,809</u>	<u>3,938,995</u>	<u>943,735</u>
Deferred Inflows of Resources				
Related to pensions	394,046	-	394,046	-
Related to OPEB	288,907	-	288,907	-
Total Liabilities and Deferred Inflows of Resources	<u>4,364,139</u>	<u>257,809</u>	<u>4,621,948</u>	<u>943,735</u>
Net Position				
Net investment in capital assets	17,260,995	8,538,478	25,799,473	-
Unrestricted	(461,578)	472,754	11,176	805,516
Total Net Position - Fund Level	<u>\$ 16,799,417</u>	<u>9,011,232</u>	<u>25,810,649</u>	<u>805,516</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			<u>178,185</u>	
Total Net Position - Government-wide Statement of Net Position			<u>\$ 25,988,834</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, 2018

	Business-type Activities			Governmental Activities - Internal Service Funds
	<u>Airport</u>	<u>Wastewater</u>	<u>Total</u>	
Operating Revenues				
Charges for services	\$ 5,382,065	765,874	6,147,939	8,389,209
Operating Expenses				
Personnel services	3,049,601	150,120	3,199,721	-
Supplies and services	1,257,141	524,381	1,781,522	-
Insurance	221,644	4,331	225,975	-
Administration	-	-	-	1,124,779
Claims and premiums	-	-	-	7,793,283
Depreciation	1,195,675	359,840	1,555,515	-
Total Operating Expenses	5,724,061	1,038,672	6,762,733	8,918,062
Less recovery of expenses	-	(7,768)	(7,768)	(697,398)
Net Operating Expenses	5,724,061	1,030,904	6,754,965	8,220,664
Operating Income (Loss)	(341,996)	(265,030)	(607,026)	168,545
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	(2,542)	(11,570)	(14,112)	-
Gain on disposal of capital assets	-	-	-	-
Investment earnings	23,301	5,219	28,520	7,318
Operating grants	118,837	-	118,837	-
Total Non-Operating Revenues (Expenses)	139,596	(6,351)	133,245	7,318
Income (Loss) before Capital Contributions and Transfers	(202,400)	(271,381)	(473,781)	175,863
Capital contributions	178,524	79,183	257,707	-
Transfers in	174,104	-	174,104	-
Change in Net Position	150,228	(192,198)	(41,970)	175,863
Net Position Beginning of Year	16,649,189	9,203,430		629,653
Net Position End of Year	\$ 16,799,417	9,011,232		805,516
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.			46,246	
Change in net position of business-type activities			\$ 4,276	

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2018

	Business-type Activities			Governmental
	Airport	Wastewater	Total	Activities - Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash received from customers	\$ 5,155,177	745,295	5,900,472	8,017,806
Cash payments to employees for services	(3,036,350)	(150,120)	(3,186,470)	-
Cash payments for goods and services	(1,485,524)	(545,125)	(2,030,649)	(1,489,660)
Cash payments for claims	-	-	-	(6,811,339)
Net Cash Provided by Operating Activities	<u>633,303</u>	<u>50,050</u>	<u>683,353</u>	<u>(283,193)</u>
Cash Flows from Noncapital Financing Activities				
Interfund payables	-	-	-	419,490
Operating grants	142,608	-	142,608	-
Transfers in	174,104	-	174,104	-
Net Cash Provided by Noncapital Financing Activities	<u>316,712</u>	<u>-</u>	<u>316,712</u>	<u>419,490</u>
Cash Flows from Capital and Related Financing Activities				
Capital grant	178,524	79,183	257,707	-
Interest paid on debt service	(2,542)	(11,570)	(14,112)	-
Interfund advance payable	(31,121)	(40,150)	(71,271)	-
Payments for capital acquisitions	(231,027)	(101,109)	(332,136)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(86,166)</u>	<u>(73,646)</u>	<u>(159,812)</u>	<u>-</u>
Cash Flows from Investing Activities				
Investment earnings	<u>23,301</u>	<u>5,219</u>	<u>28,520</u>	<u>7,318</u>
Net Increase in Cash and Cash Equivalents	887,150	(18,377)	868,773	143,615
Cash and Cash Equivalents Beginning of Year	<u>2,268,082</u>	<u>671,592</u>	<u>2,939,674</u>	<u>743,281</u>
Cash and Cash Equivalents End of Year	<u>\$ 3,155,232</u>	<u>653,215</u>	<u>3,808,447</u>	<u>886,896</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, 2018

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Wastewater	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	\$ (341,996)	(265,030)	(607,026)	168,545
Adjustments:				
Depreciation	1,195,675	359,840	1,555,515	-
Increase (Decrease) in Assets and Deferred Outflows of Resources:				
Accounts receivable	(125,965)	(20,579)	(146,544)	(697,398)
Note receivable	-	-	-	325,995
Prepaid items	(14,983)	-	(14,983)	-
Deferred outflows of resources for pensions	651,840	-	651,840	-
Deferred outflows of resources for OPEB	35,621	-	35,621	-
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:				
Accounts payable	8,244	(24,181)	(15,937)	-
Compensated absences payable	13,251	-	13,251	-
Net pension liability	(1,066,517)	-	(1,066,517)	-
Net OPEB liability	(361,821)	-	(361,821)	-
Deferred inflows of resources for pensions	351,047	-	351,047	-
Deferred inflows of resources for OPEB	288,907	-	288,907	-
Claims payable	-	-	-	(80,335)
Net Cash Provided by Operating Activities	\$ <u>633,303</u>	<u>50,050</u>	<u>683,353</u>	<u>(283,193)</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, 2018

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
Changes in Accounting Principles, Stewardship, Compliance and Accountability	2
Change in Accounting Principle	2-A
Budgetary Information	2-B
Excess of Expenditures over Appropriations	2-C
Deficit Fund Equities	2-D
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
Subsequent Events	4-D
New Accounting Pronouncements	5

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

Note 1 - Summary of Significant Accounting Policies

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

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

1-A. Reporting Entity

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

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

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

A brief description of the discretely presented component unit follows:

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

Pouch Z
Ketchikan, AK 99901

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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.

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 wastewater 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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:

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 proprietary 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.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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.

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018.

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, 2018

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, 2018, 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, donated works of art and similar items, and capital assets received in a service concession arrangement 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, 2018

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	---
Water system improvements	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, 2018

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 – This 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, 2018

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, 2018

1-E-17 Pensions

Pensions. For purposes of measuring the net pension liability and the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, OPEB, and OPEB 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 and the net OPEB liability have been allocated between the governmental activities, business-type activities, based on PERS covered payroll during the fiscal year.

Note 2 – Changes in Accounting Principles, Stewardship, Compliance and Accountability

2-A. Prior Period Adjustment and Change in Accounting Principle – In addition, as discussed in Note 3-I to the financial statements, the Borough participates in the Alaska Public Retirement System (PERS) plan. In 2018, the Borough adopted the provisions of GASB Statement number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net OPEB Liability (and related deferred inflow/outflow accounts), as of the beginning of the Borough’s fiscal year. As a result of the implementation of this statement, the borough has recorded an adjustment to opening net position, to reflect the opening balance OPEB liability and related accounts as follows:

		Opening net position, as originally presented	Change in Accounting Principle Adjustment	Opening Net Position, as restated
Governmental Activities	\$	144,043,725	(1,490,165)	142,553,560
Business Type Activities		26,760,420	(775,862)	25,984,558
School District		(23,493,703)	(4,336,821)	(27,830,524)

2-B. 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, Tobacco Tax, 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 of encumbrances; appropriations made for a capital or grant project or a contract or grant award. Such an appropriation does

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

not lapse until its purpose has been accomplished or abandoned, and are carried forward to subsequent fiscal years.

At June 30, 2018, the Borough had open encumbrances as follows:

Fund	Encumbrances
General Fund	\$ 27,328
Land Trust	16,274
State and Federal Grant	6,888,336
Nonmajor	466,343
Total	7,398,281

2-C. Excess of Expenditures over Appropriations

The following individual fund had an excess of expenditures over appropriations at June 30, 2018:

Tobacco Tax Special Revenue Fund – 85% of net actual tobacco tax proceeds are transferred to the Local Education Fund. Actual revenue was higher than budgeted, resulting in higher than budgeted transfers to the Local Education Fund.

2-D. Deficit Fund Equities

No individual funds had a deficit fund balance at the fund reporting level at June 30, 2018.

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, 2018 are as follows:

Cash on hand	\$ 3,650
Deposits with financial institutions	8,046,680
Investments	28,816,868
Total	\$ 36,867,198

	Governmental Activities	Business-Type Activities	Total
Unrestricted	\$ 29,550,487	3,808,447	33,358,934
Restricted	3,508,264	-	3,508,264
Total	\$ 33,058,751	3,808,447	36,867,198

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018, the carrying value of all the Borough’s deposits was \$8,046,680 and the bank value was \$8,041,859 per bank confirmations. All collateral securities were held by third parties in the Borough’s name, and were not exposed to custodial credit risk.

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

The Borough has investments in certificates of deposits totaling \$544,157 with First Bank, \$13,146,712 is deposited in the Alaska Municipal League Investment Pool, \$2,967,000 is deposited with Time Value Investments and \$12,159,000 is in a money market account at Wells Fargo. The first three investments are not held at fair value, but are instead recorded at amortized cost as of June 30, 2018. The Borough is using the Income Approach to value the investments that are held with Time Value Investments.

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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Concentration of credit risk. The Borough's investments as of June 30, 2018 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, 2019. \$13,146,712 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. \$2,967,000 is deposited in twelve different banks in time certificates of deposits and managed through Time Value Investments.

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

Interest rate risk. As of June 30, 2018, the weighted average maturity of the Borough's investment portfolio was less than one year. To minimize interest rate risk, the Borough's investment policy limits the portfolio to a maximum weighted average maturity of 24 months to meet the Borough's cash flow requirements.

The Borough's investments 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	\$ 544,156	544,156	-
AML Investment Pool	13,146,712	-	13,146,712
Time Value Investments	2,967,000	-	2,967,000
Money Market	<u>12,159,000</u>	<u>-</u>	<u>12,159,000</u>
	<u>\$ 28,816,868</u>	<u>544,156</u>	<u>28,272,712</u>

3-B. Receivables

Receivables at June 30, 2018, 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, collectability.

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:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

	<u>General</u>	<u>Land Trust</u>	<u>School Bond Capital Improvements</u>	<u>Local Education</u>	<u>State & Federal Grants</u>
Receivables:					
Accounts	\$ 64,912	13,100	-	-	-
Intergovernmental	55,641	-	26,769	-	165,630
Property taxes	20,105	-	-	23,231	-
Sales taxes	5,544,421	-	543,063	-	-
Note	600,000	-	-	-	-
Interfund	-	361,182	-	-	-
Total receivables	<u>6,285,079</u>	<u>374,282</u>	<u>569,832</u>	<u>23,231</u>	<u>165,630</u>
Allowance for doubtful accounts	<u>(641,095)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 5,643,984</u>	<u>374,282</u>	<u>569,832</u>	<u>23,231</u>	<u>165,630</u>

	<u>Nonmajor Governmental</u>	<u>Airport Enterprise</u>	<u>Wastewater Enterprise</u>	<u>Internal Service Fund</u>	<u>Totals</u>
Receivables:					
Accounts	\$ 62,013	361,114	83,820	697,398	1,282,357
Intergovernmental	8,879	18,721	-	-	275,640
Property taxes	4,822	-	-	-	48,158
Sales taxes	892,784	-	-	-	6,980,268
Note	-	-	-	164,956	764,956
Interfund	-	-	-	-	361,182
Total receivables	<u>968,498</u>	<u>379,835</u>	<u>83,820</u>	<u>862,354</u>	<u>9,712,561</u>
Allowance for doubtful accounts	<u>(3,666)</u>	<u>(566)</u>	<u>(6,473)</u>	<u>-</u>	<u>(651,800)</u>
Net receivables	<u>\$ 964,832</u>	<u>379,269</u>	<u>77,347</u>	<u>862,354</u>	<u>9,060,761</u>

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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)	\$ 20,121	-
Delinquent property taxes receivable (Local Education Fund)	22,633	
Delinquent property taxes receivable (Nonmajor Funds)	4,802	-
Unearned revenue (General Fund)	-	143,445
Unearned revenues (Nonmajor)	-	44,133
	47,556	187,578
Total deferred/unearned revenue for governmental funds	\$ 47,556	187,578

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, 2018

3-D. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance 7/1/2017	Reclassify	Additions	Deductions	Balance 6/30/2018
Governmental activities:					
Nondepreciable capital assets:					
Works of Art	\$ 7,500	-	-	-	7,500
Land - Borough	31,827,337	-	5,400	70,482	31,762,255
Land - School	7,798,562	-	-	-	7,798,562
Construction in progress - Borough	318,385	-	56,554	318,385	56,554
Construction in progress - School	171,898	-	-	167,438	4,460
Total nondepreciable capital assets	40,123,682	-	61,954	556,305	39,629,331
Depreciable capital assets:					
Buildings - Borough	25,001,276	-	605,775	-	25,607,051
Buildings - School	105,933,760	-	-	-	105,933,760
Equipment	5,477,287	-	317,392	36,488	5,758,191
Fields	4,350,971	-	-	-	4,350,971
Infrastructure	1,509,418	-	-	-	1,509,418
Land improvements	2,252,899	-	1,250,537	-	3,503,436
Pool	22,971,211	-	-	-	22,971,211
Water improvements	8,335,833	-	65,127	-	8,400,960
Buses	2,644,844	-	-	-	2,644,844
Total depreciable capital assets	178,477,499	-	2,238,831	36,488	180,679,842
Total cost of capital assets	218,601,181	-	2,300,785	592,793	220,309,173
Accumulated depreciation:					
Buildings - Borough	6,321,674	-	657,571	-	6,979,245
Buildings - School	39,952,021	-	2,552,969	-	42,504,990
Equipment	3,762,723	(5,316)	377,099	27,103	4,107,403
Fields	2,137,511	7,099	172,400	-	2,317,010
Infrastructure	821,934	(7,099)	51,613	-	866,448
Land improvements	265,573	-	135,715	-	401,288
Pool	3,654,842	-	919,935	-	4,574,777
Water improvements	1,004,326	-	166,717	-	1,171,043
Buses	1,631,269	5,316	199,999	-	1,836,584
Total accumulated depreciation	59,551,873	-	5,234,018	27,103	64,758,788
Governmental activities capital assets, net	\$ 159,049,308	-	(2,933,233)	565,690	155,550,385

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Governmental activities depreciation:		
General Government	\$	705,574
Education		42,740,155
Fire and EMS		2,840,150
Parks and Recreation		7,816,603
Public Services		7,441,392
Public Works		930,100
Transit		<u>2,284,814</u>
 Total governmental activities depreciation expense	 \$	 <u>64,758,788</u>

(This page continued on the subsequent page)

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

	Balance 7/1/2017	Reclassify	Additions	Deductions	Balance 6/30/2018
Business-type activities:					
Nondepreciable capital assets					
Construction in progress	\$ 38,806	-	288,492	-	327,298
Depreciable capital assets:					
Ferry	16,187,177	-	-	-	16,187,177
Field	4,310,495	-	33,100	-	4,343,595
Terminal building	13,023,740	-	19,402	-	13,043,142
Murphy's landing	208,800	-	-	-	208,800
Wastewater	270,261	-	-	-	270,261
Mountain Point wastewater	13,810,315	-	21,924	-	13,832,239
Forest Park wastewater	48,065	-	-	-	48,065
Total depreciable capital assets	<u>47,858,853</u>	<u>-</u>	<u>74,426</u>	<u>-</u>	<u>47,933,279</u>
Total capital assets	<u>47,897,659</u>	<u>-</u>	<u>362,918</u>	<u>-</u>	<u>48,260,577</u>
Accumulated depreciation:					
Ferry	6,204,521	-	784,996	-	6,989,517
Field	2,957,609	-	93,541	-	3,051,150
Terminal building	6,152,870	-	317,138	-	6,470,008
Murphy's landing	208,800	-	-	-	208,800
Wastewater	252,363	46,863	13,208	-	312,434
Mountain Point wastewater	5,082,564	-	346,631	-	5,429,195
Forest Park wastewater	46,863	<u>(46,863)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>20,905,590</u>	<u>-</u>	<u>1,555,514</u>	<u>-</u>	<u>22,461,104</u>
Business-type activities capital assets, net	\$ <u>26,992,069</u>	<u>-</u>	<u>(1,192,596)</u>	<u>-</u>	<u>25,799,473</u>
Business-type activities depreciation:					
Airport			\$ 16,719,475		
Wastewater			<u>5,741,629</u>		
			<u>\$ 22,461,104</u>		

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

3-E. Interfund Balances and Transfers

Interfund balances at June 30, 2018, 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	\$ 140,625	-	-
Land Trust Fund - Advances Receivable	-	65,154	185,009
Total	\$ 140,625	65,154	185,009

	Payable From:		
Payable to:	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	\$ 93,310	549,683	783,618
Land Trust Fund - Advances Receivable	111,019	-	361,182
Total	\$ 204,329	549,683	1,144,800

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfers to:	Transfers From:		
	General Fund	Land Trust Fund	School Bond Capital Imp. Fund
General Fund	\$ -	249,147	-
Local Education Fund	-	-	74,776
Non-Major Debt Service Non-Major	-	305,669	3,513,403
Special Revenue	87,574	-	163,219
Airport Enterprise	5,500	-	-
Total	\$ 93,074	554,816	3,751,398

Transfers to:	Transfers From:	
	Non-Major Special Revenue Funds	Total
General Fund	\$ 1,491,360	1,740,507
School Bond	-	-
Local Education Fund	1,075,803	1,150,579
Non-Major Debt Service Non-Major	1,368,854	5,187,926
Special Revenue	359,553	610,346
Airport Enterprise	168,604	174,104
Total	\$ 4,464,174	8,863,462

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 "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,

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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 approval of 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, 2018. The leases that are in place as of June 30, 2018 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 \$587,119 on 170,867 square feet. Land leases generate annual revenues of \$40,596 on 209,350 square feet.

(This page continued on the subsequent page)

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
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	710,000	997,107	(371,893)	625,214	1,335,214
2024-2028	3,970,000	4,360,190	(1,640,595)	2,719,595	6,689,595
2029-2033	4,800,000	3,079,773	(1,192,450)	1,887,323	6,687,323
2034-2038	5,825,000	1,491,568	(629,242)	862,326	6,687,326
2039	<u>1,295,000</u>	<u>79,228</u>	<u>(35,653)</u>	<u>43,575</u>	<u>1,338,575</u>
Total	\$ <u>19,225,000</u>	<u>14,334,481</u>	<u>(5,475,771)</u>	<u>8,858,710</u>	<u>28,083,710</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, 2018 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 675,000	55,000	730,000
2020	<u>700,000</u>	<u>28,000</u>	<u>728,000</u>
Total	\$ <u>1,375,000</u>	<u>83,000</u>	<u>1,458,000</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
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	250,000	50,753	(22,839)	27,914	277,914
2024-2026	<u>795,000</u>	<u>68,721</u>	<u>(30,925)</u>	<u>37,796</u>	<u>832,796</u>
Total	\$ <u>1,985,000</u>	<u>437,581</u>	<u>(196,912)</u>	<u>240,669</u>	<u>2,225,669</u>

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, 2018 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>	<u>Total</u>
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	185,000	200,355	(90,160)	110,195	295,195
2024-2028	1,030,000	826,785	(340,938)	485,847	1,515,847
2029-2033	1,235,000	452,272	(221,898)	230,374	1,465,374
2034-2035	<u>560,000</u>	<u>57,992</u>	<u>(38,836)</u>	<u>19,156</u>	<u>579,156</u>
Total	\$ <u>3,700,000</u>	<u>2,439,990</u>	<u>(1,097,996)</u>	<u>1,341,994</u>	<u>5,041,994</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>2,730,000</u>	 <u>345,450</u>	 <u>3,075,450</u>

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, 2018 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 640,000	49,250	689,250
2020	<u>665,000</u>	<u>16,625</u>	<u>681,625</u>
 Total	 \$ <u>1,305,000</u>	 <u>65,875</u>	 <u>1,370,875</u>

(This page continued on the subsequent page)

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,705,000</u>	<u>338,550</u>	<u>3,043,550</u>

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, 2018 follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ <u>575,000</u>	<u>11,500</u>	<u>586,500</u>

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

(This page continued on the subsequent page)

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Changes in Long-term Debt - Changes in the Borough's long-term obligations consisted of the following for the year ended June 30, 2018:

Governmental Activities	Outstanding 7/1/2017	Additions	Reductions	Outstanding 6/30/2018	Amounts Due in One Year
GO Bonds - 2009B & C	\$ 19,835,000	-	610,000	19,225,000	625,000
GO Bonds - 2010A One	2,025,000	-	650,000	1,375,000	675,000
GO Bonds - 2010B Four	2,205,000	-	220,000	1,985,000	225,000
GO Bonds - 2011 III	3,205,000	-	475,000	2,730,000	500,000
GO Bonds - 2012 II	1,910,000	-	605,000	1,305,000	640,000
GO Bonds - 2013 One	3,180,000	-	475,000	2,705,000	495,000
GO Bonds - 2015A One	1,135,000	-	560,000	575,000	575,000
Certificates of Participation					
C of P 2010A-1	160,000	-	160,000	-	-
C of P 2010A-2	3,700,000	-	-	3,700,000	165,000
Compensated absences	<u>610,582</u>	<u>588,882</u>	<u>588,190</u>	<u>611,274</u>	<u>528,584</u>
Total Governmental Activities	\$ <u>37,965,582</u>	<u>588,882</u>	<u>4,343,190</u>	<u>34,211,274</u>	<u>4,428,584</u>
Business-Type Activities					
Compensated absences	<u>207,391</u>	<u>189,953</u>	<u>176,702</u>	<u>220,642</u>	<u>179,893</u>
Total Business-Type Activities	\$ <u>207,391</u>	<u>189,953</u>	<u>176,702</u>	<u>220,642</u>	<u>179,893</u>

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. Retirement Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Plan

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

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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 of resources, and disclosures on this basis.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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 the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY18, the rate uses an 8% pension discount rate and a 4.30% healthcare discount rate.

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used. Contribution rates for the year ended June 30, 2018 were determined in the June 30, 2015 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	29.07%
Postemployment healthcare (see Defined Benefits OPEB below)	4.88%	3.11%	0.00%	66.85%
Total Contribution Rates	<u>22.00%</u>	<u>25.01%</u>	<u>3.01%</u>	<u>95.92%</u>

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

In 2018, the Borough was credited with the following contributions to the pension plan.

	Measurement Period Borough	
	FY 17	FY 18
Employer contributions (including DBUL)	\$ 695,794	\$ 779,119
Nonemployer contributions (on-behalf)	255,018	184,242
 Total Contributions	 \$ 950,812	 \$ 963,361

In addition, employee contributions to the Plan totaled \$208,859 during the Borough's fiscal year.

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

At June 30, 2018, 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:

	2018
Borough proportionate share of NPL	\$ 9,712,765
State's proportionate share of NPL associated with the Borough	3,618,387
 Total Net Pension Liability	 \$ 13,331,152

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 to calculate the net pension liability as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2017 measurement date, the Borough's proportion was 0.0018789 percent, which was an decrease of 0.0004160 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Borough recognized pension expense of \$593,273 and on-behalf revenue of \$287,197 for support provided by the State. At June 30, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	(174,626)
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	260,530	-
Changes in proportion and differences between Borough contributions and proportionate share of contributions	89,524	-
Borough contributions subsequent to the measurement date	779,119	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ 1,129,173	(174,626)

The \$779,119 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, 2019. 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>	
2019	\$ (1,060,578)
2020	271,291
2021	121,786
2022	(150,722)
2023	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2017. The actuarial assumptions used in the June 30, 2016 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, 2018

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for peace officer/firefighter. Graded by age and service, from 8.55% to 4.34% for all others
Allocation Methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment Return/Discount Rate	8.00% , net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88% .
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. 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. Best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	26%	8.83%
Global ex-U.S. equity	22%	7.79%
Intermediate treasuries	13%	1.29%
Opportunistic	5%	4.76%
Real assets	17%	4.94%
Absolute return	7%	4.76%
Private equity	9%	12.02%
Cash equivalents	1%	0.63%

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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

	<u>Proportional Share</u>	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Borough's proportionate share of the net pension liability	0.18789%	\$ 12,758,612	9,712,765	7,140,663

Pension Plan Fiduciary Net Position

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

(b) Defined Contribution (DC) Pension Plan

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

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

Benefit Terms

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

Employee Contribution Rate

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Employer Contribution Rate

For the year ended June 30, 2018, the Borough was required to contribute 5% of covered salary into the Plan.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2018 were \$569,040 and \$206,789, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plan

As part of its participation in the PERS DB Plan (Tiers I, II, III), which is a cost-sharing multiple employer plan, the District participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the DB Plan. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration.

Employer Contribution Rate

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

In 2018, the Borough was credited with the following contributions to the OPEB plan:

	Measurement Period	
	Borough FY17	Borough FY18
Employer contributions	\$ 356,796	\$ 250,001
Nonemployer contributions (on-behalf)	4,905	26,641
Total Contributions	\$ 361,701	\$ 276,642

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2018, the Borough reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB 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:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

<u>June 30,</u>		<u>2018</u>
<hr/>		
Borough's proportionate share of NOL - ARHCT	\$	1,587,059
Borough's proportionate share of NOL - RMP		12,198
Borough's proportionate share of NOL - ODD		(33,189)
State's proportionate share of the NOL associated with the Borough		<u>591,650</u>
Total Net OPEB Liabilities		<u><u>2,157,718</u></u>

The total OPEB liabilities for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 to calculate the net OPEB liabilities as of that date. The Borough's proportion of the net OPEB liabilities were based on a projection of the Borough's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	
	Measurement	Measurement	
	Date Employer	Date Employer	
	<u>Proportion</u>	<u>Proportion</u>	<u>Change</u>
Borough's proportionate share of the net OPEB liabilities:			
ARHCT	0.22959%	0.18787%	-0.04172%
RMP	0.25797%	0.23390%	-0.02407%
ODD	0.25797%	0.23390%	-0.02407%

As a result of its requirement to contribute to the Plan, the Borough recognized OPEB expense of \$141,526 and on-behalf revenue of \$92,964 for support provided by the State. At June 30, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	(86,661)
Changes in assumptions	-	-
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(505,000)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	2,758	(252,137)
Borough contributions subsequent to the measurement date	<u>250,001</u>	<u>-</u>
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	\$ <u>252,759</u>	<u>(843,798)</u>

The \$250,001 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>		
2019	\$	(312,835)
2020		(275,530)
2021		(126,309)
2022		(126,309)
2023		(58)
Thereafter		(180)

Actuarial Assumptions

The total OPEB liability for the measurement period ended June 30, 2017 (Borough fiscal year 2018) was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2017. The actuarial assumptions used in the June 30, 2016 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, 2018

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for peace officer/firefighter. Graded by service, from 8.55% to 4.34% for all others
Allocation Methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment Return/Discount Rate	8.00% , net of postemployment healthcare investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88% .
Healthcare cost trend rates	Pre-65 medical; 8.8% grading down to 4.4% Post-65 medical; 5.8% grading down to 4.0% Prescription drug; 5.4% grading down to 4.0%
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others. 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 OPEB 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 postretirement healthcare 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	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	26%	8.83%
Global ex-U.S. equity	22%	7.79%
Intermediate treasuries	13%	1.29%
Opportunistic	5%	4.76%
Real assets	17%	4.94%
Absolute return	7%	4.76%
Private equity	9%	12.02%
Cash equivalents	1%	0.63%

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Discount Rate

The discount rate used to measure the total OPEB 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity

The following presents the Borough's proportionate share of the net OPEB liabilities calculated using the discount rate of 8.00%, as well as what the Borough's proportionate share of the net OPEB liabilities 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:

	<u>Proportional Share</u>	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Borough's proportionate share of the net OPEB liabilities:				
ARHCT	0.00188%	\$ 3,396,473	\$ 1,587,059	\$ 65,094
RMP	0.00234%	\$ 57,145	\$ 12,198	\$ (22,899)
ODD	0.00234%	\$ (29,961)	\$ (33,189)	\$ (35,827)

Healthcare Cost Trend Rates Sensitivity

The following presents the Borough's proportionate share of the net OPEB liabilities calculated using the healthcare cost trend rate, as well as what the Borough's proportionate share of the net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>Proportional Share</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Borough's proportionate share of the net OPEB liabilities:				
ARHCT	0.00188%	\$ (176,049)	\$ 1,587,059	\$ 3,706,737
RMP	0.00234%	\$ (30,195)	\$ 12,198	\$ 68,997
ODD	0.00234%	\$ -	\$ (33,189)	\$ -

OPEB Plan Fiduciary Net Position

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

(d) Defined Contribution OPEB Plans

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,

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

disability, and post-employment health care benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2018 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.03%	1.03%
Occupational death and disability benefits	0.16%	0.43%
Total Contribution Rates	1.19%	1.46%

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, 2017, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,084 per year for each full-time employee and \$1.34 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2018, the Borough contributed \$92,108 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

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, 2018 is as follows:

	Governmental Activities	Business Type Activities
<u>Net investment in capital assets</u>		
Cost of capital assets	\$ 220,309,173	\$ 48,260,578
Less accumulated depreciation	(64,758,788)	(22,461,105)
Book value	155,550,385	25,799,473
Less capital related debt	(34,462,812)	-
Plus deferred loss on refunding	223,442	-
Plus unspent bond proceeds	778,136	-
Net investment in capital assets	\$ 122,089,151	\$ 25,799,473

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Restricted net position for governmental activities consists of the following at June 30, 2018:

<u>Net Position</u>	<u>Governmental Activities</u>
Restricted:	
Airport projects	1,091,760
Capital projects	445,658
Commercial passenger vessel impact	2,413,821
Dock improvements	7,671
Education	9,730,277
Library operations	218,347
Public safety and water	1,549,497
Recreation	2,821,629
Road maintenance	<u>405,780</u>
 Total Restricted Net Position	 18,684,440
 Unspent bond funds related to capital projects	 <u>778,136</u>
 Total Restricted Fund Balance	 \$ <u>19,462,576</u>

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018, but not billed until after fiscal year end. The amounts booked for the Borough were \$81,380 and \$312,672 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, the third party administrator.

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 \$1,812 through April 2018 per month per member and then the rate increased to \$1,853. 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, 2017 and June 30, 2018 follows:

	Ketchikan Gateway Borough	Borough School District	Total
	<u> </u>	<u> </u>	<u> </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	113,628	360,759	474,387
Premiums expense	364,881	-	364,881
Claims expense	1,781,676	4,949,328	6,731,004
Claims and premiums paid	<u>(2,178,805)</u>	<u>(4,997,415)</u>	<u>(7,176,220)</u>
Claims payable at June 30, 2018	\$ <u>81,380</u>	<u>312,672</u>	<u>394,052</u>

4-B. Contingent Liabilities

Unasserted Claims – The Borough may from time to time be involved in various claims, lawsuits, disputes with third parties, possible loss contingencies arising from federal, state or local environmental, health, and safety regulations, actions involving allegations of misconduct, discrimination, or breach of contract incidental to the operations of the Borough. As of June 30, 2018, there were no active disputes or unrecorded matters which, in the opinion of the Borough, will have a material adverse effect on the Borough's financial position or cash flows.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018, the value of the abatement was \$288,583.

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 2018, the value of the abatement was \$45,114.

4-D. Subsequent Events

Forfeiture Funds

DCR employer forfeiture funds are created when a non-vested or partially-vested employee terminates employment from the Public Employees' Retirement System (PERS) and refunds a portion or all of their DCR account. The forfeited amount is determined by the years of service with all system participating employers that the employee has worked in the PERS system. The Borough's DCR employer forfeited contribution balance that is available to use to cover future payroll related DCR employer match contributions is \$108,825.01. The Borough will utilize this forfeiture credit on each payroll in fiscal year 2019 until the balance is exhausted.

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 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 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.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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.

GASB 83 – Certain Asset Retirement Obligations – Effective for year-end June 30, 2019. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB 84 – Fiduciary Activities – Effective for year-end June 30, 2020. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB 85 – Ominibus 2017 – Effective for year-end June 30, 2018. This statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB 86 – Certain Debt Extinguishment Issue – Effective for year-end June 30, 2018. This statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

GASB 87 – Leases – Effective for year-end June 30, 2021. This statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

GASB 88 – Certain Disclosures Related to Debt, including Direct borrowings and Direct Placements – Effective for year-end June 30, 2019. This statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

REQUIRED SUPPLEMENTARY INFORMATION

Ketchikan Gateway Borough, Alaska

Public Employees Retirement System

Schedule of the Borough's Proportionate Share on the Net Pension Liability

Table 1

Year Ended June 30,	Borough's proportion of the net pension liability	Borough's proportionate share of the net pension liability	State of Alaska proportionate share of the net pension liability	Total net pension liability	Borough's covered- employee payroll	Borough's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability	*
2018	0.187890%	\$ 9,712,764	\$ 3,618,387	\$ 13,331,151	\$ 5,619,063	172.85%	63.37%	
2017	0.229490%	\$ 12,827,704	\$ 1,616,658	\$ 14,444,362	\$ 5,647,489	227.14%	59.55%	
2016	0.186180%	\$ 9,029,795	\$ 2,417,411	\$ 11,447,206	\$ 5,529,019	163.32%	63.96%	
2015	0.140805%	\$ 6,567,341	\$ 5,516,963	\$ 12,084,304	\$ 5,023,087	130.74%	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

Public Employees Retirement System

Schedule of Borough's Contributions

Table 2

Year Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excell)	Borough's Covered Payroll	Contributions as a Percentage of Covered Payroll *
2018	\$ 779,119	\$ 779,119	\$ -	\$ 5,600,642	13.91%
2017	\$ 695,794	\$ 695,794	\$ -	\$ 5,619,063	12.38%
2016	\$ 594,216	\$ 594,216	\$ -	\$ 5,647,489	10.52%
2015	\$ 576,131	\$ 576,131	\$ -	\$ 5,529,019	10.42%

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

Public Employees Retirement System

Schedule of the Borough's Proportionate Share on the Net OPEB Liability

Table 3

Year Ended June 30,	Borough's proportion of the net OPEB liability	Borough's proportionate share of the net OPEB liability	State of Alaska proportionate share of the net OPEB liability	Total net OPEB liability	Borough's covered- employee payroll	Borough's proportionate share of the net OPEB liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability	*
2018	0.188000%	\$ 1,566,068	\$ 591,650	\$ 2,157,718	\$ 5,619,063	27.87%	89.91%	

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

Public Employees Retirement System OPEB Plan

Schedule of Borough's Contributions

Table 4

Year Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excell)	Borough's Covered Payroll	Contributions as a Percentage of Covered Payroll *
2018	\$ 250,001	\$ 250,001	\$ -	\$ 5,600,642	4.46%

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
International Brotherhood of Electrical Workers (IBEW)
Schedule of Borough Contributions

Table 5

Year Ended June 30,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Borough's covered- employee payroll	Contributions as a percentage of covered employee payroll
2018	\$ 111,465	\$ 111,465	-	\$ 695,112	16.04%
2017	\$ 110,939	\$ 110,939	-	\$ 717,220	15.47%
2016	\$ 99,825	\$ 99,825	-	\$ 672,428	14.85%
2015	\$ 109,054	\$ 109,054	-	\$ 709,780	15.36%
2014	\$ 108,190	\$ 108,190	-	\$ 742,885	14.56%
2013	\$ 113,469	\$ 113,469	-	\$ 837,252	13.55%
2012	\$ 113,830	\$ 113,830	-	\$ 696,453	16.34%
2011	\$ 104,883	\$ 104,883	-	\$ 646,618	16.22%
2010	\$ 121,065	\$ 121,065	-	\$ 706,466	17.14%
2009	\$ 124,377	\$ 124,377	-	\$ 734,761	16.93%

See accompanying notes to Required Supplementary Information.

Ketchikan Gateway Borough, Alaska
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

Table 1. Public Employees Retirement System – Schedule of the Borough’s Proportionate Share on the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2018, the Plan measurement date is June 30, 2017.

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

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

There were no changes in allocation methodology.

Table 2. Public Employees Retirement System Pension Plan - Schedule of the Borough’s Contributions

This table is based on the Borough’s contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

Table 3. Public Employees Retirement System – Schedule of the Borough’s Proportionate Share on the Net OPEB Liability

This table is presented based on the Plan measurement date. For June 30, 2018, the Plan measurement date is June 30, 2017.

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

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

There were no changes in allocation methodology.

Table 4. Public Employees Retirement System OPEB Plan - Schedule of the Borough’s Contributions

This table is based on the Borough’s contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

Table 5. International Brotherhood of Electrical Workers (IBEW) – Schedule of Borough’s Contributions

This table 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.

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
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 6,267,715	-	6,267,715
Restricted cash and investments	1,869,664	-	1,869,664
Receivables:			
Accounts	58,347	-	58,347
Intergovernmental	8,879	-	8,879
Property taxes	4,822	-	4,822
Sales taxes	892,784	-	892,784
Total Assets	\$ 9,102,211	-	9,102,211
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 84,161	-	84,161
Interfund payable	93,310	-	93,310
Interfund advances payable	111,019	-	111,019
Unearned revenue	44,133	-	44,133
Total Liabilities	332,623	-	332,623
Deferred Inflows of Resources			
Property tax revenues	4,802	-	4,802
Total Liabilities and Deferred Inflows of Resources	337,425	-	337,425
Fund Balances			
Restricted	8,764,786	-	8,764,786
Assigned	-	-	-
Total Fund Balances	8,764,786	-	8,764,786
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,102,211	-	9,102,211

Ketchikan Gateway Borough, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 4,868,156	-	4,868,156
Intergovernmental	257,789	-	257,789
Charges for services	358,431	-	358,431
Water fees	296,613	-	296,613
Commercial passenger vessel tax	2,252,488	-	2,252,488
Interest subsidy	-	544,110	544,110
Investment earnings	63,763	-	63,763
Miscellaneous	361,503	-	361,503
Total Revenues	<u>8,458,743</u>	<u>544,110</u>	<u>9,002,853</u>
Expenditures			
Current			
Library services	415,612	-	415,612
Fire and EMS	1,290,684	-	1,290,684
Water treatment and distribution	286,696	-	286,696
Public services	1,349,728	-	1,349,728
Capital Outlay	213,043	-	213,043
Debt Service			
Principal retirement	-	3,755,000	3,755,000
Interest and fiscal charges	-	1,977,037	1,977,037
Total Expenditures	<u>3,555,763</u>	<u>5,732,037</u>	<u>9,287,800</u>
Less recovery of expenditures from other funds	<u>(3,330)</u>	<u>-</u>	<u>(3,330)</u>
Net Expenditures	<u>3,552,433</u>	<u>5,732,037</u>	<u>9,284,470</u>
Excess (Deficiency) of Revenues Over Expenditures	4,906,310	(5,187,927)	(281,617)
Other Financing Sources (Uses)			
Transfers in	610,346	5,187,927	5,798,273
Transfers out	(4,464,175)	-	(4,464,175)
Total Other Financing Sources (Uses)	<u>(3,853,829)</u>	<u>5,187,927</u>	<u>1,334,098</u>
Net Change in Fund Balances	1,052,481	-	1,052,481
Fund Balances Beginning of Year	<u>7,712,305</u>	<u>-</u>	<u>7,712,305</u>
Fund Balances End of Year	<u>\$ 8,764,786</u>	<u>-</u>	<u>8,764,786</u>

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2018

	<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	\$ 1,048,967	544,157	48,938	134,694	72,036
Restricted cash and investments	-	1,869,664	-	-	-
Receivables:					
Accounts	42,793	-	-	-	464
Intergovernmental	-	-	6,040	136	-
Property taxes	-	-	-	728	-
Sales and excise taxes	-	-	-	-	-
Total Assets	<u>\$ 1,091,760</u>	<u>2,413,821</u>	<u>54,978</u>	<u>135,558</u>	<u>72,500</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ -	-	54,978	-	-
Interfund payable	-	-	-	-	-
Interfund advances payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>54,978</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Property tax revenues	-	-	-	728	-
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>54,978</u>	<u>728</u>	<u>-</u>
Fund Balances					
Restricted	1,091,760	2,413,821	-	134,830	72,500
Assigned	-	-	-	-	-
Total Fund Balances	<u>1,091,760</u>	<u>2,413,821</u>	<u>-</u>	<u>134,830</u>	<u>72,500</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,091,760</u>	<u>2,413,821</u>	<u>54,978</u>	<u>135,558</u>	<u>72,500</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	\$ 111,722	51,778	60,765	5,034	217,625
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	323	26	1,570	-	-
Intergovernmental	-	-	-	-	702
Property taxes	-	-	-	-	810
Sales and excise taxes	-	-	-	-	-
Total Assets	\$ 112,045	51,804	62,335	5,034	219,137
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ -	-	-	-	-
Interfund payable	-	-	-	-	-
Interfund advances payable	-	-	-	-	-
Unearned revenue	-	44,133	-	-	-
Total Liabilities	-	44,133	-	-	-
Deferred Inflows of Resources					
Property tax revenues	-	-	-	-	790
Total Liabilities and Deferred Inflows of Resources	-	44,133	-	-	790
Fund Balances					
Restricted	112,045	7,671	62,335	5,034	218,347
Assigned	-	-	-	-	-
Total Fund Balances	112,045	7,671	62,335	5,034	218,347
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 112,045	51,804	62,335	5,034	219,137

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	\$ 820,259	2,278,566	850,556	-	22,618	6,267,715
Restricted cash and investments	-	-	-	-	-	1,869,664
Receivables:						
Accounts	2,796	-	5,945	-	4,430	58,347
Intergovernmental	918	-	1,083	-	-	8,879
Property taxes	292	-	2,992	-	-	4,822
Sales and excise taxes	-	543,063	-	349,721	-	892,784
Total Assets	\$ 824,265	2,821,629	860,576	349,721	27,048	9,102,211
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 29,053	-	-	130	-	84,161
Interfund payable	-	-	-	93,310	-	93,310
Interfund advances payable	103,007	-	-	-	8,012	111,019
Unearned revenue	-	-	-	-	-	44,133
Total Liabilities	132,060	-	-	93,440	8,012	332,623
Deferred Inflows of Resources						
Property tax revenues	292	-	2,992	-	-	4,802
Total Liabilities and Deferred Inflows of Resources	132,352	-	2,992	93,440	8,012	337,425
Fund Balances						
Restricted	691,913	2,821,629	857,584	256,281	19,036	8,764,786
Assigned	-	-	-	-	-	-
Total Fund Balances	691,913	2,821,629	857,584	256,281	19,036	8,764,786
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 824,265	2,821,629	860,576	349,721	27,048	9,102,211

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	<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	\$ -	-	-	70,439	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	12,138
Water fees	-	-	-	-	-
Commercial passenger vessel tax	-	2,252,488	-	-	-
Investment earnings	6,846	12,433	2	1,106	941
Miscellaneous	361,094	-	-	-	-
Total Revenues	<u>367,940</u>	<u>2,264,921</u>	<u>2</u>	<u>71,545</u>	<u>13,079</u>
Expenditures					
Current					
Library services	-	-	-	-	-
Fire and EMS	-	-	-	-	-
Water treatment and distribution	-	-	-	-	-
Public services	-	876,936	266,337	56,976	12,777
Capital Outlay	-	4,867	-	-	-
Total Expenditures	<u>-</u>	<u>881,803</u>	<u>266,337</u>	<u>56,976</u>	<u>12,777</u>
Less recovery of expenditures from other funds	-	-	-	-	-
Net Expenditures	<u>-</u>	<u>881,803</u>	<u>266,337</u>	<u>56,976</u>	<u>12,777</u>
Excess (Deficiency) of Revenues Over Expenditures					
	367,940	1,383,118	(266,335)	14,569	302
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(1,078,830)	(516,172)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,078,830)</u>	<u>(516,172)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	367,940	304,288	(782,507)	14,569	302
Fund Balances Beginning of Year	<u>723,820</u>	<u>2,109,533</u>	<u>782,507</u>	<u>120,261</u>	<u>72,198</u>
Fund Balances End of Year	<u>\$ 1,091,760</u>	<u>2,413,821</u>	<u>-</u>	<u>134,830</u>	<u>72,500</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	-	108	-	-	433,294
Intergovernmental	-	-	-	-	-
Charges for services	7,502	3,000	13,228	-	-
Water fees	-	-	-	-	-
Commercial passenger vessel tax	-	-	-	-	-
Investment earnings	838	403	510	-	2,439
Miscellaneous	-	-	-	-	-
Total Revenues	<u>8,340</u>	<u>3,511</u>	<u>13,738</u>	<u>-</u>	<u>435,733</u>
Expenditures					
Current					
Library services	-	-	-	-	415,612
Fire and EMS	-	-	-	-	-
Water treatment and distribution	-	-	-	-	-
Public services	19,322	8,180	20,981	500	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>19,322</u>	<u>8,180</u>	<u>20,981</u>	<u>500</u>	<u>415,612</u>
Less recovery of expenditures from other funds	-	-	-	-	-
Net Expenditures	<u>19,322</u>	<u>8,180</u>	<u>20,981</u>	<u>500</u>	<u>415,612</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,982)	(4,669)	(7,243)	(500)	20,121
Other Financing Sources (Uses)					
Transfers in	28,774	-	-	-	44,814
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>28,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,814</u>
Net Change in Fund Balances	17,792	(4,669)	(7,243)	(500)	64,935
Fund Balances Beginning of Year	<u>94,253</u>	<u>12,340</u>	<u>69,578</u>	<u>5,534</u>	<u>153,412</u>
Fund Balances End of Year	<u>\$ 112,045</u>	<u>7,671</u>	<u>62,335</u>	<u>5,034</u>	<u>218,347</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	\$ 632,430	1,840,193	625,856	1,265,836	-	4,868,156
Intergovernmental	6,612	247,023	4,154	-	-	257,789
Charges for services	204,706	-	80,884	900	36,073	358,431
Water fees	-	-	296,613	-	-	296,613
Commercial passenger vessel tax	-	-	-	-	-	2,252,488
Investment earnings	7,130	22,026	7,414	1,436	239	63,763
Miscellaneous	172	-	237	-	-	361,503
Total Revenues	<u>851,050</u>	<u>2,109,242</u>	<u>1,015,158</u>	<u>1,268,172</u>	<u>36,312</u>	<u>8,458,743</u>
Expenditures						
Current						
Library services	-	-	-	-	-	415,612
Fire and EMS	679,981	-	610,703	-	-	1,290,684
Water treatment and distribution	-	-	286,696	-	-	286,696
Public services	-	53,274	-	2,523	31,922	1,349,728
Capital Outlay	<u>-</u>	<u>80,967</u>	<u>127,209</u>	<u>-</u>	<u>-</u>	<u>213,043</u>
Total Expenditures	<u>679,981</u>	<u>134,241</u>	<u>1,024,608</u>	<u>2,523</u>	<u>31,922</u>	<u>3,555,763</u>
Less recovery of expenditures from other funds	-	-	(3,330)	-	-	(3,330)
Net Expenditures	<u>679,981</u>	<u>134,241</u>	<u>1,021,278</u>	<u>2,523</u>	<u>31,922</u>	<u>3,552,433</u>
Excess (Deficiency) of Revenues Over Expenditures						
	171,069	1,975,001	(6,120)	1,265,649	4,390	4,906,310
Other Financing Sources (Uses)						
Transfers in	170,400	177,958	188,400	-	-	610,346
Transfers out	-	(1,793,370)	-	(1,075,803)	-	(4,464,175)
Total Other Financing Sources (Uses)	<u>170,400</u>	<u>(1,615,412)</u>	<u>188,400</u>	<u>(1,075,803)</u>	<u>-</u>	<u>(3,853,829)</u>
Net Change in Fund Balances	341,469	359,589	182,280	189,846	4,390	1,052,481
Fund Balances Beginning 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>
Fund Balances End of Year	<u>\$ 691,913</u>	<u>2,821,629</u>	<u>857,584</u>	<u>256,281</u>	<u>19,036</u>	<u>8,764,786</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, 2018

	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	\$ 399,378	-	100,974	43,758	-
Expenditures					
Debt Service					
Principal retirement	610,000	160,000	-	220,000	650,000
Interest and fiscal charges	1,158,232	6,400	240,243	104,287	81,000
Total Expenditures	1,768,232	166,400	240,243	324,287	731,000
Excess (Deficiency) of Revenues Over Expenditures	(1,368,854)	(166,400)	(139,269)	(280,529)	(731,000)
Other Financing Sources					
Transfers in	1,368,854	166,400	139,269	280,529	731,000
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	\$ -	-	-	-	544,110
Expenditures					
Debt Service					
Principal retirement	475,000	605,000	475,000	560,000	3,755,000
Interest and fiscal charges	143,175	77,350	132,150	34,200	1,977,037
Total Expenditures	<u>618,175</u>	<u>682,350</u>	<u>607,150</u>	<u>594,200</u>	<u>5,732,037</u>
Excess (Deficiency) of Revenues Over Expenditures	(618,175)	(682,350)	(607,150)	(594,200)	(5,187,927)
Other Financing Sources					
Transfers in	618,175	682,350	607,150	594,200	5,187,927
Net Change in Fund Balances	-	-	-	-	-
Fund Balances Beginning of Year	-	-	-	-	-
Fund Balances End of Year	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 8,643,855	7,206,034
Receivables:		
Accounts	23,817	45,641
Intergovernmental	55,641	215,493
Property taxes	20,105	65,872
Sales taxes	5,544,421	5,299,941
Interfund	<u>783,618</u>	<u>344,952</u>
Total Assets	\$ <u>15,071,457</u>	<u>13,177,933</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 337,516	368,900
Accrued salaries and benefits	34,476	17,496
Unearned revenues	143,445	184,968
Intergovernmental payable	3,817,904	3,704,387
Deposits payable	<u>22,179</u>	<u>55,272</u>
Total Liabilities	4,355,520	4,331,023
Deferred Inflows of Resources		
Property tax revenues	<u>20,121</u>	<u>65,872</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,375,641</u>	<u>4,396,895</u>
Fund Balance		
Unassigned	<u>10,695,816</u>	<u>8,781,038</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ <u>15,071,457</u>	<u>13,177,933</u>



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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			Variance	2017
	Original Budget	Final Budget	Actual	On Final Budget	Actual
Revenues					
Taxes:					
Real and personal property	\$ -	-	5,934	5,934	31,285
Automobile	60,000	60,000	58,811	(1,189)	60,222
Sales	5,164,184	5,164,184	5,591,104	426,920	5,353,019
Penalties and interest	30,000	30,000	17,283	(12,717)	33,958
Total taxes	<u>5,254,184</u>	<u>5,254,184</u>	<u>5,673,132</u>	<u>418,948</u>	<u>5,478,484</u>
Licenses and permits					
Zoning fees	<u>200</u>	<u>200</u>	<u>75</u>	<u>(125)</u>	<u>350</u>
Intergovernmental:					
State fisheries tax	209,188	209,188	414,663	205,475	209,372
State revenue sharing	369,772	369,772	427,566	57,794	397,754
PERS relief	223,641	223,641	115,486	(108,155)	160,766
State and local PILT	26,700	26,700	19,292	(7,408)	25,609
Federal payment in lieu of taxes	950,000	950,000	1,493,028	543,028	1,128,941
State operating grant - transit system	1,100,000	1,100,000	1,000,000	(100,000)	1,000,000
National forest receipts	-	-	-	-	-
Total intergovernmental	<u>2,879,301</u>	<u>2,879,301</u>	<u>3,470,035</u>	<u>590,734</u>	<u>2,922,442</u>
Charges for services:					
Animal control	35,000	35,000	41,807	6,807	33,535
Bus system revenue	280,000	280,000	235,970	(44,030)	206,273
Parks and recreation	740,000	740,000	806,584	66,584	802,398
Other revenues	142,644	142,644	197,257	54,613	174,761
Total charges for services	<u>1,197,644</u>	<u>1,197,644</u>	<u>1,281,618</u>	<u>83,974</u>	<u>1,216,967</u>
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>70,062</u>	<u>69,062</u>	<u>4,062</u>
Total Revenues	<u>9,332,329</u>	<u>9,332,329</u>	<u>10,494,922</u>	<u>1,162,593</u>	<u>9,622,305</u>
Other Financing Sources					
Transfers In:					
Commercial Passenger Vessel Fund	550,672	550,672	550,672	-	471,590
Economic Development Assistance					
Program Fund	179,650	179,650	516,172	336,522	179,650
Land Trust Fund	249,147	249,147	249,147	-	217,291
Recreation Sales Tax Fund	424,516	424,516	424,516	-	424,516
Total Other Financing Sources	<u>1,403,985</u>	<u>1,403,985</u>	<u>1,740,507</u>	<u>336,522</u>	<u>1,293,047</u>
Total Revenues and Other Financing Sources	<u>\$ 10,736,314</u>	<u>10,736,314</u>	<u>12,235,429</u>	<u>1,499,115</u>	<u>10,915,352</u>

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

	2018			2017	
	<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	\$ 140,850	140,850	130,109	10,741	139,126
Manager	841,138	844,038	870,933	(26,895)	963,820
Clerk	457,011	457,011	409,332	47,679	449,205
Law	398,553	423,151	414,033	9,118	387,863
Finance	1,238,391	1,244,847	1,278,160	(33,313)	1,230,161
Assessment	711,803	735,498	680,188	55,310	672,562
Automation	483,857	487,679	475,775	11,904	445,167
Total general government	<u>4,271,603</u>	<u>4,333,074</u>	<u>4,258,530</u>	<u>74,544</u>	<u>4,287,904</u>
Less recovery of expenditures from other funds	<u>(983,383)</u>	<u>(983,383)</u>	<u>(977,501)</u>	<u>(5,882)</u>	<u>(912,771)</u>
Net general government	<u>3,288,220</u>	<u>3,349,691</u>	<u>3,281,029</u>	<u>68,662</u>	<u>3,375,133</u>
Public services:					
Animal protection	488,268	508,426	407,476	100,950	450,843
Planning	668,190	680,050	641,511	38,539	734,109
Total public services	<u>1,156,458</u>	<u>1,188,476</u>	<u>1,048,987</u>	<u>139,489</u>	<u>1,184,952</u>
Parks and recreation	<u>1,797,042</u>	<u>2,286,896</u>	<u>2,344,439</u>	<u>(57,543)</u>	<u>2,337,665</u>
Public works	<u>1,192,284</u>	<u>1,209,667</u>	<u>1,043,389</u>	<u>166,278</u>	<u>1,014,255</u>
Transit - bus system	<u>2,165,477</u>	<u>2,165,477</u>	<u>2,173,557</u>	<u>(8,080)</u>	<u>2,033,548</u>
Nondepartmental	<u>250,758</u>	<u>250,758</u>	<u>224,197</u>	<u>26,561</u>	<u>237,186</u>
Education	<u>138,445</u>	<u>138,445</u>	<u>4,200</u>	<u>134,245</u>	<u>-</u>
Capital Outlay	<u>128,930</u>	<u>180,242</u>	<u>107,779</u>	<u>72,463</u>	<u>250,850</u>
Total Expenditures	<u>10,117,614</u>	<u>10,769,652</u>	<u>10,227,577</u>	<u>542,075</u>	<u>10,433,589</u>
Other Financing Uses					
Transfers Out:					
Airport Fund	5,500	5,500	5,500	-	5,500
Homestead Service Area Fund	28,774	28,774	28,774	-	31,869
Fire and EMS	58,800	58,800	58,800	-	58,800
Total Other Financing Uses	<u>93,074</u>	<u>93,074</u>	<u>93,074</u>	<u>-</u>	<u>96,169</u>
Total Expenditures and Other Financing Uses	<u>10,210,688</u>	<u>10,862,726</u>	<u>10,320,651</u>	<u>542,075</u>	<u>10,529,758</u>
Net Change in Fund Balance	\$ <u>525,626</u>	<u>(126,412)</u>	1,914,778	<u>2,041,190</u>	385,594
Fund Balance Beginning of Year			<u>8,781,038</u>		<u>8,395,444</u>
Fund Balance End of Year			\$ <u>10,695,816</u>		<u>8,781,038</u>

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments:		
Unrestricted	\$ 3,992,646	3,851,216
Restricted	414,806	410,397
Receivables:		
Accounts	13,100	4,285
Interfund advances	<u>361,182</u>	<u>517,414</u>
Total Assets	<u>\$ 4,781,734</u>	<u>4,783,312</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 6,184	9,550
Deposits	<u>12,341</u>	<u>26,459</u>
Total Liabilities	<u>18,525</u>	<u>36,009</u>
Fund Balance		
Committed:		
Noncurrent portion of advances	187,708	361,181
Borough-owned land management	<u>4,575,501</u>	<u>4,386,122</u>
Total Fund Balance	<u>4,763,209</u>	<u>4,747,303</u>
Total Liabilities and Fund Balance	<u>\$ 4,781,734</u>	<u>4,783,312</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	\$ 497,335	497,335	496,383	(952)	483,800
Intergovernmental	1,945	1,945	1,770	(175)	1,086
Investment earnings	15,000	15,000	53,745	38,745	26,760
Proceeds from sale of property	150,000	150,000	251,794	101,794	537,896
Miscellaneous	-	-	73,744	73,744	281,590
Total Revenues	664,280	664,280	877,436	213,156	1,331,132
Expenditures					
Current					
Public services	564,095	638,673	306,714	331,959	343,147
Capital Outlay	10,000	10,000	-	10,000	-
Total Expenditures	574,095	648,673	306,714	341,959	343,147
Excess (Deficiency) of Revenues Over Expenditures	90,185	15,607	570,722	555,115	987,985
Other Financing Uses					
Transfers out	(543,681)	(543,681)	(554,816)	(11,135)	(519,285)
Net Change in Fund Balance	\$ (453,496)	(528,074)	15,906	543,980	468,700
Fund Balance Beginning of Year			4,747,303		4,278,603
Fund Balance End of Year		\$	4,763,209		4,747,303

Ketchikan Gateway Borough, Alaska
School Bond Capital Improvements Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 4,934,608	4,088,731
Receivables:		
Intergovernmental	26,769	424,144
Sales taxes	<u>543,063</u>	<u>511,567</u>
Total Assets	\$ <u>5,504,440</u>	<u>5,024,442</u>
 Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>9,420</u>	<u>-</u>
 Fund Balance		
Restricted for education	<u>5,495,020</u>	<u>5,024,442</u>
Total Liabilities and Fund Balance	\$ <u>5,504,440</u>	<u>5,024,442</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Sales taxes	\$ 1,698,065	1,698,065	1,834,991	136,926	1,759,580
Intergovernmental	1,842,873	1,842,873	2,429,779	586,906	1,926,565
Penalties and interest	3,500	3,500	5,193	1,693	4,998
Investment earnings	-	-	33,095	33,095	480
Total Revenues	3,544,438	3,544,438	4,303,058	758,620	3,691,623
Expenditures					
Current					
Education	-	-	71,679	(71,679)	33,059
Capital Outlay	400,000	400,000	9,403	390,597	68,929
Total Expenditures	400,000	400,000	81,082	318,918	101,988
Excess (Deficiency) of Revenues Over Expenditures	3,144,438	3,144,438	4,221,976	1,077,538	3,589,635
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	35,162
Transfers out	(3,748,452)	(3,748,452)	(3,751,398)	(2,946)	(3,743,275)
Total Other Financing Sources Uses	(3,748,452)	(3,748,452)	(3,751,398)	(2,946)	(3,708,113)
Net Change in Fund Balance	\$ <u>(604,014)</u>	<u>(604,014)</u>	470,578	<u>1,074,592</u>	<u>(118,478)</u>
Fund Balance Beginning of Year			5,024,442		5,142,920
Fund Balance End of Year			\$ <u>5,495,020</u>		<u>5,024,442</u>

Ketchikan Gateway Borough, Alaska
Local Education Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and investments	\$ 4,824,767	3,402,679
Receivables:		
Property	23,231	34,801
Intergovernmental	-	85,015
Total Assets	\$ 4,847,998	3,522,495
 Liabilities and Fund Balance		
Liabilities		
Due to Component Unit	\$ 846,389	1,376,636
 Deferred Inflows of Resources		
Property tax revenue	22,633	34,801
Total Liabilities and Deferred Inflows of Resources	869,022	1,411,437
 Fund Balance		
Restricted for education	3,978,976	2,111,058
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 4,847,998	3,522,495

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, 2018

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

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Property taxes	\$ 7,051,550	7,051,550	7,107,622	56,072	6,922,519
Intergovernmental	675,000	675,000	905,127	230,127	85,016
Investment earnings	-	-	61,742	61,742	2,269
Total Revenues	<u>7,726,550</u>	<u>7,726,550</u>	<u>8,074,491</u>	<u>347,941</u>	<u>7,009,804</u>
Expenditures					
Current					
Education	8,167,063	8,167,063	8,166,839	224	8,071,497
Less recovery of school district excess fund balance	-	-	(809,687)	809,687	-
Total Expenditures	<u>8,167,063</u>	<u>8,167,063</u>	<u>7,357,152</u>	<u>809,911</u>	<u>8,071,497</u>
Excess (Deficiency) of Revenues Over Expenditures	(440,513)	(440,513)	717,339	1,157,852	(1,061,693)
Other Financing Sources (Uses)					
Transfers in	755,000	755,000	1,150,579	395,579	449,866
Transfers out	-	-	-	-	(2,000)
Total Other Financing Sources (Uses)	<u>755,000</u>	<u>755,000</u>	<u>1,150,579</u>	<u>395,579</u>	<u>447,866</u>
Net Change in Fund Balance	\$ <u>314,487</u>	<u>314,487</u>	1,867,918	<u>1,553,431</u>	(613,827)
Fund Balance Beginning of Year			<u>2,111,058</u>		<u>2,724,885</u>
Fund Balance End of Year			\$ <u>3,978,976</u>		<u>2,111,058</u>

Ketchikan Gateway Borough, Alaska
State & Federal Grants Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Intergovernmental receivable	\$ <u>165,630</u>	<u>56,692</u>
Total Assets	\$ <u><u>165,630</u></u>	<u><u>56,692</u></u>
Liabilities		
Accounts payable	\$ 25,005	22,579
Interfund payable	<u>140,625</u>	<u>34,113</u>
Total Liabilities	\$ <u><u>165,630</u></u>	<u><u>56,692</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Intergovernmental	\$ <u>445,382</u>	<u>340,209</u>
Expenditures		
Current		
Public services	108,695	292,248
Capital Outlay	<u>336,687</u>	<u>47,961</u>
Total Expenditures	<u>445,382</u>	<u>340,209</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 1,048,967	642,295
Accounts receivable	<u>42,793</u>	<u>81,525</u>
Total Assets	\$ <u>1,091,760</u>	<u>723,820</u>
Fund Balance		
Restricted for airport projects	<u>1,091,760</u>	<u>723,820</u>
Total Liabilities and Fund Balance	\$ <u>1,091,760</u>	<u>723,820</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
PFC revenues	\$ 399,000	399,000	361,094	(37,906)	397,520
Investment earnings	<u>-</u>	<u>-</u>	<u>6,846</u>	<u>6,846</u>	<u>75</u>
Total Revenues	<u>399,000</u>	<u>399,000</u>	<u>367,940</u>	<u>(31,060)</u>	<u>397,595</u>
Net Change in Fund Balance	\$ <u>399,000</u>	<u>399,000</u>	367,940	<u>(31,060)</u>	397,595
Fund Balance Beginning of Year			<u>723,820</u>		<u>326,225</u>
Fund Balance End of Year		\$ <u>1,091,760</u>			<u>723,820</u>

Ketchikan Gateway Borough, Alaska
Commercial Passenger Vessel Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 544,157	542,944
Restricted cash and investments	<u>1,869,664</u>	<u>1,664,868</u>
Total Assets	\$ <u>2,413,821</u>	<u>2,207,812</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>-</u>	<u>98,279</u>
Fund Balance		
Restricted for commercial passenger vessel impact	<u>2,413,821</u>	<u>2,109,533</u>
Total Liabilities and Fund Balance	\$ <u>2,413,821</u>	<u>2,207,812</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Intergovernmental	\$ -	-	-	-	-
Commercial passenger vessel tax	2,000,000	2,000,000	2,252,488	252,488	2,163,570
Investment earnings	1,200	1,200	12,433	11,233	1,405
Total Revenues	<u>2,001,200</u>	<u>2,001,200</u>	<u>2,264,921</u>	<u>263,721</u>	<u>2,164,975</u>
Expenditures					
Current					
Public services	888,952	888,952	876,936	12,016	1,056,795
Capital Outlay	<u>180,055</u>	<u>232,942</u>	<u>4,867</u>	<u>228,075</u>	<u>-</u>
Total Expenditures	<u>1,069,007</u>	<u>1,121,894</u>	<u>881,803</u>	<u>240,091</u>	<u>1,056,795</u>
Excess of Revenues Over Expenditures	932,193	879,306	1,383,118	503,812	1,108,180
Other Financing Uses					
Transfers out	<u>(1,078,830)</u>	<u>(1,078,830)</u>	<u>(1,078,830)</u>	<u>-</u>	<u>(827,744)</u>
Net Change in Fund Balance	\$ <u>(146,637)</u>	\$ <u>(199,524)</u>	304,288	<u>503,812</u>	280,436
Fund Balance Beginning of Year			<u>2,109,533</u>		<u>1,829,097</u>
Fund Balance End of Year		\$ <u>2,413,821</u>			<u>2,109,533</u>

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 48,938	819,430
Receivables:		
Intergovernmental	<u>6,040</u>	<u>-</u>
Total Assets	\$ <u>54,978</u>	<u>819,430</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>54,978</u>	<u>36,923</u>
Fund Balance		
Assigned for economic development	<u>-</u>	<u>782,507</u>
Total Liabilities and Fund Balance	\$ <u>54,978</u>	<u>819,430</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Intergovernmental	\$ -	-	-	-	1,653
Investment earnings	-	-	2	2	97
Miscellaneous revenue	-	-	-	-	8,043
Total Revenues	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>9,793</u>
Expenditures					
Current					
Public services	343,646	343,646	266,337	77,309	625,708
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,500</u>
Total Expenditures	<u>343,646</u>	<u>343,646</u>	<u>266,337</u>	<u>77,309</u>	<u>633,208</u>
Excess (Deficiency) of Revenues Over Expenditures	(343,646)	(343,646)	(266,335)	77,311	(623,415)
Other Financing Uses					
Transfers out	<u>(179,650)</u>	<u>(516,172)</u>	<u>(516,172)</u>	<u>-</u>	<u>(179,650)</u>
Net Change in Fund Balance	\$ <u>(523,296)</u>	<u>(859,818)</u>	(782,507)	<u>77,311</u>	(803,065)
Fund Balance Beginning of Year			<u>782,507</u>		<u>1,585,572</u>
Fund Balance End of Year		\$	<u>-</u>		<u>782,507</u>

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 134,694	120,130
Receivables:		
Intergovernmental	136	131
Property taxes	<u>728</u>	<u>465</u>
Total Assets	\$ <u>135,558</u>	<u>120,726</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ <u>-</u>	<u>-</u>
Deferred Inflows of Resources		
Property tax revenue	<u>728</u>	<u>465</u>
Total Liabilities and Deferred Inflows of Resources	<u>728</u>	<u>465</u>
Fund Balance		
Restricted for road maintenance	<u>134,830</u>	<u>120,261</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ <u>135,558</u>	<u>120,726</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Taxes	\$ 70,709	70,709	70,439	(270)	66,463
Investment earnings	-	-	1,106	1,106	14
Total Revenues	70,709	70,709	71,545	836	66,477
Expenditures					
Current					
Public services	76,660	76,660	56,976	19,684	89,444
Net Change in Fund Balance	\$ <u>(5,951)</u>	<u>(5,951)</u>	14,569	<u>20,520</u>	(22,967)
Fund Balance Beginning of Year			120,261		143,228
Fund Balance End of Year		\$	134,830		120,261

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 72,036	71,690
Accounts receivable	<u>464</u>	<u>508</u>
Total Assets	<u>\$ 72,500</u>	<u>72,198</u>
Fund Balance		
Restricted for road maintenance	<u>\$ 72,500</u>	<u>72,198</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	\$ 12,000	12,000	12,138	138	17,788
Investment earnings	<u>-</u>	<u>-</u>	<u>941</u>	<u>941</u>	<u>9</u>
Total Revenues	<u>12,000</u>	<u>12,000</u>	<u>13,079</u>	<u>1,079</u>	<u>17,797</u>
Expenditures					
Current					
Public services	<u>33,920</u>	<u>33,920</u>	<u>12,777</u>	<u>21,143</u>	<u>28,998</u>
Net Change in Fund Balance	\$ <u>(21,920)</u>	<u>(21,920)</u>	302	<u>22,222</u>	(11,201)
Fund Balance Beginning of Year			<u>72,198</u>		<u>83,399</u>
Fund Balance End of Year			\$ <u>72,500</u>		<u>72,198</u>

Ketchikan Gateway Borough, Alaska
Homestead Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and investments	\$ 111,722	94,034
Accounts receivable	323	219
Total Assets	\$ 112,045	94,253
Fund Balance		
Restricted for road maintenance	112,045	94,253

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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	\$ 9,453	9,453	7,502	(1,951)	9,112
Investment earnings	-	-	838	838	11
Total Revenues	<u>9,453</u>	<u>9,453</u>	<u>8,340</u>	<u>(1,113)</u>	<u>9,123</u>
Expenditures					
Current					
Public services	<u>38,202</u>	<u>38,202</u>	<u>19,322</u>	<u>18,880</u>	<u>27,063</u>
Excess (Deficiency) of Revenues Over Expenditures	(28,749)	(28,749)	(10,982)	17,767	(17,940)
Other Financing Sources					
Transfers in	<u>28,774</u>	<u>28,774</u>	<u>28,774</u>	-	<u>31,869</u>
Net Change in Fund Balance	\$ <u>25</u>	<u>25</u>	17,792	<u>17,767</u>	13,929
Fund Balance Beginning of Year			<u>94,253</u>		<u>80,324</u>
Fund Balance End of Year		\$ <u>112,045</u>			<u>94,253</u>

Ketchikan Gateway Borough, Alaska
Loring Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 51,778	56,576
Accounts receivable	<u>26</u>	<u>226</u>
Total Assets	<u>\$ 51,804</u>	<u>56,802</u>
Liabilities		
Accounts payable	\$ -	329
Unearned revenue	<u>44,133</u>	<u>44,133</u>
Total Liabilities	<u>44,133</u>	<u>44,462</u>
Fund Balance		
Restricted for dock improvements	<u>7,671</u>	<u>12,340</u>
Total Liabilities and Fund Balance	<u>\$ 51,804</u>	<u>56,802</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Property taxes	\$ -	-	108	108	142
Charges for services	3,000	3,000	3,000	-	3,000
Intergovernmental	43,199	43,199	-	(43,199)	-
Investment earnings	-	-	403	403	7
Miscellaneous	-	-	-	-	20
Total Revenues	<u>46,199</u>	<u>46,199</u>	<u>3,511</u>	<u>(42,688)</u>	<u>3,169</u>
Expenditures					
Current					
Public services	<u>45,791</u>	<u>45,791</u>	<u>8,180</u>	<u>37,611</u>	<u>6,680</u>
Net Change in Fund Balance	\$ <u>408</u>	<u>408</u>	(4,669)	<u>(5,077)</u>	(3,511)
Fund Balance Beginning of Year			<u>12,340</u>		<u>15,851</u>
Fund Balance End of Year		\$	<u>7,671</u>		<u>12,340</u>

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 60,765	68,794
Accounts receivable	<u>1,570</u>	<u>784</u>
Total Assets	\$ <u>62,335</u>	<u>69,578</u>
Fund Balance		
Restricted for road maintenance	\$ <u>62,335</u>	<u>69,578</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	\$ 12,720	12,720	13,228	508	25,508
Investment earnings	-	-	510	510	8
Total Revenues	12,720	12,720	13,738	1,018	25,516
Expenditures					
Current					
Public services	26,500	26,500	20,981	5,519	21,003
Net Change in Fund Balance	\$ <u>(13,780)</u>	<u>(13,780)</u>	(7,243)	<u>6,537</u>	4,513
Fund Balance Beginning of Year			69,578		65,065
Fund Balance End of Year		\$	62,335		69,578

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ <u>5,034</u>	<u>5,534</u>
Fund Balance		
Restricted for road maintenance	\$ <u>5,034</u>	<u>5,534</u>

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	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>5,534</u>		<u>6,034</u>
Fund Balance End of Year		\$ <u>5,034</u>			<u>5,534</u>

Ketchikan Gateway Borough, Alaska
Nonareawide Library Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 217,625	152,729
Receivables:		
Intergovernmental	702	683
Property taxes	<u>810</u>	<u>1,931</u>
Total Assets	\$ <u>219,137</u>	<u>155,343</u>
 Deferred Inflows of Resources and Fund Balance		
 Deferred Inflows of Resources		
Property tax revenue	\$ <u>790</u>	<u>1,931</u>
 Fund Balance		
Restricted for library operations	<u>218,347</u>	<u>153,412</u>
Total Deferred Inflows of Resources and Fund Balance	\$ <u>219,137</u>	<u>155,343</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Property taxes	\$ 432,637	432,637	433,294	657	418,200
Investment earnings	-	-	2,439	2,439	18
Total Revenues	<u>432,637</u>	<u>432,637</u>	<u>435,733</u>	<u>3,096</u>	<u>418,218</u>
Expenditures					
Current					
Library services	<u>415,612</u>	<u>415,612</u>	<u>415,612</u>	-	<u>402,279</u>
Excess of Revenues Over Expenditures	17,025	17,025	20,121	3,096	15,939
Other Financing Sources					
Transfers in	<u>44,814</u>	<u>44,814</u>	<u>44,814</u>	-	<u>14,764</u>
Net Change in Fund Balance	\$ <u>61,839</u>	<u>61,839</u>	64,935	<u>3,096</u>	30,703
Fund Balance Beginning of Year			<u>153,412</u>		<u>122,709</u>
Fund Balance End of Year			\$ <u>218,347</u>		<u>153,412</u>

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 820,259	535,553
Receivables:		
Accounts	2,796	6,510
Intergovernmental	918	892
Property taxes	<u>292</u>	<u>2,864</u>
Total Assets	<u>\$ 824,265</u>	<u>545,819</u>
 Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 29,053	20,216
Interfund advances payable	<u>103,007</u>	<u>172,295</u>
Total Liabilities	132,060	192,511
 Deferred Inflows of Resources		
Property tax revenue	<u>292</u>	<u>2,864</u>
Total Liabilities and Deferred Inflows of Resources	<u>132,352</u>	<u>195,375</u>
 Fund Balance		
Restricted for public safety	<u>691,913</u>	<u>350,444</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 824,265</u>	<u>545,819</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Taxes	\$ 629,252	629,252	632,430	3,178	617,381
Intergovernmental	6,081	6,081	6,612	531	9,082
Service area fees	126,900	126,900	125,400	(1,500)	111,646
Investment earnings	-	-	7,130	7,130	64
EMS revenues	70,000	70,000	79,306	9,306	82,977
Miscellaneous	-	-	172	172	-
Total Revenues	832,233	832,233	851,050	18,817	821,150
Expenditures					
Current					
Fire and EMS	959,161	1,003,355	679,981	323,374	672,426
Capital Outlay	-	-	-	-	106,200
Total Expenditures	959,161	1,003,355	679,981	323,374	778,626
Excess (Deficiency) of Revenues Over Expenditures	(126,928)	(171,122)	171,069	342,191	42,524
Other Financing Sources					
Transfers in	170,400	170,400	170,400	-	97,965
Net Change in Fund Balance	\$ 43,472	(722)	341,469	342,191	140,489
Fund Balance Beginning of Year			350,444		209,955
Fund Balance End of Year		\$	691,913		350,444

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and investments	\$ 2,278,566	2,000,427
Sales tax receivable	<u>543,063</u>	<u>511,557</u>
Total Assets	\$ <u>2,821,629</u>	<u>2,511,984</u>
 Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>-</u>	<u>49,944</u>
 Fund Balance		
Restricted for recreation	<u>2,821,629</u>	<u>2,462,040</u>
Total Liabilities and Fund Balance	\$ <u>2,821,629</u>	<u>2,511,984</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	<u>2018</u>			<u>2017</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance On Final Budget</u>	<u>Actual</u>
Revenues					
Sales taxes	\$ 1,698,065	1,698,065	1,834,991	136,926	1,759,580
Intergovernmental	239,153	239,153	247,023	7,870	187,157
Penalties and interest	3,500	3,500	5,202	1,702	4,988
Investment earnings	-	-	22,026	22,026	235
Total Revenues	<u>1,940,718</u>	<u>1,940,718</u>	<u>2,109,242</u>	<u>168,524</u>	<u>1,951,960</u>
Expenditures					
Current					
Public services	10,000	10,000	53,274	(43,274)	22,272
Capital Outlay	<u>187,000</u>	<u>208,100</u>	<u>80,967</u>	<u>127,133</u>	<u>660,091</u>
Total Expenditures	<u>197,000</u>	<u>218,100</u>	<u>134,241</u>	<u>83,859</u>	<u>682,363</u>
Excess of Revenues Over Expenditures	1,743,718	1,722,618	1,975,001	252,383	1,269,597
Other Financing Sources (Uses)					
Transfers in	177,958	177,958	177,958	-	177,270
Transfers out	<u>(1,764,461)</u>	<u>(1,764,461)</u>	<u>(1,793,370)</u>	<u>(28,909)</u>	<u>(1,792,190)</u>
Total Other Financing Sources (Uses)	<u>(1,586,503)</u>	<u>(1,586,503)</u>	<u>(1,615,412)</u>	<u>(28,909)</u>	<u>(1,614,920)</u>
Net Change in Fund Balance	\$ <u>157,215</u>	<u>136,115</u>	359,589	<u>223,474</u>	(345,323)
Fund Balance Beginning of Year			<u>2,462,040</u>		<u>2,807,363</u>
Fund Balance End of Year			\$ <u>2,821,629</u>		<u>2,462,040</u>

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 850,556	686,373
Receivables:		
Accounts	5,945	15,702
Intergovernmental	1,083	1,052
Property taxes	<u>2,992</u>	<u>3,638</u>
Total Assets	\$ <u>860,576</u>	<u>706,765</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ <u>-</u>	<u>27,823</u>
Deferred Inflows of Resources		
Property tax revenues	<u>2,992</u>	<u>3,638</u>
Total Liabilities and Deferred Inflows of Resources	2,992	31,461
Fund Balance		
Restricted for public safety and water	<u>857,584</u>	<u>675,304</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ <u>860,576</u>	<u>706,765</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	\$ 24,000	24,000	27,082	3,082	24,000
Taxes	623,042	623,042	625,856	2,814	596,592
Intergovernmental	6,671	6,671	4,154	(2,517)	5,570
Water fees	279,912	279,912	296,613	16,701	294,097
Investment earnings	-	-	7,414	7,414	83
EMS revenue	60,000	60,000	53,802	(6,198)	67,307
Miscellaneous	-	-	237	237	2,092
Total Revenues	<u>993,625</u>	<u>993,625</u>	<u>1,015,158</u>	<u>21,533</u>	<u>989,741</u>
Expenditures					
Current					
Fire and EMS	663,483	663,483	610,703	52,780	619,157
Water treatment and distribution	353,272	353,272	286,696	66,576	238,855
Capital Outlay	<u>229,000</u>	<u>346,293</u>	<u>127,209</u>	<u>219,084</u>	<u>76,587</u>
Total Expenditures	1,245,755	1,363,048	1,024,608	338,440	934,599
Less recovery of expenditures from other funds	<u>(3,330)</u>	<u>(3,330)</u>	<u>(3,330)</u>	<u>-</u>	<u>(3,326)</u>
Net Expenditures	<u>1,242,425</u>	<u>1,359,718</u>	<u>1,021,278</u>	<u>338,440</u>	<u>931,273</u>
Excess (Deficiency) of Revenues Over Expenditures	(248,800)	(366,093)	(6,120)	359,973	58,468
Other Financing Sources					
Transfers in	<u>188,400</u>	<u>188,400</u>	<u>188,400</u>	<u>-</u>	<u>120,707</u>
Net Change in Fund Balance	\$ <u>(60,400)</u>	<u>(177,693)</u>	182,280	<u>359,973</u>	179,175
Fund Balance Beginning of Year			<u>675,304</u>		<u>496,129</u>
Fund Balance End of Year		\$	<u>857,584</u>		<u>675,304</u>

Ketchikan Gateway Borough, Alaska
Tobacco Tax Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and investments	\$ -	-
Accounts receivable		
Excise taxes	349,721	247,081
Total Assets	\$ 349,721	247,081
 Liabilities and Fund Balance		
Liabilities		
Accounts payable	130	-
Interfund payable	\$ 93,310	180,646
 Fund Balance		
Restricted for education	256,281	66,435
Total Liabilities and Fund Balance	\$ 349,721	247,081

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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Tobacco tax	\$ 800,000	800,000	1,265,836	465,836	447,487
Charges for services	-	-	900	900	700
Investment earnings	-	-	1,436	1,436	-
Total Revenues	800,000	800,000	1,268,172	468,172	448,187
Expenditures					
Current					
Public services	-	-	2,523	(2,523)	5,290
Other Financing Uses					
Transfers out	(680,000)	(680,000)	(1,075,803)	395,803	(376,462)
Net Change in Fund Balance	\$ 120,000	120,000	189,846	861,452	66,435
Fund Balance Beginning of Year			66,435		-
Fund Balance End of Year			\$ 256,281		66,435

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 22,618	31,094
Accounts receivable	<u>4,430</u>	<u>7,290</u>
Total Assets	<u>\$ 27,048</u>	<u>38,384</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ -	53
Interfund advances payable	<u>8,012</u>	<u>23,685</u>
Total Liabilities	<u>8,012</u>	<u>23,738</u>
Fund Balance		
Restricted for road maintenance	<u>19,036</u>	<u>14,646</u>
Total Liabilities and Fund Balance	<u>\$ 27,048</u>	<u>38,384</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, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	2018			2017	
	Original Budget	Final Budget	Actual	Variance On Final Budget	Actual
Revenues					
Charges for services	\$ 37,125	37,125	36,073	(1,052)	37,863
Investment earnings	<u>-</u>	<u>-</u>	<u>239</u>	<u>239</u>	<u>4</u>
Total Revenues	<u>37,125</u>	<u>37,125</u>	<u>36,312</u>	<u>(813)</u>	<u>37,867</u>
Expenditures					
Current					
Public services	<u>33,005</u>	<u>33,005</u>	<u>31,922</u>	<u>1,083</u>	<u>33,104</u>
Net Change in Fund Balance	\$ <u>4,120</u>	<u>4,120</u>	4,390	<u>270</u>	4,763
Fund Balance Beginning of Year			<u>14,646</u>		<u>9,883</u>
Fund Balance End of Year			\$ <u>19,036</u>		<u>14,646</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Restricted cash and investments	\$ <u>1,223,794</u>	<u>2,460,412</u>
Total Assets	\$ <u><u>1,223,794</u></u>	<u><u>2,460,412</u></u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ <u>-</u>	<u>153,646</u>
Total Liabilities	<u>-</u>	<u>153,646</u>
Fund Balance		
Restricted for capital projects	<u>1,223,794</u>	<u>2,306,766</u>
Total Liabilities and Fund Balance	\$ <u><u>1,223,794</u></u>	<u><u>2,460,412</u></u>

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Investment earnings	\$ 673	742
Expenditures		
Current		
Public services	9,948	199,967
Capital Outlay		
Educational facilities	<u>1,073,697</u>	<u>153,749</u>
Total Expenditures	<u>1,083,645</u>	<u>353,716</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,082,972)	(352,974)
Other Financing Sources (Uses)		
Transfers in	-	2,000
Transfers out	<u>-</u>	<u>(35,162)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(33,162)</u>
Net Change in Fund Balance	(1,082,972)	(386,136)
Fund Balance Beginning of Year	<u>2,306,766</u>	<u>2,692,902</u>
Fund Balance End of Year	\$ <u><u>1,223,794</u></u>	<u><u>2,306,766</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and investments	\$ 3,155,232	2,268,082
Prepaid items	20,924	5,941
Receivables:		
Accounts, net	360,548	234,583
Intergovernmental	<u>18,721</u>	<u>42,492</u>
Total Current Assets	<u>3,555,425</u>	<u>2,551,098</u>
Noncurrent Assets		
Capital Assets		
Non-depreciable	197,755	19,231
Depreciable, net	<u>17,063,240</u>	<u>18,206,413</u>
Total Noncurrent Assets	<u>17,260,995</u>	<u>18,225,644</u>
Total Assets	<u>20,816,420</u>	<u>20,776,742</u>
Deferred Outflows of Resources		
Related to pensions	260,594	912,434
Related to OPEB	<u>86,542</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	\$ <u>21,163,556</u>	<u>21,689,176</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 67,157	58,913
Interfund advances payable	51,667	31,120
Compensated absences payable	<u>179,891</u>	<u>161,327</u>
Total Current Liabilities	<u>298,715</u>	<u>251,360</u>
Long-Term Liabilities, Net of Current Portion		
Compensated absences payable	40,751	46,064
Net pension liability	2,792,029	3,858,547
Net OPEB liability	536,204	-
Interfund advances payable	<u>13,487</u>	<u>65,155</u>
Total Long-Term Liabilities	<u>3,382,471</u>	<u>3,969,766</u>
Total Liabilities	<u>3,681,186</u>	<u>4,221,126</u>
Deferred Inflows of Resources		
Related to pensions	394,046	42,999
Related to OPEB	<u>288,907</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,364,139</u>	<u>4,264,125</u>
Net Position		
Net investment in capital assets	17,260,995	18,225,644
Restricted for bond reserve		
Unrestricted	<u>(461,578)</u>	<u>(800,593)</u>
Total Net Position	\$ <u>16,799,417</u>	<u>17,425,051</u>

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Revenues,
Expenses and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Charges for services	\$ 5,382,065	5,533,220
Operating Expenses		
Personnel services	3,049,601	3,791,609
Supplies and services	1,257,141	1,427,545
Insurance	221,644	233,096
Depreciation	1,195,675	1,169,526
Total Operating Expenses	<u>5,724,061</u>	<u>6,621,776</u>
Operating (Gain) Loss	(341,996)	(1,088,556)
Non-Operating Revenues (Expenses)		
Interest and fiscal charges	(2,542)	(3,458)
Gain on disposal of capital assets	-	12,908
Investment income	23,301	273
Operating grants	118,837	262,110
Total Non-Operating Revenues (Expenses)	<u>139,596</u>	<u>271,833</u>
Income (Loss) Before Capital Contributions and Transfers	(202,400)	(816,723)
Capital contributions	178,524	123,136
Transfers in	174,104	172,303
Change in Net Position	150,228	(521,284)
Net Position Beginning of Year	<u>16,649,189</u>	<u>17,946,335</u>
Net Position End of Year	<u>\$ 16,799,417</u>	<u>17,425,051</u>

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 5,155,177	5,668,634
Cash payments to employees for services	(3,036,350)	(3,124,652)
Cash payments for goods and services	<u>(1,485,524)</u>	<u>(1,781,734)</u>
Net Cash Provided by Operating Activities	<u>633,303</u>	<u>762,248</u>
Cash Flows from Noncapital Financing Activities		
Operating grants	142,608	249,524
Transfers in	<u>174,104</u>	<u>172,303</u>
Net Cash Provided by Noncapital Financing Activities	<u>316,712</u>	<u>421,827</u>
Cash Flows from Capital and Related Financing Activities		
Sale of capital assets	-	12,908
Capital grant	178,524	123,136
Interest paid on debt service	(2,542)	(3,458)
Interfund advance payable	(31,121)	(30,204)
Payments for capital acquisitions	<u>(231,027)</u>	<u>(162,249)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(86,166)</u>	<u>(59,867)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>23,301</u>	<u>273</u>
Net Increase in Cash and Cash Equivalents	887,150	1,124,481
Cash and Cash Equivalents Beginning of Year	<u>2,268,082</u>	<u>1,143,601</u>
Cash and Cash Equivalents End of Year	<u>\$ 3,155,232</u>	<u>2,268,082</u>

(continued)

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows, continued
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Loss	\$ (341,996)	(1,088,556)
Adjustments:		
Depreciation	1,195,675	1,169,526
Increase (Decrease) in Assets and Deferred Outflows of Resources:		
Accounts receivable	(125,965)	135,414
Prepaid items	(14,983)	5,777
Deferred outflows of resources for pensions	651,840	(458,154)
Deferred outflows of resources for OPEB	35,621	-
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts payable	8,244	(126,870)
Compensated absences payable	13,251	(12,730)
Net pension liability	(1,066,517)	1,142,920
Net OPEB liability	(361,821)	-
Deferred inflows of resources for pensions	351,047	(5,079)
Deferred inflows of resources for OPEB	<u>288,907</u>	<u>-</u>
Net Cash Provided by Operating Activities	\$ <u>633,303</u>	<u>762,248</u>

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and investments	\$ 653,215	671,592
Accounts receivable, net	<u>77,348</u>	<u>56,769</u>
Total Current Assets	<u>730,563</u>	<u>728,361</u>
Noncurrent Assets		
Capital Assets		
Non-depreciable	129,543	19,575
Depreciable, net	<u>8,408,935</u>	<u>8,746,850</u>
Total Noncurrent Assets	<u>8,538,478</u>	<u>8,766,425</u>
Total Assets	\$ <u>9,269,041</u>	<u>9,494,786</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 42,016	66,197
Interfund advances payable	<u>42,405</u>	<u>40,151</u>
Total Current Liabilities	84,421	106,348
Long-Term Liabilities		
Interfund advances payable (net of current portion)	142,604	185,008
ACWF loan payable	<u>30,784</u>	<u>-</u>
Total Liabilities	<u>257,809</u>	<u>291,356</u>
Net Position		
Net investment in capital assets	8,538,478	8,766,425
Unrestricted	<u>472,754</u>	<u>437,005</u>
Total Net Position	\$ <u><u>9,011,232</u></u>	<u><u>9,203,430</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, 2018 and 2017

	2018	2017
Operating Revenues		
Charges for services	\$ 765,874	728,983
Operating Expenses		
Personnel services	150,120	175,151
Supplies and services	524,381	449,461
Insurance	4,331	6,138
Depreciation	359,840	358,821
Total Operating Expenses	1,038,672	989,571
Less recovery of expenses from other funds	(7,768)	(7,768)
Net Operating Expenses	1,030,904	981,803
Operating Loss	(265,030)	(252,820)
Non-Operating Expenses		
Interest and fiscal charges	(11,570)	(13,704)
Investment earnings	5,219	80
Total Non-Operating Revenues (Expenses)	(6,351)	(13,624)
Income (Loss) Before Capital Contributions and Transfers	(271,381)	(266,444)
Capital contributions	79,183	-
Change in Net Position	(192,198)	(266,444)
Net Position Beginning of Year	9,203,430	9,469,874
Net Position End of Year	\$ 9,011,232	9,203,430

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 745,295	761,797
Cash payments to employees for services	(150,120)	(175,151)
Cash payments for goods and services	<u>(545,125)</u>	<u>(418,784)</u>
Net Cash Provided by (Used in) Operating Activities	<u>50,050</u>	<u>167,862</u>
Cash Flows from Capital and Related Financing Activities		
Capital grant	79,183	-
Interest paid on debt service	(11,570)	(13,704)
Interfund advance payable	(40,150)	(38,017)
Payments for capital acquisitions	<u>(101,109)</u>	<u>(37,401)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(73,646)</u>	<u>(89,122)</u>
Cash Flows from Investing Activities		
Investment earnings	<u>5,219</u>	<u>80</u>
Net Increase in Cash and Cash Equivalents	(18,377)	78,820
Cash and Cash Equivalents Beginning of Year	<u>671,592</u>	<u>592,772</u>
Cash and Cash Equivalents End of Year	<u>\$ 653,215</u>	<u>671,592</u>

(continued)

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows, continued
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating Loss	\$ (265,030)	(252,820)
Adjustments:		
Depreciation	359,840	358,821
(Increase) Decrease in Assets:		
Accounts receivable	(20,579)	32,814
Increase (Decrease) in Liabilities:		
Accounts payable	<u>(24,181)</u>	<u>29,047</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u>50,050</u>	<u>167,862</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, 2018

	<u>School District</u>	<u>Borough</u>	<u>Total Internal Service Funds</u>
Current Assets			
Cash and investments	\$ -	886,896	886,896
Assets			
Accounts receivable	697,398	-	697,398
Note receivable	<u>164,957</u>	<u>-</u>	<u>164,957</u>
Total Assets	<u>\$ 862,355</u>	<u>886,896</u>	<u>1,749,251</u>
Current Liabilities			
Claims payable	\$ 312,672	81,380	394,052
Noncurrent Liabilities			
Interfund payable	<u>549,683</u>	<u>-</u>	<u>549,683</u>
Total Liabilities	<u>862,355</u>	<u>81,380</u>	<u>943,735</u>
Net Position			
Unrestricted	<u>\$ -</u>	<u>805,516</u>	<u>805,516</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, 2018

	<u>School District</u>	<u>Borough</u>	<u>Total Internal Service Funds</u>
Operating Revenues			
Insurance premiums	\$ <u>5,772,579</u>	<u>2,616,630</u>	<u>8,389,209</u>
Operating Expenses			
Administration	823,251	301,528	1,124,779
Premiums	-	364,881	364,881
Claims	<u>5,646,726</u>	<u>1,781,676</u>	<u>7,428,402</u>
Total Operating Expenses	<u>6,469,977</u>	<u>2,448,085</u>	<u>8,918,062</u>
Less return of excess stop-loss premiums	<u>(697,398)</u>	<u>-</u>	<u>(697,398)</u>
Net Operating Expenses	<u>5,772,579</u>	<u>2,448,085</u>	<u>8,220,664</u>
Operating Income (loss)	-	168,545	168,545
Non-Operating Revenues			
Investment earnings	<u>-</u>	<u>7,318</u>	<u>7,318</u>
Change in Net Position	-	175,863	175,863
Net Position Beginning of Year	<u>-</u>	<u>629,653</u>	<u>629,653</u>
Net Position End of Year	\$ <u><u>-</u></u>	<u><u>805,516</u></u>	<u><u>805,516</u></u>

Ketchikan Gateway Borough, Alaska
Self-Insured Health Insurance Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	<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	\$ 5,401,176	2,616,630	8,017,806
Cash payments for goods and services	(823,251)	(666,409)	(1,489,660)
Cash payments for claims	<u>(4,997,415)</u>	<u>(1,813,924)</u>	<u>(6,811,339)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(419,490)</u>	<u>136,297</u>	<u>(283,193)</u>
Cash Flows from Noncapital Financing Activities			
Interfund payable	<u>419,490</u>	<u>-</u>	<u>419,490</u>
Cash Flows from Investing Activities			
Investment earnings	<u>-</u>	<u>7,318</u>	<u>7,318</u>
Net Increase in Cash and Cash Equivalents	-	143,615	143,615
Cash and Cash Equivalents Beginning of Year	<u>-</u>	<u>743,281</u>	<u>743,281</u>
Cash and Cash Equivalents End of Year	\$ <u><u>-</u></u>	<u><u>886,896</u></u>	<u><u>886,896</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities			
Operating Income	\$ <u>-</u>	<u>168,545</u>	<u>168,545</u>
Decrease (Increase) in Assets:			
Accounts receivable	(697,398)	-	(697,398)
Note receivable	325,995	-	325,995
Increase (Decrease) in Liabilities:			
Claims payable	<u>(48,087)</u>	<u>(32,248)</u>	<u>(80,335)</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>(419,490)</u></u>	<u><u>136,297</u></u>	<u><u>(283,193)</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, 2018 and 2017

	2018	2017
Assets		
Accounts receivable	\$ 697,398	-
Note receivable	164,957	490,952
Total Assets	862,355	490,952
Current Liabilities		
Claims payable	\$ 312,672	360,759
Noncurrent Liabilities		
Interfund payable	549,683	130,193
Total Liabilities	862,355	490,952
Net Position		
Unrestricted	\$ -	-

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Insurance premiums	\$ 5,772,579	5,162,893
Operating Expenses		
Administration	823,251	710,973
Claims	5,646,726	4,451,920
Total Operating Expenses	6,469,977	5,162,893
Less return of excess stop-loss premiums	(697,398)	-
Net Operating Expenses	5,772,579	-
Operating Income (Loss)	-	5,162,893
Change in Net Position	-	-
Net Position Beginning of Year	-	-
Net Position End of Year	\$ -	-

Ketchikan Gateway Borough, Alaska
Borough Self-Insured Insurance Internal Service Fund
Comparative Statement of Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ <u>886,896</u>	<u>743,281</u>
Current Liabilities		
Claims payable	\$ <u>81,380</u>	<u>113,628</u>
Net Position		
Unrestricted	\$ <u><u>805,516</u></u>	<u><u>629,653</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Insurance premiums	\$ 2,616,630	2,769,596
Operating Expenses		
Administration	301,528	284,681
Premiums	364,881	346,306
Claims	<u>1,781,676</u>	<u>1,594,537</u>
Total Operating Expenses	<u>2,448,085</u>	<u>2,225,524</u>
Operating Income	168,545	544,072
Investment earnings	<u>7,318</u>	<u>87</u>
Change in Net Position	175,863	544,159
Net Position Beginning of Year	<u>629,653</u>	<u>85,494</u>
Net Position End of Year	\$ <u>805,516</u>	<u>629,653</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, 2018

	Fiscal Year				
	2018	2017	2016	2015	2014
Governmental Activities					
Net investment in capital assets	\$ 122,089,151	122,598,700	123,108,660	121,277,988	121,446,896
Restricted	18,684,440	14,602,379	6,865,378	6,819,220	7,148,989
Unrestricted	<u>6,811,378</u>	<u>6,842,646</u>	<u>15,737,037</u>	<u>15,584,427</u>	<u>19,954,904</u>
Total governmental activities net position	<u>147,584,969</u>	<u>144,043,725</u>	<u>145,711,075</u>	<u>143,681,635</u>	<u>148,550,789</u>
Business-type Activities					
Net investment in capital assets	25,799,473	26,992,069	28,320,766	28,156,141	29,131,474
Restricted	-	-	-	-	-
Unrestricted (deficit)	<u>189,361</u>	<u>(231,649)</u>	<u>(913,623)</u>	<u>(1,771,657)</u>	<u>(287,748)</u>
Total business-type activities net position	<u>25,988,834</u>	<u>26,760,420</u>	<u>27,407,143</u>	<u>26,384,484</u>	<u>28,843,726</u>
Primary Government					
Net investment in capital assets	147,888,624	149,590,769	151,429,426	149,434,129	150,578,370
Restricted	18,684,440	14,602,379	6,865,378	6,819,220	7,148,989
Unrestricted	<u>7,000,739</u>	<u>6,610,997</u>	<u>14,823,414</u>	<u>13,812,770</u>	<u>19,667,156</u>
Total primary government net position	<u>\$ 173,573,803</u>	<u>170,804,145</u>	<u>173,118,218</u>	<u>170,066,119</u>	<u>177,394,515</u>
	Fiscal Year				
	2013	2012	2011	2010	2009
Governmental Activities					
Net investment in capital assets	\$ 119,848,381	121,020,663	117,038,168	116,791,016	113,763,548
Restricted	13,928,936	9,800,504	9,326,387	6,749,034	6,194,066
Unrestricted	<u>11,945,485</u>	<u>14,338,149</u>	<u>18,194,923</u>	<u>24,295,274</u>	<u>21,669,692</u>
Total governmental activities net position	<u>145,722,802</u>	<u>145,159,316</u>	<u>144,559,478</u>	<u>147,835,324</u>	<u>141,627,306</u>
Business-type Activities					
Net investment in capital assets	28,458,282	26,857,847	17,458,210	17,703,199	17,756,821
Restricted	-	385,000	385,000	385,000	385,000
Unrestricted (deficit)	<u>(413,071)</u>	<u>(2,838,539)</u>	<u>(3,141,624)</u>	<u>(3,311,312)</u>	<u>(3,185,352)</u>
Total business-type activities net position	<u>28,045,211</u>	<u>24,404,308</u>	<u>14,701,586</u>	<u>14,776,887</u>	<u>14,956,469</u>
Primary Government					
Net investment in capital assets	148,306,663	147,878,510	134,496,378	134,494,215	131,520,369
Restricted	13,928,936	10,185,504	9,711,387	7,134,034	6,579,066
Unrestricted	<u>11,532,414</u>	<u>11,499,610</u>	<u>15,053,299</u>	<u>20,983,962</u>	<u>18,484,340</u>
Total primary government net position	<u>\$ 173,768,013</u>	<u>169,563,624</u>	<u>159,261,064</u>	<u>162,612,211</u>	<u>156,583,775</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, 2018

	2018	2017	2016	2015	2014
Expenses					
Governmental activities:					
General government	\$ 3,259,926	4,017,111	3,517,224	4,037,970	3,514,098
Fire and EMS	1,558,838	1,577,017	1,438,761	1,545,356	1,376,751
Water treatment and distribution	283,366	235,529	224,652	324,110	318,826
Library services	415,612	402,279	390,575	405,199	422,570
Parks and recreation	3,457,704	3,617,576	3,432,887	3,340,866	3,338,139
Public works	1,042,506	1,059,778	1,168,318	1,027,166	1,001,996
Public services	3,566,217	4,842,281	5,306,734	8,890,872	5,342,481
Transit	2,394,033	2,498,261	2,384,212	2,221,390	2,164,006
Education	15,841,676	15,879,303	16,182,438	15,015,738	15,357,268
Interest	1,701,147	1,885,487	1,957,353	2,254,374	2,310,634
Total governmental activities expenses	<u>33,521,025</u>	<u>36,014,622</u>	<u>36,003,154</u>	<u>39,063,041</u>	<u>35,146,769</u>
Business-type activities:					
Airport	5,680,358	6,471,321	5,874,984	5,665,297	5,679,424
Wastewater	1,042,474	995,507	986,801	1,098,072	881,576
Total business-type activities expenses	<u>6,722,832</u>	<u>7,466,828</u>	<u>6,861,785</u>	<u>6,763,369</u>	<u>6,561,000</u>
Total primary government expenses	<u>40,243,857</u>	<u>43,481,450</u>	<u>42,864,939</u>	<u>45,826,410</u>	<u>41,707,769</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Fire and EMS	285,590	285,930	276,812	253,670	238,838
Water treatment and distribution	296,613	294,097	286,472	251,863	217,149
Parks and recreation	806,584	802,398	725,988	775,960	753,563
Public services	808,363	786,417	1,615,691	1,559,619	1,256,400
Transit	235,970	206,273	189,230	200,588	222,236
Education	5,772,579	5,162,893	4,912,773	4,677,856	4,937,191
Capital grants	3,089,461	2,161,683	5,189,749	5,828,520	4,503,237
Operating grants	2,678,938	2,110,949	3,330,138	3,181,765	4,072,710
Total governmental activities program revenues	<u>13,974,098</u>	<u>11,810,640</u>	<u>16,526,853</u>	<u>16,729,841</u>	<u>16,201,324</u>
Business-type activities:					
Charges for services:					
Airport	5,382,065	5,533,220	4,947,152	4,694,448	4,401,938
Wastewater	765,874	728,983	780,854	656,048	596,426
Operating grants	18,236	172,675	3,332	7,386	73,994
Capital grants	257,707	123,136	1,731,076	487,172	1,865,802
Total business-type activities program revenues	<u>6,423,882</u>	<u>6,558,014</u>	<u>7,462,414</u>	<u>5,845,054</u>	<u>6,938,160</u>
Total primary government program revenues	<u>20,397,980</u>	<u>18,368,654</u>	<u>23,989,267</u>	<u>22,574,895</u>	<u>23,139,484</u>
Net (Expense) Revenue					
Governmental activities	(19,546,927)	(24,203,982)	(19,476,301)	(22,333,200)	(18,945,445)
Business-type activities	(298,950)	(908,814)	600,629	(918,315)	377,160
Total primary government net expense	<u>(19,845,877)</u>	<u>(25,112,796)</u>	<u>(18,875,672)</u>	<u>(23,251,515)</u>	<u>(18,568,285)</u>
General Revenues and Other Changes In Net Position					
Governmental activities:					
Property taxes	10,155,598	9,175,916	8,545,890	8,359,993	8,169,731
Sales taxes	9,271,481	8,882,165	8,567,889	8,553,791	8,625,653
Payment in lieu of taxes	1,512,320	1,154,550	1,232,522	1,052,512	1,131,659
Grants and entitlements not restricted	3,094,716	2,770,696	2,989,349	3,466,541	3,598,414
Transfers	(174,104)	(172,303)	(299,765)	(272,424)	(184,881)
Investment earnings	283,080	36,343	36,483	49,504	54,254
Property sales (loss on requisitions)	-	-	-	-	-
Miscellaneous	435,245	689,265	433,373	400,057	378,601
Write off delinquent note	-	-	-	-	-
Total governmental activities general revenues and other changes in net position	<u>24,578,336</u>	<u>22,536,632</u>	<u>21,505,741</u>	<u>21,609,974</u>	<u>21,773,431</u>
Business-type activities:					
Unrestricted grant/investment earnings	129,122	89,788	122,265	167,786	236,474
Transfers	174,104	172,303	299,765	272,424	184,881
Total business-type activities general revenues and other changes in net position	<u>303,226</u>	<u>262,091</u>	<u>422,030</u>	<u>440,210</u>	<u>421,355</u>
Total primary government general revenues and other changes in net position	<u>24,881,562</u>	<u>22,798,723</u>	<u>21,927,771</u>	<u>22,050,184</u>	<u>22,194,786</u>
Changes in Net Position					
Governmental activities	5,031,409	(1,667,350)	2,029,440	(723,226)	2,827,986
Business-type activities	4,276	(646,723)	1,022,659	(478,105)	798,515
Total primary government, change in net position	<u>\$ 5,035,685</u>	<u>(2,314,073)</u>	<u>3,052,099</u>	<u>(1,201,331)</u>	<u>3,626,501</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, 2018

Fiscal Year	2013	2012	2011	2010	2009
Expenses					
Governmental activities:					
General government	\$ 4,623,576	4,239,516	3,502,989	3,198,263	3,098,135
Fire and EMS	1,252,822	1,305,555	1,289,444	1,249,053	1,207,673
Water treatment and distribution	249,401	226,424	207,102	228,725	246,479
Library services	410,326	380,266	372,794	371,886	420,190
Parks and recreation	2,601,546	2,374,277	2,066,242	2,004,219	1,658,671
Public works	1,209,701	1,043,521	1,093,054	1,391,689	1,388,867
Public services	3,875,327	5,086,592	3,595,580	4,162,195	5,415,283
Transit	2,071,438	1,960,671	1,640,624	1,427,218	1,149,142
Education	14,465,416	14,300,313	15,091,534	16,017,284	14,401,413
Interest	2,394,406	2,504,748	2,453,966	1,540,248	1,299,122
Total governmental activities expenses	<u>33,153,959</u>	<u>33,421,883</u>	<u>31,313,329</u>	<u>31,590,780</u>	<u>30,284,975</u>
Business-type activities:					
Airport	5,810,984	5,262,004	4,835,323	4,625,758	4,758,390
Wastewater	897,029	1,176,513	1,010,836	912,252	1,095,332
Total business-type activities expenses	<u>6,708,013</u>	<u>6,438,517</u>	<u>5,846,159</u>	<u>5,538,010</u>	<u>5,853,722</u>
Total primary government expenses	<u>39,861,972</u>	<u>39,860,400</u>	<u>37,159,488</u>	<u>37,128,790</u>	<u>36,138,697</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Fire and EMS	254,234	317,569	242,335	236,534	234,659
Water treatment and distribution	193,081	176,394	177,610	165,463	132,884
Parks and recreation	732,284	565,998	538,013	410,238	446,557
Public services	1,239,091	911,068	862,291	684,279	668,042
Transit	242,111	217,131	184,624	179,729	160,764
Education	4,295,465	3,769,524	3,535,740	3,153,995	2,849,699
Capital grants	3,529,066	5,154,055	6,426,775	8,369,771	10,990,255
Operating grants	3,738,574	2,431,499	904,866	705,498	555,861
Total governmental activities program revenues	<u>14,223,906</u>	<u>13,543,238</u>	<u>12,872,254</u>	<u>13,905,507</u>	<u>16,038,721</u>
Business-type activities:					
Charges for services:					
Airport	3,878,788	3,973,769	3,633,607	3,283,332	3,424,190
Wastewater	555,396	760,358	702,530	576,803	583,196
Operating grants	2,710,000	42,959	79,122	128,193	72,412
Capital grants	1,310,860	10,016,959	556,653	638,665	28,392
Total business-type activities program revenues	<u>8,455,044</u>	<u>14,794,045</u>	<u>4,971,912</u>	<u>4,626,993</u>	<u>4,108,190</u>
Total primary government program revenues	<u>22,678,950</u>	<u>28,337,283</u>	<u>17,844,166</u>	<u>18,532,500</u>	<u>20,146,911</u>
Net (Expense) Revenue					
Governmental activities	(18,930,053)	(19,878,645)	(18,441,075)	(17,685,273)	(14,246,254)
Business-type activities	1,747,031	8,355,528	(874,247)	(911,017)	(1,745,532)
Total primary government net expense	<u>(17,183,022)</u>	<u>(11,523,117)</u>	<u>(19,315,322)</u>	<u>(18,596,290)</u>	<u>(15,991,786)</u>
General Revenues and Other Changes In Net Position					
Governmental activities:					
Property taxes	7,890,521	8,746,139	9,015,302	9,491,422	10,233,372
Sales taxes	8,682,819	8,316,512	8,105,296	7,974,171	8,430,433
Payment in lieu of taxes	1,035,188	1,054,735	1,020,959	1,036,032	1,366,194
Grants and entitlements not restricted	3,559,577	3,353,441	3,451,680	3,677,791	3,815,114
Transfers	(1,652,342)	(439,935)	(632,983)	(625,258)	(374,452)
Investment earnings	59,449	(114,092)	650,810	361,309	275,681
Property sales (loss on reacquisitions)	-	-	(7,313,222)	1,650,939	(909,920)
Miscellaneous	354,128	351,236	867,387	326,885	850,530
Write off delinquent note	-	(789,553)	-	-	-
Total governmental activities general revenues and other changes in net position	<u>19,929,340</u>	<u>20,478,483</u>	<u>15,165,229</u>	<u>23,893,291</u>	<u>23,686,952</u>
Business-type activities:					
Unrestricted grant/investment earnings	241,530	907,259	165,963	106,177	424,688
Transfers	1,652,342	439,935	632,983	625,258	374,452
Total business-type activities general revenues and other changes in net position	<u>1,893,872</u>	<u>1,347,194</u>	<u>798,946</u>	<u>731,435</u>	<u>799,140</u>
Total primary government general revenues and other changes in net position	<u>21,823,212</u>	<u>21,825,677</u>	<u>15,964,175</u>	<u>24,624,726</u>	<u>24,486,092</u>
Changes in Net Position					
Governmental activities	999,287	599,838	(3,275,846)	6,208,018	9,440,698
Business-type activities	3,640,903	9,702,722	(75,301)	(179,582)	(946,392)
Total primary government, change in net position	<u>\$ 4,640,190</u>	<u>10,302,560</u>	<u>(3,351,147)</u>	<u>6,028,436</u>	<u>8,494,306</u>

KETCHIKAN GATEWAY BOROUGH

Changes in Governmental Fund Balances
June 30, 2018

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Taxes	\$ 19,489,094	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
Intergovernmental	7,509,882	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
Licenses and permits	75	350	366	275	90	835	11,543	14,168	11,108	20,333
Water fees	2,136,432	294,097	286,472	251,863	217,149	193,081	176,394	177,610	165,463	-
Charges for services	296,613	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
Commercial vessel passenger tax	2,252,488	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
Interest Subsidy	544,110	555,527	607,601	458,053	606,982	600,911	615,002	547,193	-	-
Investment earnings	283,080	36,343	36,483	49,504	54,234	59,449	(114,090)	710,139	354,644	272,695
Proceeds from sale of property	251,794	537,896	571,512	87,322	473,320	-	1,632,855	69,000	3,555,179	-
Miscellaneous	435,247	689,265	433,373	401,991	389,216	360,996	367,004	330,620	330,086	317,622
Total Revenues	<u>33,198,815</u>	<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>
Expenditures										
General government	3,281,029	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
Library services	415,612	402,279	390,575	405,199	422,570	410,326	380,266	372,794	371,886	420,190
Fire and EMS	1,290,684	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
Water treatment and distribution	283,366	235,529	224,652	324,110	318,826	249,401	226,424	209,885	229,160	246,731
Public services	2,824,072	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
Parks and recreation	2,344,439	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
Public works	1,043,389	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
Transit	2,173,557	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
Education	7,433,031	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
Nondepartmental	224,197	237,186	266,125	272,048	260,433	227,909	215,849	378,305	376,593	539,397
Capital Outlay	1,740,609	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
Debt Service:										
Principal retirement	3,755,000	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
Interest and fiscal charges	1,977,037	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
Bond issuance costs	-	-	-	17,318	-	37,962	75,066	149,870	250,738	-
Total Expenditures	<u>28,786,022</u>	<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>
Excess (Deficiency) of Revenues Over Expenditures	4,412,793	(160,373)	898,498	(3,315,230)	363,154	206,949	(17,239,826)	(15,805,256)	4,394,392	8,593,645
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
Transfers in	8,689,359	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
Other financing proceeds (uses)	-	-	-	(2,292,344)	-	-	-	-	-	877,500
Capital leases	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Transfers out	(8,863,463)	(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)
Payment to refunding bond escrow agent	-	-	-	-	-	-	(9,277,870)	-	(6,204,412)	-
Total Other Financing Sources (Uses)	(174,104)	(172,303)	(299,765)	(249,782)	(184,881)	3,876,463	(360,146)	7,590,300	23,032,537	553,048
Special item - write off delinquent note	-	-	-	-	-	-	(789,553)	-	-	-
Net Change in Fund Balances	<u>\$ 4,238,689</u>	<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>
Debt Service as a Percentage of noncapital expenditures	21.19%	19.97%	19.86%	17.22%	19.88%	19.38%	18.91%	18.77%	13.02%	13.97%

KETCHIKAN GATEWAY BOROUGH

Assessed Value and Actual Value of Taxable Property
Changes in Assessment
June 30, 2018

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
2017	2018	939,763,800	283,612,900	132,524,500	103,922,000	-	152,217,600	145,101,300	7,116,300	1,459,823,200	1,612,040,800	5.00

Source: Ketchikan Gateway Borough Assessment and Finance Department.

Notes: Business Personal Property Tax within the Borough was repealed in FY 2011.

The Ketchikan Shipyard, operated by Vigor Industrial, went from an optional exemption to a mandatory exemption in FY 2018.

* 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, 2018

Taxpayer	2018			2009		
	Assessed (Taxable) Value	Rank	Percentage of Total Assessed Value	Assessed (Taxable) Value	Rank	Percentage of Total Assessed Value
Trident Seafoods Corporation	\$ 14,754,000	1	1.01%	\$ 8,265,200	4	0.68%
Ketchikan Dock Company LLC	13,336,200	2	0.91%	12,427,200	1	1.02%
Cape Fox Heritage Foundation Inc	11,772,900	3	0.81%	12,402,500	2	1.02%
Harbor Enterprises	11,213,000	4	0.77%	7,502,900	7	0.62%
Tongass Trading Company	10,807,100	5	0.74%	10,665,600	3	0.88%
Boyer Towing Inc	9,118,100	6	0.62%			-
Dock Street Building Corporation	8,962,400	7	0.61%			-
Alaska General Seafood	8,426,300	8	0.58%			-
The Landing LLC	8,338,700	9	0.57%	8,086,600	5	0.66%
ECPS Inc.	8,325,400	10	0.57%	6,504,100	9	0.53%
1308 Properties LLC	-	-	-	6,036,000	10	0.50%
Carr-Gottstein Foods	-	-	-	7,857,900	6	0.65%
Wal-Mart	-	-	-	6,731,800	8	0.55%
Total Principal Property Tax Payers	\$ 105,054,100		7.20%	\$ 86,479,800		7.10%
Total Assessment	\$ 1,459,776,900		100.00%	\$ 1,218,079,000		100.00%

Source: Ketchikan Gateway Borough Assessment Department.

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

June 30, 2018

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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%	109,615	6,982,346	100.0%
2014	6,573,379	6,511,100	99.1%	62,246	6,573,346	100.0%
2015	6,741,942	6,674,436	99.0%	67,061	6,741,497	100.0%
2016	6,740,723	6,707,598	99.5%	32,673	6,740,271	100.0%
2017	6,738,896	6,712,505	99.6%	26,111	6,738,616	100.0%

KETCHIKAN GATEWAY BOROUGH

Taxable Sales by Category, Fiscal Years
June 30, 2018

Borough & City	Fiscal Year				
	2018	2017	2016	2015	2014
Contractors	\$ 8,177,041	8,684,433	7,912,795	7,858,543	7,631,093
Finance, insurance, banks	1,959,293	2,118,811	2,032,190	1,965,554	2,177,388
Hotels, motels, lodges	17,780,658	17,197,447	16,804,075	15,900,348	14,892,935
Manufacturing	6,102,888	5,416,665	5,107,522	4,905,355	5,158,746
Real estate	25,485,771	25,514,444	24,882,697	24,197,259	23,596,203
Retail trade	31,217,118	30,832,526	30,501,263	30,170,160	30,423,980
Retail trade - food	51,696,880	50,906,238	51,227,995	50,042,496	49,829,177
Retail trade, bars & catering	23,043,393	22,423,776	22,606,016	21,053,279	20,652,476
Retail, automotive	16,023,201	15,917,566	15,657,384	15,675,897	15,718,601
Retail, specialty	12,574,853	8,458,410	8,489,211	8,553,767	8,131,033
Retail, var, jewelry, curios	75,568,978	71,596,802	70,454,293	69,317,752	68,920,331
Services, entertainment	5,143,184	4,894,229	4,142,301	4,023,139	3,868,802
Service, general	7,274,107	7,433,817	7,056,021	663,976	6,317,339
Services, professional	3,802,169	3,973,747	3,674,948	3,631,121	3,783,013
Trans, comm, utilities	<u>76,553,000</u>	<u>70,171,440</u>	<u>67,452,284</u>	<u>72,040,222</u>	<u>77,611,687</u>
	\$ <u>362,402,534</u>	<u>345,540,351</u>	<u>338,000,995</u>	<u>329,998,868</u>	<u>338,712,804</u>

	Fiscal Year				
	2013	2012	2011	2010	2009
Contractors	\$ 8,341,403	7,415,207	6,141,701	6,251,223	7,215,832
Finance, insurance, banks	2,382,608	1,995,024	2,192,021	2,183,286	2,417,371
Hotels, motels, lodges	14,172,548	13,689,815	12,603,094	12,888,607	14,303,080
Manufacturing	5,134,717	4,790,346	6,140,406	5,926,608	6,103,646
Real estate	23,620,663	23,056,248	24,485,430	24,840,277	23,075,357
Retail trade	31,082,386	29,591,532	61,376,056	61,939,877	69,582,975
Retail trade - food	49,191,379	48,912,887	46,657,847	46,474,680	45,444,444
Retail trade, bars & catering	21,067,069	20,478,553	18,350,884	17,928,618	18,371,267
Retail, automotive	15,506,019	15,515,934	14,139,519	13,897,325	15,037,370
Retail, specialty	9,028,790	9,218,351	14,635,547	15,022,750	13,523,937
Retail, var, jewelry, curios	68,972,807	68,721,446	28,413,986	31,046,295	32,481,607
Services, entertainment	3,645,970	3,458,109	3,922,744	4,113,145	4,182,048
Service, general	5,822,680	5,746,990	8,943,572	9,111,881	9,331,525
Services, professional	3,733,164	3,580,581	3,477,776	3,614,729	3,598,073
Trans, comm, utilities	<u>77,125,153</u>	<u>75,656,992</u>	<u>66,144,540</u>	<u>61,645,321</u>	<u>69,174,913</u>
	\$ <u>338,827,356</u>	<u>331,828,015</u>	<u>317,625,123</u>	<u>316,884,622</u>	<u>\$ 333,843,445</u>

Source: Ketchikan Gateway Borough Finance Department

KETCHIKAN GATEWAY BOROUGH

Current Year Debt Service by Type, Last Ten Fiscal Years
June 30, 2018

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	Principal	Interest	Total	Total Revenues - 1/2 cent Sales Tax, Penalties, Interest, Misc.	Other Expenses	Available for Other Projects
2009	2,325,000	1,287,761	3,612,761	2,059,056	13,379	1,682,200	3,754,635	12,984	-	-	-	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	-	-	-	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	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	353,500	497,708	851,208	1,659,745	-	808,537
2013	2,394,500	1,366,698	3,761,198	3,353,421	81,487	1,650,132	5,085,040	13,938	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	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	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	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	413,000	829,863	1,242,863	1,764,568	27,834	493,871
2018	2,608,000	640,152	3,248,152	2,429,779	38,288	1,834,991	4,303,058	13,758	427,000	497,708	924,708	1,834,991	53,274	857,009

Note: G.O. Bonds only

KETCHIKAN GATEWAY BOROUGH

Ratios of General Bonded Debt Outstanding

June 30, 2018

Fiscal Year	General Obligation Bonds Governmental Type	Loans and Leases	Certificates of Participation	Total Debt	Personal Income	Total Debt/Personal Income	Percentage of Actual Taxable Value of Property (1)	Per Capita
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	786,439,966	4.7%	2.7%	2,718
2018	29,900,000	-	3,700,000	33,600,000	786,439,966	4.3%	2.4%	2,442

1 Assessment data in table 5

KETCHIKAN GATEWAY BOROUGH
Direct and Overlapping Governmental Activities Debt
 June 30, 2018

Governmental Unit

Ketchikan Gateway Borough	
Total Direct Debt	
Outstanding G.O. Bonds	\$ 29,900,000
Certificates of Participation	<u>3,700,000</u>
Total Direct Debt	33,600,000
City of Ketchikan Direct Debt	<u>56,933,603</u>
Total Direct and Overlapping Debt	<u>\$ 90,533,603</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, 2018

Fiscal Year	Gross Revenues - (1)	Operating Expenses - (2)	Net Revenue Available for Debt Service	Debt Service Requirements - (3)			Coverage
				Principal	Interest	Total	
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	-	-	-	-
2018	5,768,240	4,484,683	1,283,557	-	-	-	-

- (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, 2018

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
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	13,754	786,439,966	57,179	6.30%	2,392	7	147	151
2018	13,754	786,439,966	57,179	6.20%	2,378	7	147	151

(1) Census and Per Capita Income per State of Alaska Department of Labor. Data not available for Fiscal Year 2018 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	2017			2008		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Trade, Transportation and Utilities	1,715	1	22.97%	1,816	1	24.83%
Local Government	1,118	2	14.97%	1,102	2	15.07%
Educational & Health Services	1,036	3	13.87%	725	4	9.91%
Leisure & Hospitality	919	4	12.31%	859	3	11.75%
State of Alaska	589	5	7.89%	689	5	9.42%
Manufacturing	504	6	6.75%	513	6	7.01%
Financial Activities	376	7	5.04%	376	7	5.14%
Construction	322	8	4.31%	272	9	3.72%
Professional & Business Services	293	9	3.92%	217	10	2.97%
US Federal Government	221	10	2.96%	285	8	3.90%
Other	155	11	2.08%	191	11	2.61%
Natural Resource and Mining Information	132	12	1.77%	171	12	2.34%
	87	13	1.17%	97	13	1.33%
	<u>7,467</u>		100.00%	<u>7,313</u>		100.00%

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://live.laborstats.alaska.gov/qcew/>

KETCHIKAN GATEWAY BOROUGH

Table 15

Miscellaneous Statistics

June 30, 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
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 *	510	449	725	824	808	833	820	828	774	810
Animals Impounded	289	217	259	296	251	441	411	392	362	509
Animals Surrendered	136	121	166	148	161	192	303	310	296	309
Animals Adopted	142	139	210	170	162	224	209	182	130	121
Animals Claimed	160	91	122	126	117	112	124	136	161	171
<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	17	23	24	24	24	22	23	24	25	24
Fire and EMS	6	5	5	5	5	5	5	4	4	4
Public services	10	12	12	12	12	11	11	13	13	14
Parks and Recreation	15	15	15	15	15	15	15	15	15	15
Public works	12	12	12	12	12	15	14	19	23	20
Transit	13	13	13	14	12	12	12	11	9	9
Automation	1	1	1	1	1	1	1	1	1	1
Airport	28	28	28	27	27	27	27	27	28	27
	102	109	110	110	108	108	108	114	118	114
<i>South Tongass Volunteer Fire Department</i>										
Stations	2	2	2	2	1	1	1	1	1	1
Volunteers	30	24	35	35	36	36	35	39	43	39
Fire Calls	51	55	53	41	32	31	33	67	34	29
Emergency Calls/EMS Incidents	157	129	124	135	121	141	113	101	96	125
Fire Investigations	7	7	6	7	6	5	7	6	5	7
<i>North Tongass Volunteer Fire Department</i>										
Stations	2	2	2	2	2	2	2	2	2	2
Volunteers	19	24	18	21	26	24	20	24	23	26
Fire Calls	13	21	16	10	21	40	26	24	25	43
Emergency Calls/EMS Incidents	234	232	186	154	207	156	113	126	145	149
Fire Investigations	2	1	0	1	1	1	0	0	0	0
<i>Elections</i>										
Registered Voters	11,319	10,401	10,286	10,071	9,963	9,836	10,065	10,105	10,354	10,255
Votes Cast Last Borough Election	2,739	2,158	2,762	2,204	2,233	2,407	1,554	1,849	2,127	2,189
% Voting Last Borough Election	24%	21%	27%	22%	22%	24%	15%	18%	21%	21%

KETCHIKAN GATEWAY BOROUGH

Table 15

Miscellaneous Statistics

June 30, 2018

	<u>2018</u>	<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>
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	8	6	6	6	6
Average Daily Treatment (gals)	180,000	180,000	180,000	180,000	180,000	180,000	100,000	100,000	100,000	100,000
Treatment Capacity (gals)	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000
Sewer Connections (Billable EDU's)	664	649	628	613	598	580	522	522	522	522
Sludge Pumping Customers	1,370	1,263	1,281	1,254	1,241	1,235	1,231	1,231	Not available	Not available
South Tongass Service Area:										
Water, Hydrant, Connections	485	485	485	427	405	404	402	402	402	402
Average Daily Treatment (gals)	175,000	175,000	175,000	175,000	175,000	175,000	149,533	149,533	149,533	149,533
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	124,000	118,984	107,646	94,251	89,013	102,390	100,568	99,072	96,160	100,851
Outbound Passengers	125,000	119,802	105,433	90,233	86,718	101,947	100,054	98,262	95,050	99,650
<i>Airport Ferry</i>										
Passengers	362,000	380,061	388,631	365,306	354,728	347,939	337,255	337,996	336,422	381,961
Vehicles	90,000	97,168	96,061	85,725	85,783	79,648	79,847	76,243	83,690	105,653
<i>Transit</i>										
Passengers	385,554	424,894	448,585	414,297	403,884	458,703	406,164	346,249	307,999	265,536
<i>Visitor Industry (Calendar Year)</i>										
Cruise Ship Passengers	925,000 est	899,975	865,428	856,653	812,950	791,108	778,899	835,325	925,517	930,459

Data supplied by Ketchikan Gateway Borough Department Directors



THIS PAGE INTENTIONALLY LEFT BLANK