FCC Form 481 - Carrier Annual Reporting Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	613013
<015>	Study Area Name	KETCHIKAN PUBLIC UT
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	Tina Bredehoft
<035>	Contact Telephone Number: Number of the person identified in data line <030>	9072285479 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	tinab@ktn-ak.us
	Form Type	54.313 and 54.422

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

(200) Service Outage Reporting (Voice)
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	613013
<015>	Study Area Name	KETCHIKAN PUBLIC UT
<020>	Program Year	2018
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<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

<210> For the prior calendar year, were there any reportable voice service outages? No

<220>

<a> NORS Reference Number	<b1> Outage Start Date	<b2> Outage Start Time	<b3> Outage End Date	<b4> Outage End Time	<c1> Number of Customers Affected	<c2> Total Number of Customers	<d> 911 Facilities Affected (Yes / No)	<e> Service Outage Description (Check all that apply)	<f> Did This Outage Affect Multiple Study Areas (Yes / No)	<g> Service Outage Resolution	<h> Preventative Procedures

(300) Unfulfilled Service Request
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	613013
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<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

<300> Unfulfilled service request (voice): 0

<310> Detail on attempts (voice)

Name of Attached Document

<320> Unfulfilled service request (broadband): 0

<330> Detail on attempts (broadband)

Name of Attached Document

Page 3

(400) Number of Complaints per 1,000 customers
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Tina Bredehoft
<035>	Contact Telephone Number - Number of person identified in data line <030>	9072285479 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed voice
<410>	Complaints per 1000 customers for fixed voice	0.0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed broadband
<440>	Complaints per 1000 customers for fixed broadband	0.0
<450>	Complaints per 1000 customers for mobile broadband	

(500) Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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<035>	Contact Telephone Number - Number of person identified in data line <030>	9072285479 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	613013ak510.pdf
<515>	Certify compliance with applicable minimum service standards	

(600) Functionality in Emergency Situations
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	613013
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<020>	Program Year	2018
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<035>	Contact Telephone Number - Number of person identified in data line <030>	9072285479 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	613013ak610.pdf

(700) Price Offerings including Voice Rate Data
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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<035>	Contact Telephone Number - Number of person identified in data line <030>	9072285479 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	0.09

<703>

<a1>	<a2>	<a3>	<b1>	<b2>	<b3>	<b4>	<b5>	<c>
State	**Exchange (ILEC)**	**SAC (CETC)**	**Rate Type**	**Residential Local Service Rate**	**State Subscriber Line Charge**	**State Universal Service Fee**	**Mandatory Extended Area Service Charge**	**Total per line Rates and Fees**

-- See attached worksheet --

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	613013
<015>	Study Area Name	KETCHIKAN PUBLIC UT
<020>	Program Year	2018
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<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

<711>

<a1>	<a2>	<b1>	<b2>	<c>	<d1>	<d2>	<d3>	<d4>
State	**Exchange (ILEC)**	**Residential Rate**	**State Regulated Fees**	**Total Rate and Fees**	**Broadband Service - Download Speed (Mbps)**	**Broadband Service - Upload Speed (Mbps)**	**Usage Allowance (GB)**	**Usage Allowance Action Taken When Limit Reached {*select*}**

-- See attached worksheet --

(800) Operating Companies
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

<810>	Reporting Carrier	Ketchikan Public Utilities
<811>	Holding Company	City of Ketchikan
<812>	Operating Company	City of Ketchikan

<813>

<a1>	<a2>	<a3>
Affiliates	**SAC**	**Doing Business As Company or Brand Designation**

-- See attached worksheet --

(900) Tribal Lands Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986 /OMB Control No. 3060-0819
July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

<900> Does the filing entity offer tribal land services? (Y/N) Yes

<910> Tribal Land(s) on which ETC Serves

Ketchikan Indian Community
Organized Village of Saxman

<920> Tribal Government Engagement Obligation

613013AK920.pdf

Name of Attached Document

If your company serves Tribal lands, please select (Yes,No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

		Select Yes or No or Not Applicable
<921>	Needs assessment and deployment planning with a focus on Tribal community anchor institutions.	Yes
<922>	Feasibility and sustainability planning;	Yes
<923>	Marketing services in a culturally sensitive manner;	Yes
<924>	Compliance with Rights of way processes	Yes
<925>	Compliance with Land Use permitting requirements	Yes
<926>	Compliance with Facilities Siting rules	Yes
<927>	Compliance with Environmental Review processes	Yes
<928>	Compliance with Cultural Preservation review processes	Yes
<929>	Compliance with Tribal Business and Licensing requirements.	Yes

(1000) Voice and Broadband Service Rate Comparability Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

<1000>	Voice services rate comparability certification	Yes
<1010>	Attach detailed description for voice services rate comparability compliance	Name of Attached Document
<1020>	Broadband comparability certification	Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau
<1030>	Attach detailed description for broadband comparability compliance	613013ak1030.pdf Name of Attached Document

(1100) No Terrestrial Backhaul Reporting Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	613013
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<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

<1100>	Certify whether terrestrial backhaul options exist (Y/N)	Yes
<1130>	Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).	

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(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

FCC Form 481
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July 2013

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<035>	Contact Telephone Number - Number of person identified in data line <030>	9072285479 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

613013ak1210.pdf

Name of Attached Document

<1220> Link to Public Website

HTTP http://www.kputel.com/

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ✓

<1222> Details on the number of minutes provided as part of the plan, ✓

<1223> Additional charges for toll calls, and rates for each such plan. ✓

(2005) Price Cap Carrier Additional Documentation
Data Collection Form
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	613013
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Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<2011> 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.

<2022> Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.

<2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.

<2024A> Round 2 Recipient of Incremental Support?

<2024B> Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.

Name of Attached Document Listing Required Information

<2025A> Round 2 Recipient of Incremental Support?

<2025B> Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).

Name of Attached Document Listing Required Information

<2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

(2005) Price Cap Carrier Additional Documentation
Data Collection Form
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

(3005) Rate Of Return Carrier Additional Documentation
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

	Progress Report on 5 Year Plan		
(3009)	Carrier certifies to 54.313(f)(1)(iii)	Yes - Attach Certification	
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}		613013ak3010.pdf
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	◉ ○
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	○ ◉
	Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:		
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		☐
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		☐
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	◉ ○
	If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:		
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		✓
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		✓
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		✓
	If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:		
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		☐
(3023)	Underlying information subjected to a review by an independent certified public accountant		☐
(3024)	Underlying information subjected to an officer certification.		☐
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		☐
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	Draft Watermark 6-23-17 Financial Statements with page numbers.pdf, Certified CAFR Delay.pdf, Ketchikan - late issuance of PERS 06302016 schedules.pdf

(3005) Rate Of Return Carrier Additional Documentation (Continued)

Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

Financial Data Summary

(3027) Revenue	18463623
(3028) Operating Expenses	18012214
(3029) Net Income	182838
(3030) Telephone Plant In Service(TPIS)	66872638
(3031) Total Assets	140283576
(3032) Total Debt	22389238
(3033) Total Equity	104459915
(3034) Dividends	0

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

(4005) Rural Broadband Experiment Additional Documentation Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

<010>	Study Area Code	613013
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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)
Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information _____

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information _____

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information _____

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients

I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.

Name of Reporting Carrier: KETCHIKAN PUBLIC UT

Signature of Authorized Officer: CERTIFIED ONLINE Date 06/28/2017

Printed name of Authorized Officer: Daniel Lindgren

Title or position of Authorized Officer: Assistant KPU Telecommunications Division Manager

Telephone number of Authorized Officer: 9072285439 ext.

Study Area Code of Reporting Carrier: 613013 Filing Due Date for this form: 07/03/2017

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier

I certify that (Name of Agent)_____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.

Name of Authorized Agent:

Name of Reporting Carrier:

Signature of Authorized Officer: Date:

Printed name of Authorized Officer:

Title or position of Authorized Officer:

Telephone number of Authorized Officer:

Study Area Code of Reporting Carrier: Filing Due Date for this form:

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier

I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.

Name of Reporting Carrier:

Name of Authorized Agent Firm:

Signature of Authorized Agent or Employee of Agent: Date:

Name of Authorized Agent Employee:

Title or position of Authorized Agent or Employee of Agent

Telephone number of Authorized Agent or Employee of Agent:

Study Area Code of Reporting Carrier: Filing Due Date for this form:

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CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Attachments

(700) Price Offerings including Voice Rate Data
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	613013
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<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Tina Bredehoft
<035>	Contact Telephone Number - Number of person identified in data line <030>	9072285479 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	0.09

<703>

<a1>	<a2>	<a3>	<b1>	<b2>	<b3>	<b4>	<b5>	<c>
State	Exchange (ILEC)	SAC (CETC)	Rate Type	Residential Local Service Rate	State Subscriber Line Charge	State Universal Service Fee	Mandatory Extended Area Service Charge	Total per line Rates and Fees
AK	Ketchikan Public UT		FR	10.4	5.75	2.29	0.0	18.44
AK	Ketchikan Public UT		FR	16.45	5.75	3.15	0.0	25.35

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	613013
<015>	Study Area Name	KETCHIKAN PUBLIC UT
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Tina Bredehoft
<035>	Contact Telephone Number - Number of person identified in data line <030>	9072285479 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

<711>

<a1> State	<a2> Exchange (ILEC)	<b1> Residential Rate	<b2> State Regulated Fees	<c> Total Rates and Fees	<d1> Broadband Service - Download Speed (Mbps)	<d2> Broadband Service -Upload Speed (Mbps)	<d3> Usage Allowance (GB)	<d4> Usage Allowance Action Taken When Limit Reached {select}
AK	Ketchikan Public UT	34.95	0.0	34.95	1.5	0.5	100.0	Overage Charge
AK	Ketchikan Public UT	49.95	0.0	49.95	3.0	1.0	150.0	Overage Charge
AK	Ketchikan Public UT	59.95	0.0	59.95	5.0	1.0	200.0	Overage Charge
AK	Ketchikan Public UT	74.95	0.0	74.95	10.0	1.0	150.0	Overage Charge
AK	Ketchikan Public UT	74.95	0.0	74.95	10.0	5.0	150.0	Overage Charge
AK	Ketchikan Public UT	99.95	0.0	99.95	15.0	5.0	250.0	Overage Charge
AK	Ketchikan Public UT	109.95	0.0	109.95	30.0	5.0	250.0	Overage Charge
AK	Ketchikan Public UT	129.95	0.0	129.95	100.0	10.0	300.0	Overage Charge
AK	Ketchikan Public UT	199.95	0.0	199.95	250.0	25.0	600.0	Overage Charge
AK	Ketchikan Public UT	79.95	0.0	79.95	3.0	1.0	999999.0	Other, Unlimited
AK	Ketchikan Public UT	89.95	0.0	89.95	5.0	1.0	999999.0	Other, Unlimited
AK	Ketchikan Public UT	104.95	0.0	104.95	10.0	1.0	999999.0	Other, Unlimited
AK	Ketchikan Public UT	104.95	0.0	104.95	10.0	5.0	999999.0	Other, Unlimited
AK	Ketchikan Public UT	129.95	0.0	129.95	15.0	5.0	999999.0	Other, Unlimited
AK	Ketchikan Public UT	139.95	0.0	139.95	30.0	5.0	999999.0	Other, Unlimited
AK	Ketchikan Public UT	159.95	0.0	159.95	100.0	10.0	999999.0	Other, Unlimited
AK	Ketchikan Public UT	229.95	0.0	229.95	250.0	25.0	999999.0	Other, Unlimited

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

(800) Operating Companies
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	613013
<015>	Study Area Name	KETCHIKAN PUBLIC UT
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Tina Bredehoft
<035>	Contact Telephone Number - Number of person identified in data line <030>	9072285479 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	tinab@ktn-ak.us

<810>	Reporting Carrier	Ketchikan Public Utilities
<811>	Holding Company	City of Ketchikan
<812>	Operating Company	City of Ketchikan

<813>

<a1>	<a2>	<a3>
Affiliates	**SAC**	**Doing Business As Company or Brand Designation**
City of Ketchikan	613013	Ketchikan Public Utilities

KPU Telecommunications
2970 Tongass Avenue
Ketchikan, AK 99901

Phone (907) 225-1000
Fax (907) 225-1788

The City of Ketchikan d/b/a Ketchikan Public Utilities (KPU), study area code 613013, files an annual ETC report in compliance with Alaska Administrative Code (AAC). KPU submitted our last compliance report to the Regulatory Commission of Alaska on June 23, 2017. Our company's adherence to regulations is required for certification and our compliance to State standards is presented in our annual ETC report.

Line (500) Service Quality Standards & Consumer Protection Rules Compliance

KPU certifies that it complies with the requirements set out in 3 AAC 53.450 (a) and (c) which states:

(a) An eligible telecommunications carrier shall maintain at least one business office, with toll-free calling if necessary, staffed during commission business hours, to provide customers with access to personnel who can timely provide information on services and rates, accept and process service applications, explain and adjust bills, and generally represent the carrier
(b) KPU respectfully requests a waiver of this subjection as it does not pertain to ILECs.
(c) An eligible telecommunications carrier shall commit to maintaining, in an easily accessible location on the company website, consumer complaint procedures.

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Line (600) Functionality in Emergency Situations

KPU certifies that it complies with the requirements set out in 3 AAC 53.410(a)(12) which states:

> (12) a certification that the common carrier has and will continue to take steps to remain functional in emergency situations by
>
> (A) maintaining at least eight hours of backup power to ensure functionality without local alternating current (AC) commercial power;
>
> (B) establishing to the extent feasible the ability to reroute traffic around damaged facilities and to manage traffic spikes resulting from emergency situations; and
>
> (C) establishing procedures for employees to follow in an emergency to prevent or minimize interruption or impairment of telecommunications services.

Additionally, KPU certifies it complies with the requirements set out in C.F.R § 5.202(a)(2) which states:

> (2) Demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations

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(920) Tribal Government Engagement Obligation

There are two federally recognized tribes in the KPU Telecommunications service area. During 2015 KPU attempted to engage with the Tribal governments by mailing letters to each administrator encouraging them to contact KPU.

KPU mailed out letters advising both the Organized Village of Saxman and Ketchikan Indian Community of the divisions filing of FCC Form 555 with additional information regarding the Lifeline program with brochures and applications, this enables them to educate their members of programs they may be eligible for.

USAC provided a technical assistance workshop for Tribal communities, and KPU mailed out letters with additional information regarding the workshop. This enabled both Tribal governments with the opportunity to gain additional information about applying for E-Rate funds if they chose to do so.

KPU mailed out letters to both Tribal governments expressing our continuing desire to assist with assessment and deployment planning with a focus on their role as anchor institutions within the Tribal communities, along with feasibility and sustainability assessment.

KPU has been in continual support with advertising and marketing, providing programming via our local TV production team to create programming which showcases and promotes our local culture.

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Ketchikan, AK 99901

Phone (907) 225-1000
Fax (907) 225-1788

As shown below, the KPU Internet Service Plans and Rates are in compliance with the broadband service rate comparability requirements as required in 47 CFR 54.313(a)(12) for Alaska Plan companies. The comparisons below are made utilizing the FCC Public Notice DA-17-346 released April 11, 2017 and the Internet service rates offered by KPU as of April 19, 2017.

Since KPU Internet Service plans allow less Capacity than required in DA-17-346, KPU added our "Unlimited Download" charge that customers may order for an additional $30 per month. Adding the Unlimited Download charge to the required Capacity Allowance while still remaining under the AK Benchmark amounts. Internet service Retail Rate the customer is able to achieve the required Capacity Allowance while still remaining under the AK Benchmark amounts.

Alaska Plan Benchmarks (DA-17-346)				KPU Internet Service Plans and Rates						
Download Speed (Mbps)	Upload Speed (Mbps)	Capacity Allowance (GB)	AK Benchmark	Download Speed (Mbps)	Upload Speed (Mbps)	Capacity Allowance (GB)	Retail Rate	Unlimited Download Rate	Retail Rate w/Unlimited Download	Satisfies broadband service rate comparibility (Yes or No)
4	1	160	$ 88.34	5	5	50	$ 49.95	$ 30.00	$ 79.95	**Yes**
10	1	160	$ 99.90	10	10	100	$ 59.95	$ 30.00	$ 89.95	**Yes**
25	3	160	$ 111.97	30	30	150	$ 74.95	$ 30.00	$ 104.95	**Yes**
50	5	160	$ 120.95	100	100	250	$ 89.95	N/A	$ 89.95	**Yes**

KPU Telecommunications
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Ketchikan, AK 99901

Phone (907) 225-1000
Fax (907) 225-1788

Lifeline Terms and Conditions are published in the Municipal Code section on the City of Ketchikan website under Telecommunications Service and Rates.

http://www.codepublishing.com/AK/Ketchikan/

Chapter 11.12
Section 11.12.07(a)(8)

(8) Lifeline Service. Lifeline services provide eligible low-income customers a reduction in their monthly service charges for supported services. Lifeline service is provided pursuant to the following federal and state regulations as may be changed from time to time:

Code of Federal Regulations, Title 47, Chapter 1, Subchapter 1, part 54, Subpart E entitled "Universal Service Support for Low-Income Consumers." The Code of Federal Regulations can be found at http://www.ecfr.gov.

Alaska Administrative Code 3 AAC 53.390 entitled "Lifeline and link up eligibility." The Alaska Administrative Code can be found at http://www.legis.state.ak.us.

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Ketchikan, AK 99901

Phone (907) 225-1000
Fax (907) 225-1788

613013ak3010

The City of Ketchikan d/b/a Ketchikan Public Utilities (KPU), study area code 613013 provides, upon reasonable request, a minimum of 10 mbps downstream and 1 mbps upstream with latency of 100mS or less, sufficient for real time applications, including Voice of Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas as determined in an annual survey, and that requests for such service are met within a reasonable amount of time.

Line (3010) Certification of Public Interest Obligations

KPU certifies that it complies with the requirements set out in 47 C.F.R §54.313(f)(1)(i), which states:

> (i) A certification that it is taking reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas as determined in an annual survey, and that requests for such service are met within a reasonable amount of time; or if the rate-of-return carrier is receiving Alaska Plan support pursuant to §54.306, a certification that it is offering broadband service with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, and at speeds committed to in its approved performance plan to the locations it has reported pursuant to §54.316(a), subject to any limitations due to the availability of backhaul as specified in paragraph (g) of this section.

City of Ketchikan

Alaska

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2016

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Rotary Beach - Photograph by Cameo McRoberts

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CITY OF KETCHIKAN, ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2016

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Prepared by:

FINANCE DEPARTMENT

Robert E. Newell, Jr., CPA
Director of Finance

Michelle L. Johansen
Controller

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LETTER OF TRANSMITTAL

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June 30, 2017

Honorable Mayor, Members of the City Council, and the Citizens
of the City of Ketchikan, Alaska

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Ketchikan, Alaska for the year ended December 31, 2016. Section 5.2 of the City Charter requires an independent audit of the City's financial records and transactions by a certified public accountant within four months after the end of the City's fiscal year. The City Council was notified on May 18, 2017 that the audit would be delayed due not receiving the from the State of Alaska the audited information required to comply Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pension".

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Introduction To The Report

The CAFR was prepared by the City of Ketchikan Finance Department. 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 City's assets from loss, theft, or misuse and to maintain sufficient reliable information for the preparation of the City'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 assert, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by Teuscher & Walpole, LLC. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the year ended December 31, 2016 are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

As a recipient of federal and state financial assistance, the City is generally required as part of its annual audit to undergo a federal single audit and a state single audit. Single audits are designed to provide grantors with assurances regarding federal and state grants that have been awarded to the City. A federal single audit was not required for 2016 because the City did not meet the threshold requirements. The state single audit was performed in accordance with the State of Alaska Single Audit Regulation 2 AAC 45.010 and *Audit Guide and Compliance Supplement for State Single Audits*. This audit was designed to meet the special needs of state grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. Information related to these single audits, when applicable, including the Schedules of Expenditures of Federal Awards and State Financial Assistance, the auditor's reports on the internal control and compliance with applicable laws and regulations, and the schedules of findings and questioned costs are included in separately issued reports.

The narrative introduction, overview and analysis accompanying the basic financial statements entitled, "Management's Discussion and Analysis" (MD&A) provides an objective and easy-to-read analysis of the finances of the City. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report in Financial Section of the CAFR.

Profile of the Government

The City of Ketchikan, incorporated in 1900, is a community of 8,191 and is the fifth largest city in Alaska. Located on Revillagigedo Island in southern Southeast Alaska, and within the boundaries of the Tongass National Forest, Ketchikan is 680 miles north of Seattle, Washington, and 230 miles south of Alaska's capital, Juneau. Ketchikan is the largest city located within the Ketchikan Gateway Borough and occupies five square miles. The population of the Borough is 13,758.

The City is a home rule municipality operating under the Council-Manager form of government. The Mayor and the seven-member City Council are elected for staggered three-year terms by the community at large. Local elections are held annually in October. The governing board is responsible for enacting ordinances, adopting the annual budget, establishing policy, and appointing a City Manager/Utility General Manager, a City Clerk and a City Attorney.

The City Manager/Utility General Manager serves at the pleasure of the City Council and is responsible for implementing the ordinances and policies of the governing board; and overseeing the daily operations of general government and the City's public utilities, including Ketchikan Public Utilities (KPU), the municipally owned electric, telecommunications and water utility.

The City provides a full range of government services, including police and fire protection; emergency medical services; cemetery; library; museum; harbors; parking; street maintenance and improvements; and solid waste collection and disposal. The City operates three enterprise funds that provide port, wastewater, and electric, telephone and water utility services and owns the community's largest health care facility.

The annual budget serves as the foundation for the City's financial planning and control. In the fall of each year, departments of the City are required to submit requests for appropriations and capital projects to the City Manager/KPU General Manager. The City Manager/KPU General Manager uses these requests as the basis for developing a proposed annual budget and five-year capital improvement plan and presents both spending plans to the City Council for review in November. The City Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than three days before the start of the City's fiscal year, which begins on January 1. The appropriated budget is prepared by fund and department. The City Manager/KPU General Manager may make limited transfers of appropriations within a department. Transfers of appropriations that exceed the City Manager/KPU General Manager's authority, between departments and reserves require approval of the City Council. 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 governmental funds of the City, this comparison is presented as required supplementary information. For non-major government funds with appropriated budgets, this comparison is presented in the governmental funds subsection of this report.

Local Economy

The information presented in the City's annual financial report is perhaps best understood when it is considered in the context of the local economy in which the City is a participant. From the moment of the City's founding in 1900, the local economy has been based on natural resources. During the early 1900's mining and fishing were important area industries. At one point in its history, Ketchikan was known as the "Salmon Capital of the World". By the 1950's, mining's role in the local economy had diminished and fishing was in the process of being replaced by timber as the major industry that would drive the local economy for nearly fifty years. This transition occurred because two 50-year timber contracts to cut timber in the Tongass National Forest were awarded by the US Forest Service. The contracts resulted in the construction of two major pulp mill facilities, one of which was located in Ketchikan, and the development of several saw mills in and near Ketchikan.

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For most of the second half of the 20th Century, the fishing and timber industries co-existed and the community enjoyed the benefits of a stable economy that grew at a slow, but consistent pace. By the time the 1990's arrived, both industries were under duress. The fishing industry was suffering from high operating costs, excessive inventories, low market prices and competition from farmed fish. The timber industry was faced with addressing environmental issues; changing government regulations that affected the supply of timber from the Tongass National Forest and impacted the cost of doing business; and the premature cancellation of the 50-year timber contracts. Overcoming these issues was difficult at best and eventually resulted in the closure of the Ketchikan pulp mill facility in 1997 and the subsequent closure of a several local saw mills and other regional timber operations in Southeast Alaska.

Ketchikan's economy is still dependent on natural resources but it has transitioned from one that is based primarily on the extraction and development of natural resources to one that is more focused on the preservation of natural resources so they can be shared with future generations from around the world. The fishing industry continues to play an important role in the local economy and the mining industry is attempting to make a comeback through efforts to develop two rare earth and precious metal mines near Ketchikan that are currently in the exploratory stages. Ketchikan's most dominant economic sector is tourism and its popularity as a major port of call for large cruise ships and their passengers continues to grow. The number of paying passengers arriving by large cruise ships has increased from 236,000 in 1990 to 936,000 in 2016. The most recent forecast for 2017 estimates that 35 large cruise ships will make 491 stops and bring a record breaking 1 million passengers to the community. The growth in tourism has led local government and private businesses to make significant investments in the land-based facilities and port infrastructure necessary to accommodate the needs of the industry. The City invested over $40 million dollars in 2006 to expand and improve its port berthing facilities. Private companies have invested millions of dollars to develop a retail complex at the former Spruce Mill property and Berth IV and its adjacent ground transportation area. The City recently completed phase three of a $26 million four-phase project to replace Berths I and II. Phase four will be completed in May 2017. Upon completion of phase four, the City will have substantially upgraded its port infrastructure with four modern cruise ship berths capable of serving approximately 1.8 million passengers annually.

The City is a major contributor to the community's economy and has played an important role in planning and supporting economic development. The City is the community's sole provider of electric utility services; the largest provider of port and harbor services; a major provider of telecommunication services; the owner of the Ketchikan Medical Center, a major regional health care facility; and the lead local governmental agency responsible for constructing and maintaining a significant portion of the community's transportation infrastructure, all of which affect the overall direction and health of the local economy. The City, with an annual payroll of $20.9 million is one of the community's top five employers.

The City is located within the boundaries of the Ketchikan Gateway Borough, which had a population of 13,758 in 2016. Approximately 60 percent of the community's population, or 8,191 residents, make their home within the city limits. The City's population peaked in 1997 at 8,552, the last year of operations for the Ketchikan Pulp Company. School enrollment also peaked in 1997 at 2,782 pupils and has since followed a similar downward trend, until bottoming out at 2,110 students in 2009. In 2016, the Ketchikan Gateway Borough School District reported an enrollment of 2,296 pupils, an increase of 57 pupils from 2015.

The shift in the local economy from timber to tourism has resulted in a labor force that has become more seasonal. In 2016, the monthly employment varied between 6,411 and 7,960. The average employed labor force in 2016 was 7,028 with employment peaking at 7,960 in July. The average labor force in 2015 was 6,950. The average annual unemployment rate for 2016 was 6.2 percent, a decrease from the 6.8 percent that was reported for 2015. Per capita income in the Ketchikan Gateway Borough for 2013, 2014 and 2015 was $58,086, $60,957 and $63,235, respectively. No figures were available for 2016.

In 2016, assessed values increased by 2.89% to $898.7 million $873.5 million. The projected change in assessed values for 2017 is less than 1%. Assessed values appear to be entering another period of little or no appreciation. Gross retail sales decreased from $597.1 million in 2015 to $575.9 million in 2016, or 3.6 percent and taxable retail sales decreased by .7% to $283.9 million. The City collected $11.36 million in sales tax revenues in 2016, or $76,832 less than 2015. Sales tax collections for 2017 are projected to be comparable to the amount collected in 2016.

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Long-Term Financial Planning and Relevant Financial Policies

The mission of the City is to provide cost effective programs and services consistent with the goals of preserving and enhancing the current quality of life enjoyed by the citizens of Ketchikan. The long-term financial planning efforts of the City are directed towards identifying events and situations that may hinder the City's ability to achieve these goals, taking proactive or preemptive roles in developing strategic solutions to address the challenges that have been presented, and developing reasonable and prudent plans for ensuring that the City has the financial resources available to carry out its strategic solutions. In this context, the governing board and management of the City strive to promote policies and adopt plans that:

- Minimize the local tax burden and support reasonable and equitable fees for local government services.
- Encourage the development of reliable utility services that are adequate to meet the demands of the community at affordable rates that encourage private investment in the community.
- Actively address state mandates or regulatory issues that threaten to increase the cost of local government.
- Support full funding for the development and maintenance of infrastructure necessary to encourage economic development in the community and maintain Ketchikan's position as the major economic hub of Southern Southeast Alaska.

Harbors Development – The community's five harbors serve the boating public, commercial fishermen and other commercial marine enterprises. These harbors used to be owned and maintained by the State of Alaska until they were transferred to the City over the course of several years, with the first transfer taking place in 2001. Under State ownership, the harbors were not well maintained and many of the transferred harbors had fallen into disrepair. Since assuming ownership of the harbors, the City has undertaken an aggressive capital improvement program to improve the conditions of its harbors. In the past 7 years, the City has leveraged a $5 million general obligation bond issue to secure federal, state and borough grants, and used its share of the proceeds from the State's Commercial Passenger Vessel Excise and Raw Fish Taxes to construct nearly $21 million of improvements for the harbors. The last remaining step took place in early 2017, when the City Council approved the fifth and final rate increase required for the debt service on the $5 million general obligation bond. The City Council has now turned its attention towards implementing a systematic plan for maintaining the harbors in manner that will minimize deferred maintenance and keep future rate increases for harbor users in line with other communities in Southeast Alaska.

Sale of the Telecommunications Utility – On April 6, 2010, the qualified voters of the City passed a ballot proposition authorizing a sale of the City owned telecommunication utility by a vote of 388 to 375. This proposition was driven by growing concerns about KPU Telecommunications' long-term ability to participate financially in a very competitive industry that requires continuing investments in technology and infrastructure necessary to meet consumer demand for new and innovated telecommunication products and services. Since 2010, the City has been working with a broker specializing in purchasing and selling telecommunication properties. Discussions have been held with potential buyers but none of discussions resulted in an offer that could be presented to the City Council for consideration. The City's broker has recently identified potential qualified buyers that have expressed an interest in acquiring the City's telecommunications utility. The City is in the process of working with its broker to update the confidential information memorandum that contains proprietary information concerning the operations and finances of KPU Telecommunications that are typically of interest to prospective buyers. The City anticipates that its broker will actively seek offers from the buyers during the summer of 2017. If a sale does occur, the City will face several fiscal challenges operating its electric and water utilities without the subsidies that have been provided by the telecommunications utilities.

State Fiscal Challenges – The State of Alaska is an oil producing state that relies heavily on taxes assessed against oil companies operating the oil fields located in the state to fund its operating and capital budgets. The recent decline in oil prices has had a dramatic impact on the State's revenue forecast for its upcoming fiscal year, which begins on July 1, 2016. Absent any significant reductions in spending or new revenue sources, the State is facing a $2.7 billion budgetary shortfall in Fiscal Year 2018. The fiscal health of the State is important to the City and other local governments around the State. Some of the potential impacts are as follows:

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- The City historically receives about $460,000 annually in revenue sharing from the State. This is an equivalent to six-tenths of a property tax mill. This program has been substantially reduced and the City expects that its share for the upcoming fiscal year will amount to about $188,000.
- State employees account for approximately 9.2% of the local labor force. The loss of State jobs in the community has the potential to impact all sectors of Ketchikan's economy, property values and tax revenues.
- Nearly all municipalities in the State of Alaska participate in the Alaska Public Employees Retirement System. Currently, each employer contributes to the PERS at the statutory rate of 22% of wages. The actuarially required contribution (ARC) is generally higher. For the State fiscal year beginning July 1, 2016, the ARC was determined to be 26.14%. The State currently pays the difference between the ARC and the employer contribution rate of 22% in the form of on-behalf payments to the PERS. The Alaska Legislature has discussed changes to the statutes that would require municipalities to pay a higher contribution rate. It appears for fiscal year beginning July 1, 2017 no changes will be forthcoming but the future action by the Alaska Legislature may be warranted if the State's fiscal condition does not improve or if the investments of the retirement system incur significant losses.
- The State is considering a multitude of new revenue options to replace oil based revenues. Some of the options include a state sales tax, state income tax and tapping into the Alaska Permanent Fund. The Alaska Permanent Fund Dividend has already been reduced by 50% in order to lower the State's projected operating deficit for Fiscal Year 2017. The Alaska Legislature is reviewing several income tax options, one of which was recently approved by the House. The Senate has yet to take any actions on an income tax. All of the options being considered by the Alaska Legislature have the potential to reduce municipal revenue sharing, disposable income and potentially affect retail sales and jobs in the community.

Depending on the duration of the depressed oil prices and how the State decides to address its fiscal challenges, the City may have to adjust its long-term planning to account for the loss of revenues and employment opportunities from the State.

Property Tax and Debt Policies – The City currently subscribes to a policy of maintaining a stable property tax levy in order to promote Ketchikan as an attractive place to live and encourage economic development. Changes in the property tax levy are made in the context of a long-term perspective. As a result, increases or decreases in the property tax levy are made only if the long-term financial needs of the City warrant such changes. Short-term financial needs are addressed by making adjustments to the reserves of the City's general fund. The policy has been successful since 1990. During this period, the City's mill rate has ranged between 6.1 and 8.7. The City has lowered its mill rate six times and raised it twice. The current mill rate is 6.7.

The City Charter requires that the voters ratify all general obligation and revenue bonds issued by the City at either a special or regular municipal election. The primary resources for debt service on the City's general obligation bonds are property and sales taxes. The City currently limits the issuance of revenue bonds to finance improvements for its electric, telecommunications, water and wastewater utilities and its port operations. In addition, revenue bonds can only be issued provided that the net revenue available from the pledged activities is equal to or greater than 1.25 times annual debt service after the issuance of the revenue bonds.

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Major Initiatives

The City is a part of a progressive community that seeks to improve the quality of life for its citizens. During 2016, a number of initiatives were undertaken by the City to improve the utility infrastructure, encourage economic development, enhance public safety and public health, promote the education and cultural experience of its citizens, and improve administrative efficiencies of city government. Some of the major initiatives are as follows:

- Refunded the 2006 Port Revenue Bond and the 2005 Series T KPU Revenue Bond and achieved debt service savings of $6.6 million and $220,000 respectively.

- Issued the 2016 Harbor General Obligation Bond in the amount of $2 million to finance improvements to the City's harbor infrastructure.

- Substantially completed $62 million of Phase I improvements to the Ketchikan Medical Center. The improvements include a new surgical suite and clinical facilities.

- Implemented a 5% marijuana sales tax on retail marijuana sales occurring within the City. This tax is in addition to the City's regular 4% sales tax.

- Adopted a local purchasing policy to encourage more municipal purchases from local businesses and simplify the City's procurement policies for purchases under $50,000.

- Began offering wireless phone service through KPU Telecommunications. KPU Telecommunications is a division of Ketchikan Public Utilities, a public utility owned and operated by the City.

- Completed $4.3 million of improvement to the Hole-in-the-Wall and Thomas Basin harbors.

- Completed the $4.2 million Thomas Basin Seawall. This project is an integral component of the Waterfront Promenade, which extends from Berth IV to the Stedman Street Historical District.

- Awarded a $1.26 million contract to renovate the Centennial Building. This facility used to house the City's museum and library. The library was relocated to a new facility in 2012 and the Centennial Building is now being used exclusively by the City's museum and the renovations are being undertaken to repurpose the Centennial Building to meet the needs of the City's museum.

- Successfully repaired one of the City's four large cruise ship berths that was damaged at the beginning of the 2016 tourism season when it was struck by a cruise ship and rendered inoperable. The incident could have potentially ruined the entire season for many of the shore side businesses dependent on the tourism industry. This would also have had negative impact on City sales tax revenues. Fortunately, the City was able to restore full service to the damaged berth 26 days after it was struck and the 2016 season ended up being one of the better seasons on record.

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Awards and 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 the City for its comprehensive annual financial report for the fiscal year ended December 31, 2015. This was the thirty-seventh year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied 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 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report was a team effort on the part of the professional staff of the Finance Department. Without their efforts, it would not have been possible to produce this report. Each member worked many extra hours and exhibited an extraordinary effort to ensure the accuracy and timeliness of this report. We appreciate their dedication and the contributions they made to this effort. These individuals are:

Stan Aegerter	Patty Keeley
Anita Beaudoin	Camille Nelson
Gretchen Blanchard	Korry Olsen
Vickie Boyd	Dara Otness
Cristina Doyle	Tracey Sader
Sierra Fourwinds	Terry Sivertsen
Joe Graham	

We would also like to express our appreciation to City Manager Karl Amylon and personnel from other City departments who assisted us in the preparation of this financial report. Finally, we would like to thank the Mayor and members of the City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Robert E. Newell, Jr., CPA
Finance Director

Michelle L. Johansen
Controller

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ketchikan

Alaska

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

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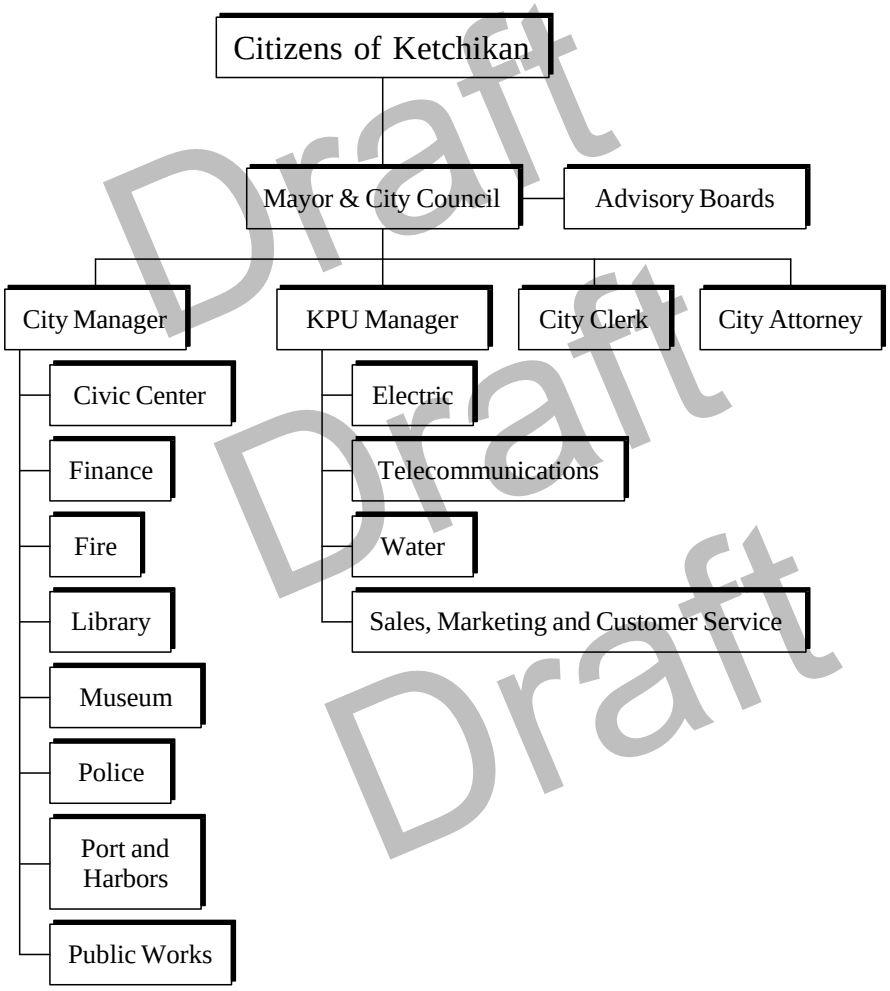
CITY OF KETCHIKAN, ALASKA
ORGANIZATIONAL CHART
DECEMBER 31, 2016



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CITY OF KETCHIKAN, ALASKA

PRINCIPAL CITY OFFICIALS

December 31, 2016

MAYOR AND CITY COUNCIL

City Mayor	*Lew Williams III*
City Councilmember	*Mark Flora*
City Councilmember	*Janalee Gage*
City Councilmember	*Julie Isom*
City Councilmember	*Robert Sivertsen*
City Councilmember	*David Kiffer*
City Councilmember	*Judy Zenge*
City Councilmember	*Richard Coose*

CITY STAFF

City Manager/KPU General Manager	*Karl R. Amylon*
City Clerk	*Katherine M. Suiter*
City Attorney	*Mitchell A. Seaver*
Finance Director	*Robert E. Newell, Jr.*
Police Chief	*Alan W. Bengaard*
Fire Chief	*Abner L. Hoage*
Public Works Director/Engineering Mgr.	*Mark W. Hilson*
Acting Library Director	*Lisa A. Pearson*
Acting Museum Director	*Anita A. Maxwell*
Civic Center Manager	*Alice M. Nelson*
Port and Harbors Director	*Steven R. Corporon*
Telecommunications Utility Manager	*Edward L. Cushing*
Water Utility Manager	*John C. Kleinegger*
Electric Utility Manager	*Andrew R. Donato*
Sales, Marketing & Customer Service Manager	*Kim N. Simpson*

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INDEPENDENT AUDITOR'S REPORT

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Ketchikan is pleased to provide the users of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2016. We encourage users to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the information included in the notes to the financial statements.

Financial Highlights

- The City's assets exceeded its liabilities by $342.49 million (net position) for the calendar year reported.

- Total net position is comprised of the following:

  1) Net investment in capital assets of $287.47 million, include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  2) Resources of $19.74 million restricted by constraints imposed from outside the City such as debt covenants, granting agencies, laws, or regulations.
  3) Unrestricted resources of $35.28 million available to maintain the City's continuing obligations to its citizens and creditors.

- The City's governmental funds reported total ending fund balance of $35.26 million this year. This compares to the prior year ending fund balance of $46.25 million.

- At the end of the current calendar year, unassigned fund balance for the General Fund was $4.08 million, or 19.2 percent of total General Fund expenditures. This was a decrease of $.1 million from the prior year. The General Fund also reported an operating surplus of $.62 million. The prior year operating surplus was $.56 million.

- The City's proprietary funds reported total ending net position of $161.19 million this year. This compares to the prior year net position of $161.08 million, a decrease of $.11 million.

- The City's mill rate remained at 6.7. The City has only increased its mill rate twice in the past 26 years. The increase was primarily due to the issuance of general obligation bonds to finance the construction of a new library and fire station,

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

Overview of the Financial Statements

This discussion and analysis introduces the City'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 City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City'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.

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 City's assets and liabilities, with the difference reported as *net*

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position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as the diversification of the taxpayer base or the condition of City 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 City's net position changed during the current calendar 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 City's distinct activities or functions on revenues provided by the City's taxpayers.

Both of the government-wide financial statements distinguish governmental activities of the City 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, public safety, public works, culture, harbors, and health and welfare. Business-type activities include Ketchikan Public Utilities (KPU), the Port of Ketchikan and wastewater utility services.

Fund Financial Statements

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

The City 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 City's governmental funds. These statements report short-term calendar 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.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has five proprietary funds; three 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 City organization for electric, water, telecommunications and wastewater utilities and port facilities.

Internal service funds are an accounting mechanism used to accumulate and allocate costs internally among the City's various functions. The City uses internal funds to account for its risk management and insurance programs and compensated absences. Internal service fund assets and liabilities are predominantly governmental and have been included in the governmental activities of the government-wide statements of net position.

Notes to the Basic Financial Statements

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

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Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget presentations. A budgetary comparison schedule is included as "required supplementary information" for the general fund. The schedule demonstrates compliance with the City's adopted and final revised budget.

Supplementary Information

As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for nonmajor funds are presented as supplementary information in this report.

Government-wide Financial Analysis

Statement of Net Position

The City's net position at December 31, 2016 and 2015 totaled $342.49 million and $336.09 million, respectively. The net position of the City, as a whole, increased by $6.40 million. The following table summarizes the net position of the City's governmental and business-type activities:

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BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Assets						
Current and other assets	$ 47,423,733	$ 61,548,354	$ 45,875,407	$ 44,527,873	$ 93,299,140	$ 106,076,227
Capital assets	214,576,053	194,572,336	182,564,917	184,451,776	397,140,970	379,024,112
Total assets	261,999,786	256,120,690	228,440,324	228,979,649	490,440,110	485,100,339
Deferred outflows of resources	3,155,579	1,139,053	920,334	351,391	4,075,913	1,490,444
Liabilities						
Current and other liabilities	8,868,731	11,937,989	8,618,234	7,040,210	17,486,965	18,978,199
Long-term liabilities	74,778,576	70,044,490	58,973,187	61,148,336	133,751,763	131,192,826
Total liablities	83,647,307	81,982,479	67,591,421	68,188,546	151,238,728	150,171,025
Deferred inflows of resources	205,839	274,279	580,233	58,925	786,072	333,204
Net Position						
Net investment in capital assets	162,340,844	154,659,112	125,126,654	124,231,729	287,467,498	278,890,841
Restricted	10,730,407	13,033,820	9,010,568	10,116,562	19,740,975	23,150,382
Unrestricted	8,230,968	7,310,053	27,051,782	26,735,278	35,282,750	34,045,331
Total net position	$ 181,302,219	$ 175,002,985	$ 161,189,004	$ 161,083,569	$ 342,491,223	$ 336,086,554

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The largest component of the City's net position is its net investment in capital assets. The City's net investment in capital assets accounts for 83.9 percent of its net position. These capital assets include land, buildings, equipment, vehicles, and infrastructure used to provide services to the citizens of the City. These assets are not available for future spending. For the City as a whole, its net investment in capital assets increased by $8.58 million. The net investment in capital assets for the City's governmental activities increased by $7.68 million and the net investment in capital assets for business-type activities increased by $.9 million.

Approximately 5.8 percent of the City's net position is restricted because of limitations placed on how these resources may be used. Included are resources restricted for debt service, bond proceeds for capital improvements, Commercial Passenger Vessel Excise Tax funds for services provided to passengers and program specific resources accounted for in special revenue funds. Programs provided by the City include solid waste collection and disposal, harbors, and cemetery services.

A portion of the City's net position is unrestricted and may be available to meet the City's ongoing financial obligations. This portion represents resources not restricted by external requirements nor invested in capital assets. The unrestricted portion of net position amounted to $35.28 million, or 10.3 percent, of total net position. This is an increase of $1.24 million from 2015. Unrestricted net position reported for the City's governmental activities increased by $.92 million and the unrestricted net position of the City's business-type activities increased by $.32 million.

Net position may serve over time as a useful indicator of a government's financial position. Since the City began reporting its net position in 2003, it has increased from $207.16 million to $342.49 million. Over the past 13 years, the City's financial position has improved by $135.33 million, or 65.3 percent.

Changes in Net Position

The City's net position increased $6.40 million in 2016. The net position for governmental activities increased $6.29 million and business-type activities increased $.11 million. The following table provides a summary of the changes in the City's net position:

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program:						
Charges for services	$ 7,096,719	$ 6,746,378	$ 50,719,677	$ 48,743,091	$ 57,816,396	$ 55,489,469
Operating grants and contributions	2,704,413	4,124,392	155,750	630,204	2,860,163	4,754,596
Capital grants and contributions	7,692,835	11,913,259	803,254	1,397,000	8,496,089	13,310,259
General:					-	-
Taxes	17,513,627	17,519,557	-	-	17,513,627	17,519,557
Other	642,745	932,460	652,739	509,767	1,295,484	1,442,227
Total revenues	35,650,339	41,236,046	52,331,420	51,280,062	87,981,759	92,516,108
	-					
Expenses:						
General government	2,893,754	3,212,276	-	-	2,893,754	3,212,276
Public safety	10,143,345	10,784,857	-	-	10,143,345	10,784,857
Culture	3,925,120	3,351,076	-	-	3,925,120	3,351,076
Health and welfare	116,178	1,165,884	-	-	116,178	1,165,884
Public works	9,152,222	9,341,130	-	-	9,152,222	9,341,130
Harbor	2,047,341	2,297,660	-	-	2,047,341	2,297,660
Interest	2,238,887	2,303,764	-	-	2,238,887	2,303,764
KPU	-	-	40,079,287	38,780,372	40,079,287	38,780,372
Port	-	-	8,858,593	7,911,281	8,858,593	7,911,281
Wastewater	-	-	2,481,609	2,683,116	2,481,609	2,683,116
Total expenses	30,516,847	32,456,647	51,419,489	49,374,769	81,936,336	81,831,416
Increase in net position before extraordinary and transfers	5,133,492	8,779,399	911,931	1,905,293	6,045,423	10,684,692
Extraordinary item			359,246			
Transfers in (out)	1,165,742	2,804,258	(1,165,742)	(2,804,258)	-	-
Increase (decrease) in net position	6,299,234	11,583,657	105,435	(898,965)	6,045,423	10,684,692
Net position, beginnir	175,002,985	172,077,600	161,083,569	164,526,581	336,086,554	336,604,181
Restatement - GASB 68		(8,658,272)		(2,544,047)	-	(11,202,319)
Net position, beginning restated	175,002,985	163,419,328	161,083,569	161,982,534	336,086,554	325,401,862
Net position, ending	$ 181,302,219	$ 175,002,985	$ 161,189,004	$ 161,083,569	$ 342,131,977	$ 336,086,554

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Governmental Activities. The City's net position from governmental activities increased $6.3 million. This increase is $3.37 million more than the increase that occurred in 2015. The key elements in the change in net position from the prior year are as follows:

- Charges for services increased by $.4 million due to a 7 percent rate increase harbor users and a 20 percent increase in solid waste disposal fees and 10% increase in solid waste collection fees.

- Operating grants and contributions decreased by $1.42 million primarily due a significant reduction in public safety grants. Since these types of grants are awarded on a funds available basis, tight budgets at both the state and federal level have reduced award amounts.

- Capital grants and contributions decreased by $4.22 million. Capital grants for health care facilities and harbor infrastructure declined by $8.90 million because the Ketchikan Medical Center addition and several multi-million harbor improvement projects were nearing completion. This decline was partially offset by a $4.60 million of additional grant funding that was received for the Water Street Trestle replacement project.

- General government expenses decreased by $.32 million primarily because the Public Employees Retirement System on-behalf payments made by the State of Alaska were reduced by 80.5 percent. The impact was $.37 million.

- Public safety expenses decreased by $.64 million primarily because the Public Employees Retirement System on-behalf payments made by the State of Alaska were reduced by 80.5 percent. The impact was $.89 million.

- Culture expenses increased $.57 million primarily due to the major maintenance and renovations taking place at the Centennial Building, which currently houses the staff, collections and exhibits of the Museum Department.

- Health and welfare expenses decreased by $1.05 million because of an immaterial accounting error in 2015, which caused capital expenses incurred for the Ketchikan Medical Center to be treated as maintenance costs. The error was corrected in 2016.

- Transfers decreased by $1.64 million primarily due to a one-time transfer from the Port Enterprise Fund to the CPV Special Revenue Fund, which was established in 2015. In 2015, $1.62 million was transferred from the Port Enterprise Fund as the result of a change in the policy for accounting for the Commercial Passenger Vessel Excise Tax that the City receives from the State of Alaska. The transfer represented the balance of the CPV that remained in the Port Enterprise Fund on December 31, 2015 and did not reoccur in 2016.

The following graphs compare program revenues with expenses and illustrate the revenues by source for governmental activities.

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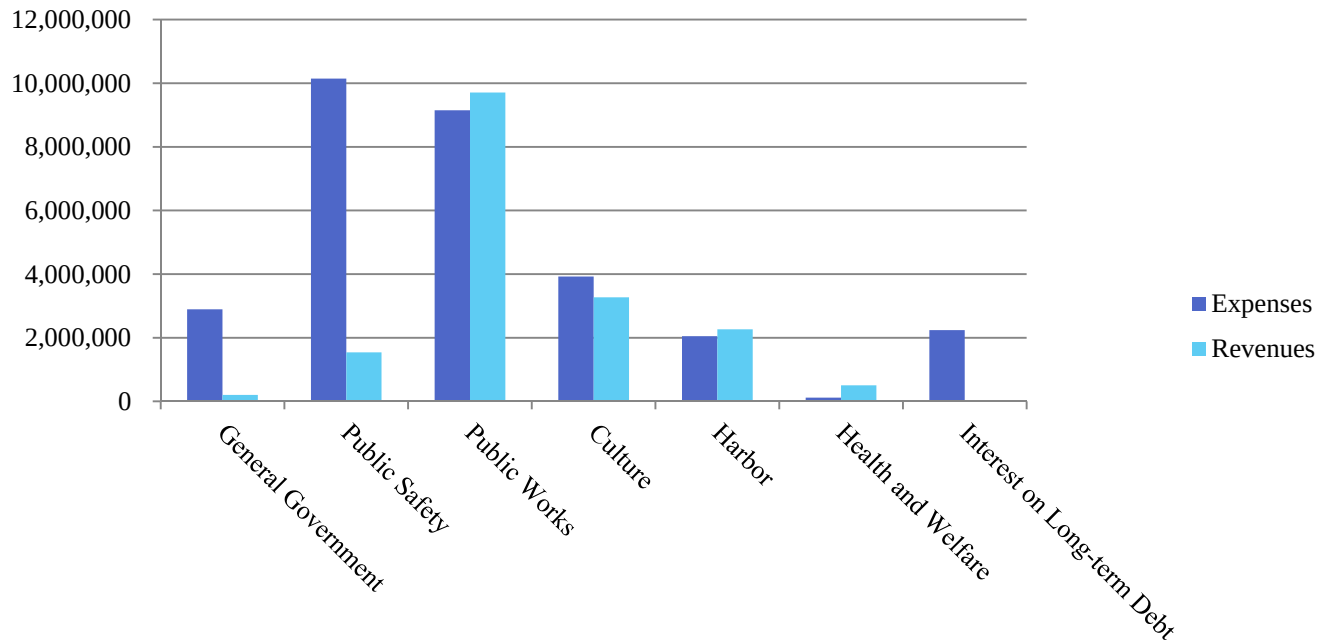
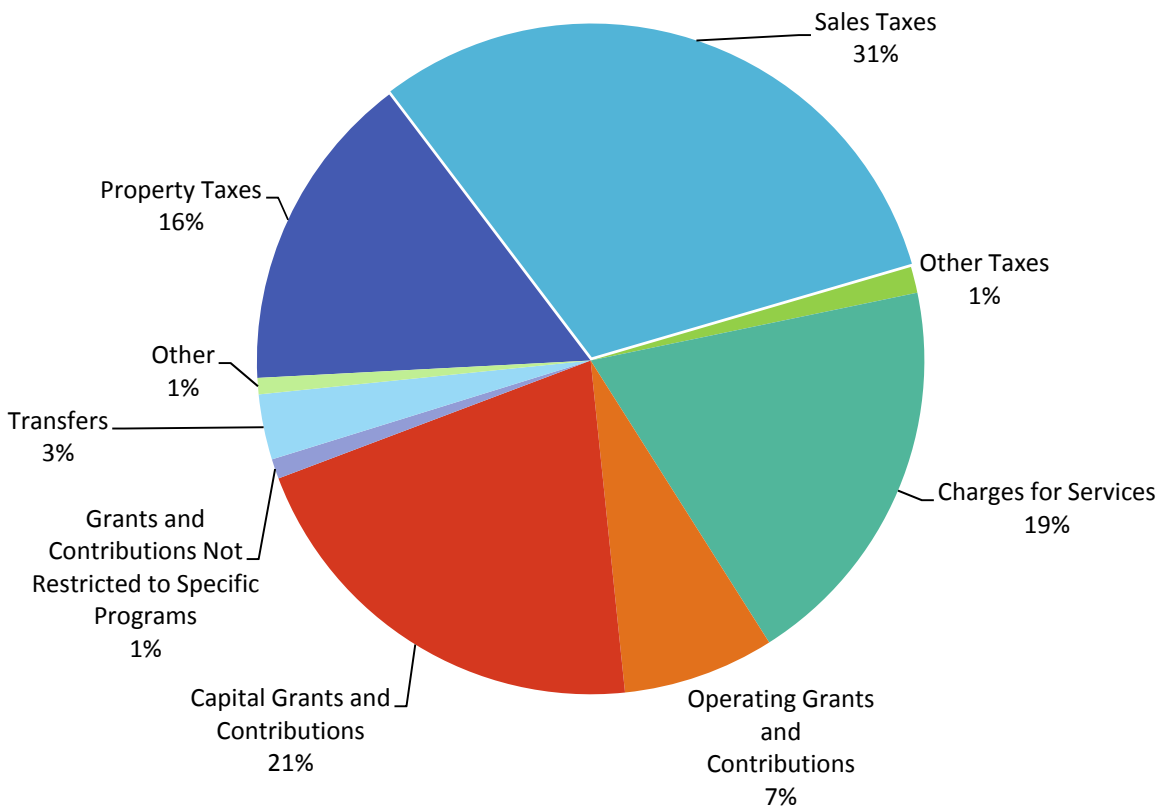
EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES



REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



Business-type Activities. The City's net position from business-type activities increased by $105,435. This increase is an improvement over last year's decrease of $3.44 million. The City's business-type activities include electric, telecommunications, water and wastewater utilities; and port operations. The key elements in the change in net position from the prior year are as follows:

Charges for services increased $1.98 million. The table below summarizes charges of services by business-type activity.

	2016	2015
Electric	$ 16,741,926	$ 16,063,847
Telecommunications	18,400,623	17,439,673
Water	3,643,991	3,449,639
Port	8,961,241	9,032,271
Wastewater	2,971,896	2,757,661
	$ 50,719,677	$ 48,743,091

Electric utility revenues increased by $.68 million due to a 5% rate increase that became effective April 1, 2016 and a modest .7 percent increase in energy sales. The increase in demand was most likely due to colder weather in late 2016. Telecommunication utility revenues increased by $.96 million due to continued growth in nonregulated telecommunication services, particularly in the areas of video and wireless communications. Rate increases for local residential phone, internet and video services and a new broadcast surcharge also contributed to the revenue growth. Bot h the water and the wastewater utilities saw their rates increase by 8% effective April 1, 2016. Since the customer based for both utilities was stable in 2016, and the City's rate structure is fixed, all of the increases in revenues are attributable to the rate increase.

Capital grants and contributions decreased by $593,746 due to the winding down of a number of multi-year utility capital improvements projects and the fiscal challenges facing the State of Alaska. Historically, the State has been a major source of funding for capital improvement projects. In response to its fiscal challenges, the State has significantly reduced the level of funding for its municipal capital matching grant program. As a result, recent grants awarded to the City by the State have been reduced in volume and value. Since the City relies on grants to fund many of its capital improvement for its utilities and the Port, the curtailment of the State's municipal capital management program will have significant impact on the City's capital improvement programs and the maintenance of its utility and port infrastructure.

The overall expenses of the City's business-type activities for 2016 increased from $49.37 million to $51.42 million, or $2.05 million. The table summarizes expenses by business-type activity

	2016	2015
Electric	$17,993,703	$17,074,535
Telecommunications	18,102,186	17,577,826
Water	3,983,398	4,128,011
Port	8,858,593	7,911,281
Wastewater	2,481,609	2,683,116
	$51,419,489	$49,374,769

The total expenses of the electric utility increased in 2016 by $.92 million. The primary cause was the 12.6% increase in the cost of generation. Additional purchases of power from the Southeast Alaska Power Agency (SEAPA) totaling $.87 million accounted for most of the increase in the cost of generation. In 2016, SEAPA requested that the electric utility purchase more than its firm power requirements in order lower the lake levels to accommodate the construction of a capital improvement project at SEAPA's Swan Lake Hydroelectric Plant. The management of the electric utility's own hydroelectric facilities to conserve water and avoid diesel generation also contributed to the additional purchase of power.

The total expenses of the telecommunication utility increased in 2016 by $.52 million. Central office switching operating costs accounted for about 53 percent of increase, which was due to ongoing efforts to switch existing customers over to new

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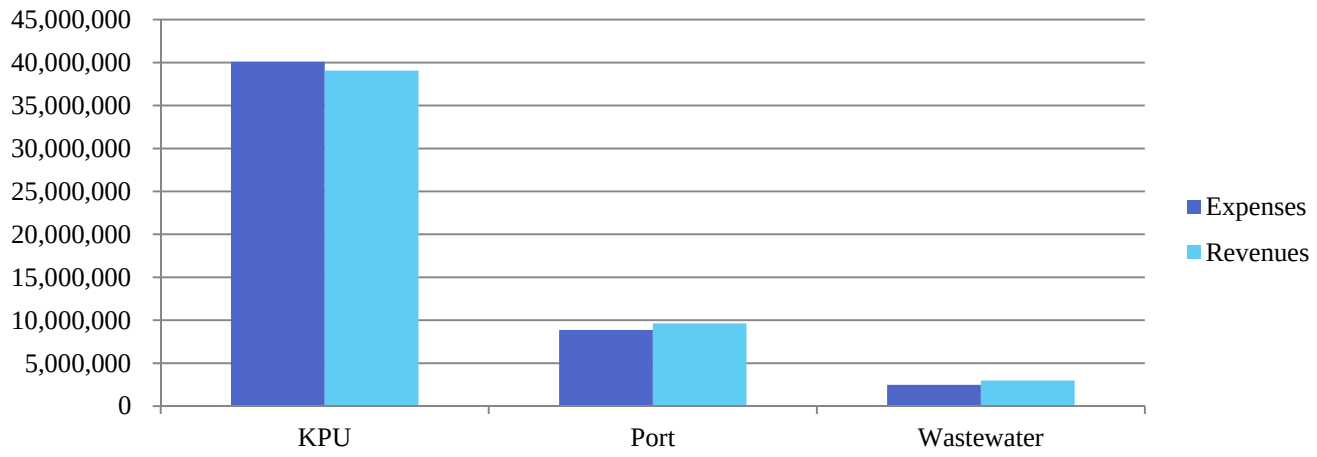
hosted PBX platform. Nonregulated operating costs accounted for the balance of the increase. Nonregulated costs continue to rise because the utility's nonregulated product offerings have expanded and the demand for those products continues to grow, especially its video and wireless phone products. The cost of broadcast content is variable and dependent on the number of subscribers and the fees established by the content providers. Generally, fees rise between 3% and 7% annually with the exception the four major broadcast networks. The major networks tend to rise at a higher annual rate.

The total expenses of the port increased in 2016 by $.95 million. Three factors were responsible for the increase: (1) a 6.1 percent increase in operating cost, most of which was due to variable lease payments for a berthing facility that are based on the number of passengers, (2) debt issuance costs arising from a revenue bond refunding and (3) a loss on the disposal of capital assets.

The following graphs compare program revenues with program expenses and illustrate the revenues by source for business-type activities.

EXPENSES AND PROGRAM REVENUES –BUSINESS-TYPE ACTIVITIES



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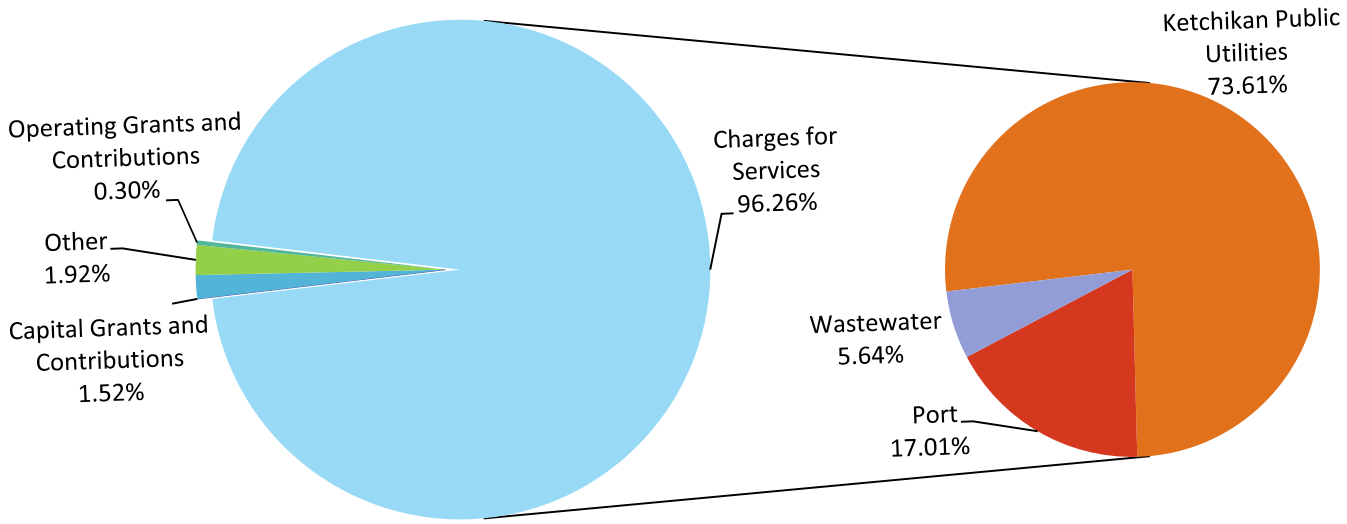
REVENUE BY SOURCE –BUSINESS-TYPE ACTIVITIES



Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is an analysis of the City major governmental funds and proprietary funds.

Governmental Funds. The financial statements of governmental funds show more detail than governmental activities in the government-wide financial statements and focus on near-term, inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The City's governmental funds reported combined ending fund balances of $35.26 million, a decrease of $10.98 million or 23.7%, from last year. Nonspendable fund balances total $384,704 and consists entirely of land held for resale. Restricted fund balances total $9.04 million. Assigned fund balances total $21.75 million and includes the following:

- $4.47 million for the subsequent year's budget deficit
- $1.70 million for streets and sidewalks maintenance and other public works projects
- $1.86 million for culture and tourism
- $3.05 million for public buildings improvements
- $3.96 million for public health
- $2.95 million for solid waste
- $1.13 million for abatement of dangerous buildings and parking development
- $1.08 million for public safety
- $1.36 million for harbors

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The general fund is the primary operating fund of the City through which all receipts of and payments for City operations are processed unless they are required to be accounted for in another fund. By definition, it is a major governmental fund under generally accepted accounting principles. Total general fund revenues for 2016 amounted to $23.59 million, a decrease of $1.86 million from 2015. Nearly all of the decrease is attributable to reductions in state revenue sharing and on-behalf pension payments made by the State of Alaska into the Public Employees Retirement System. Total general fund expenditures for 2016 amounted to $21.26 million, a decrease of $2.2 million from 2015. About 67 percent of the decrease was attributable to the reduction in the on-behalf payments made by the State. The balance of decrease in expenditures was due to lower maintenance costs for the Ketchikan Medical Center in 2016. The total fund balance of the general fund increased from $17.40 million in 2015 to $18.01 million in 2016. The unassigned fund balance decreased from $4.19 million to $4.08 million.

The Hospital Construction Fund is a major fund established in 2014 to account for the proceeds from the City's $41.3 million general obligation bond issued in May 2014 to finance the construction of a major addition to the Ketchikan Medical Center, a health care facility owned by the City and operated by PeaceHealth of Bellingham, Washington. The fund also accounts for the proceeds from a $15 million construction grant for the new addition awarded by the State of Alaska. In 2016, the fund reported local contributions of $.51 million and construction expenses of $12.33 million. The fund ended the year with a restricted fund balance of $6.28 million.

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 the City's three proprietary funds have already been addressed in the discussion of the City's business–type activities.

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General Fund Budgetary Highlights

The legally adopted 2016 budget for the general fund does not include all the City funds that must be accounted for as part of the General Fund as defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. For more information on the City's general fund, please see the combining statements for the general fund.

The adopted 2016 Budget for the general fund projected annual revenues of $17.61 million and subsequently amended to $17.63 million. All of the amendments were for grant awards for public safety and cultural activities and museum sales and contributions. Actual revenues totaled $17.23 million, which resulted in unfavorable budget variance of $396,400, or 2.4 percent. A significant portion of the variance was due to a $368,164 decrease in interdepartmental charges for services. Interdepartmental charges are based on actual costs incurred by the departments providing the services. In 2016, the costs incurred by these departments were less than projected. The rest of the difference is due to the inherent subjective nature of the assumptions used to develop revenue projections.

The adopted 2016 Budget for general fund included appropriations for expenditures totaling $20.36 million. During the year, the City Council approved amendments to the budget totaling $22,662 and authorized transfers totaling $218,217 from reserves to appropriations for expenditures. The amendments and the transfers increased appropriations for expenditures to $20.58 million. All of the amendments provided appropriations for spending the proceeds from grants awards for fire public safety and library activities and additional charges for services provided by the museum department. The transfers were used to providing additional funding for community promotion, personnel services arising from new collective bargaining agreements, and interdepartmental charges for garage services. Actual expenditures totaled $18.55 million, which resulted in a favorable variance of $2.02 million. Vacancies accounted for 51 percent of the most of the positive budget variance. Mild winter weather; lower costs for fuel, insurance premiums and risk management claims, and maintenance material; and City departments generally spending less than the amount appropriated for their department were contributed to the favorable variance. In 2016, the general fund incurred a budgetary surplus of almost $600,000. This is the third consecutive year that the general fund has realized a surplus and continues to demonstrate that the City has adequately reversed and addressed the reoccurring deficits from prior years. The improvement was the result of a combination of the City Council's efforts to control spending and an increase in the City's sales tax rate from 3.5% to 4%.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities, net of accumulated depreciation as of December 31, 2016, amounts to $397.14 million. This investment in capital assets includes land, buildings, improvements, utility plants, port facilities, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets, net of accumulated depreciation, was $18.12 million or 4.8 percent. The City's investment in governmental activities, net of accumulated depreciation increased $20.01 million and business-type activities capital assets decreased by $1.89 million. See Note 4-E for additional information about changes in capital assets during the calendar year and the amount outstanding at the end of the year. The following table provides a summary of capital asset activity.

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Capital Assets

	Governmental Activities		Business Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Non-depreciable assets:						
Land	$ 28,904,498	$ 28,904,498	$ 4,498,606	$ 4,498,606	$ 33,403,104	$ 33,403,104
Easements	588,168	588,168	$ -	$ -		
Construction in progress	61,699,980	49,661,624	2,581,653	2,563,092	64,281,633	52,224,716
Intangibles and other	100,750	100,750	221,766	221,766	322,516	322,516
Total non-depreciable	$ 91,293,396	$ 79,255,040	$ 7,302,025	$ 7,283,464	$ 98,595,421	$ 86,538,504
Depreciable assets:						
Utility plants	$ -	$ -	$ 271,085,883	$ 266,164,418	$ 271,085,883	$ 266,164,418
Port facilities	-	-	67,387,096	66,612,660	67,387,096	66,612,660
Land improvements	1,554,203	1,554,203	-	-	1,554,203	1,554,203
Buildings	79,654,850	75,840,835	-	-	79,654,850	75,840,835
Machinery and equipment	16,696,524	16,344,693	-	-	16,696,524	16,344,693
Infrastructure	85,158,141	76,751,184	-	-	85,158,141	76,751,184
Software	581,531	581,531	-	-	581,531	581,531
Total depreciable assets	183,645,249	171,072,446	338,472,979	332,777,078	522,118,228	503,849,524
Less accum. depreciation	(60,362,592)	(55,755,150)	(163,210,087)	(155,608,766)	(223,572,679)	(211,363,916)
Net depreciable assets	$ 123,282,657	$ 115,317,296	$ 175,262,892	$ 177,168,312	$ 298,545,549	$ 292,485,608
Percentage depreciated	33%	33%	48%	47%	43%	42%
Book value - all assets	$ 214,576,053	$ 194,572,336	$ 182,564,917	$ 184,451,776	$ 397,140,970	$ 379,024,112

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Major capital assets under construction during 2016 and included in construction in progress are as follows:

- Ketchikan Medical Center addition - $57,818,000
- Water Street Trestle No. 1 - $3,106,000
- Front to Stedman Streets wastewater main replacement - $618,900
- Tongass Avenue wastewater main replacement - $570,000

Major capital assets placed in service during 2016 are as follows:

- Thomas Basin approach and gangway replacement - $2,325,000
- Thomas Basin waterfront promenade - $2,688,000
- Hole-in-the-Wall Harbor replacement - $3,100,000
- Ketchikan Regional Youth Facility building - $3,300,000
- Telecommunications central office transmission and fiber cable infrastructure - $900,000
- Mill Street water improvements - $1,416,000
- Two-point chlorination plant - $2,073,000
- Ryus float improvements - $542,000

At December 31, 2016, the depreciable capital assets for governmental activities were 33 percent depreciated. At December 31, 2015 and 2014, capital assets were 33 and 32 percent depreciated, respectively. This trend would suggest that the City has generally been maintaining its governmental capital assets. A trending decrease in the percentage is an indicator that capital assets are being well maintained. No change in the percentage of assets depreciated implies that capital assets are being properly maintained. A trending increase in the percentage is an indicator that capital assets are not being maintained. The City's business-type activities capital assets were 48 percent depreciated at December 31, 2016 compared to 47 and 45 percent for 2015 and 2014, respectively. This trend would suggest that the City has not been maintaining its business-type capital assets and may incur the risk and cost of deferred maintenance.

Long-term Debt

At December 31, 2016, the City had $110.99 million in outstanding bonded debt and other long-term debt, a decrease of $5.98 million from 2015. Total general obligation bonded debt increased from $57.52 million to $57.84 million, or .5 percent. Total revenue bonded debt decreased from $56.10 million to $49.68 million, or 11.4 percent. The following table provides a summary of outstanding long-term debt:

Outstanding Long-term Debt

	Governmental Activities		Business-type Activities		Totals	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
General obligation bonds	$ 55,960,000	$ 55,550,000	$ 1,875,495	$ 1,972,026	$ 57,835,495	$ 57,522,026
Revenue bonds	-	-	49,682,402	56,102,379	49,682,402	56,102,379
Landfill closure costs	963,840	959,880	-	-	963,840	959,880
Compensated absences	1,425,619	1,407,254	1,087,714	988,450	2,513,333	2,395,704
Total	$ 58,349,459	$ 57,917,134	$ 52,645,611	$ 59,062,855	$ 110,995,070	$ 116,979,989

In August 2007, the City issued a $6.5 million junior lien municipal utility revenue bond through the Alaska Department of Environmental Conservation's (ADEC) Drinking Water Loan Program to finance the construction of a disinfection treatment facility for the City's municipal water utility. The amount of the bond was subsequently reduced to $5.5 million. The City received the proceeds from the loan as it incurred construction costs. The project has been completed and the loan amount was finalized in 2016 for $5.5 million. The bond will mature in November 2033.

In April 2016, the City issued its 2016 Series T Municipal Utility Revenue Bond to refunded its 2005 Series T Municipal Utility Revenue Bond. The refunding resulted in total debt service savings of $219,695 and net present value savings of $33,353. The 2016 Bond will mature in June 2017.

In November 2016, the City issued its 2016 Port Refunding Bond to refund its 2006 Port Revenue Bond. The refunding resulted in total debt service savings of $6.6 million and net present value savings of $4.4 million. The 2016 Bond will mature in June 2036.

In November 2016, the City issued its 2016 Harbor Improvement General Obligation Bond in the par amount of $1.765 million. The City realized a premium of $252,887 from the sale. The average annual debt service is $145,938 and the true interest cost is 3.46 percent. The Bond will mature in December 2035. The proceeds from the sale of the bond will finance improvements planned for the City owned harbors.

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In October 2014, the voters of the City approved a ballot proposition ratifying the issuance of up to $5 million in bonds for wastewater improvements. The City expects to issue a $1.6 million bond in 2017 to recoup costs for improvements to the infrastructure of its wastewater utility.

In October 2014, the voters of the City approved a ballot proposition ratifying the issuance of up to $5 million in bonds for water improvements. The City expects to issue a $1.4 million bond in 2017 to recoup costs for improvements to the infrastructure of its water utility. The improvements were completed in 2016.

All of the City's general obligation and municipal revenue bonds have been issued through the Alaska Municipal Bond Bank, the Alaska Department of Environmental Conservation or Bank of America. The rating agencies have not separately rated these bonds. The City's general obligation bonded indebtedness is not subject to a legal debt ceiling. The City is required to maintain debt service coverage that generates net revenue from its utilities and port operations that is equal to or greater than 1.25 times annual debt service. The City has complied with all general obligation and revenue bond covenants. As of December 31, 2016, the City's total direct general obligation bond debt per capita was $7,061.

See Note 3-I for additional information about the City's long-term debt. The landfill closure and postclosure care liability are discussed in Note 3-H.

Economic Factors and Next Year's Budgets and Rates

The tourism industry in Ketchikan continues to expand its role in the local economy. The driving force behind the expansion has been the cruise ships and the passengers they bring to our community and the support industries that have sprouted to meet the needs of our visitors. Significant public and private investments have resulted in the construction of infrastructure capable of accommodating the larger cruise ships that are now servicing Southeast Alaska. Retail shopping opportunities have expanded and tourism attractions designed to promote the history and the beauty of Ketchikan and the surrounding area have been developed to increase Ketchikan's appeal to passengers traveling by cruise ship. In 2013, a record 938,000 passengers arrived by cruise ship. The following three years, the number of passengers ranged between 878,000 and 936,000. Based on the latest market projections, the City is expecting over 1 million passengers in 2017. Tourism has a significant impact on retail sales, employment opportunities, and local government revenues so the City has a vested interest in continuing to support the growth of the tourism industry. In 2016, the City began planning for the next class of cruise ships that will be plowing the waters of Southeast Alaska. This new class of cruise ship will require larger or modified berthing facilities, expanded ground transportation areas and other shore-side amenities capable of accommodating larger inflows of passengers. The City estimates that these demands will require about $60 million in new investments from both the private and the public sectors over the next 15 years. The City is currently working with an engineering firm and the industry to develop a master plan. The larger challenge will be the development of a plan to finance the proposed improvements.

The State of Alaska continues to reel from the collapse of oil prices in the United States and around the globe. Since the State relies heavily on oil revenues to fund about 90% its annual general fund budget, the collapse of oil price has resulted in significant budgetary deficits. The Alaska Legislature is currently deliberating the fiscal year 2018 Budget, which is projecting an unsustainable deficit of $2.7 million. Although oil prices have improved, they are still depressed and volatile. The expectation is that oil markets will remain unstable for an extended period. In response to this crisis, the Alaska Legislature is working on long-term strategy for addressing the current and future budget deficits. The Legislature has already reduced the state revenue sharing program, capital grants programs and the annual distribution of the Alaska Permanent Fund Dividend. The current session of the Legislature is considering additional budget cuts and appears to be moving to reinstate a state income tax. The outcome of these deliberations will have a significant impact on the City as well as other local governments in the State of Alaska. The actions taken by the State have the potential to reduce construction activity, local government revenues, and disposable personal income and increase deferred maintenance and the risk of an economic downturn. The impact to rural communities such as the City may be more severe because of their heavy reliance on the state government for services and financial support. The City has responded by putting operating and capital spending caps in place and holding its labor force constant. Depending on the direction taken by the State, additional efforts may be required.

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Looking to 2017, the City expects the local economy to be relatively stable assuming the State is successful in addressing its fiscal challenges. Taxable property values have increased .38 percent and property and sales tax rates are projected to remain unchanged from last year. Rates are unchanged for nearly all the customers of the City owned public utilities. The forecast calls for the growth in the tourism sector , which will have a positive impact on retail sales, local tax revenues and employment. Visitors arriving by cruise ship are expected to increase by 8% over 2016 to approximately 1,015,000 and a new 64-room extended stay hotel opened its doors in February. Recent private and public investments in cultural and recreational facilities have helped to make Ketchikan a comfortable and attractive community to visit. The City recently completed the $61 million surgical and clinical addition to the Ketchikan Medical Center and achieved its goal of becoming the Southern Southeast Alaska hub for medical care. The seafood industry is expecting to bounce back from the disastrous 2016 season. The maritime industry continues to thrive. The shipyard operated by Vigor Alaska is under contract to construct two 280 feet day-boat ferries for the Alaska Marine Highway System at its facilities in Ketchikan.

In March 2017, the City Council approved a fifth and final 7% rate increase for the use of the City's harbor facilities. The rate increase will become effective September 1, 2017 and is part of a 5-year program to raise rates in order to finance the debt service on a $5 million general obligation bond that the City planned to issue in phases over a two-year period for the construction of new harbor facilities. As of December 31, 2016, the City had issued the entire $5 million that was authorized by the City Council and ratified by the voters.

The City will continue to monitor the local economy and follow a conservative approach in managing its fiscal affairs. The City Council recognizes that the community is still recovering from an economic downturn and the importance of a balanced approach to taxes and spending. The City Council is prepared to make necessary modifications to current and future fiscal plans to ensure that City's financial position remains strong and the cost of services provided to the citizens of Ketchikan are reasonable.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, creditors, and investors with a general overview of the City's finances and to demonstrate the City's accountability for the financial resources it receives. Questions concerning the information provided in this report or requests for additional information should be addressed to the City of Ketchikan, Office of the Finance Director, 334 Front Street, Ketchikan, Alaska 99901 or call (907) 228-5621. This financial report and prior year financial reports are also available on our web site at www.city.ketchikan.ak.us/departments/finance/index.html.

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GOVERNMENT-WIDE
FINANCIAL STATEMENTS

City of Ketchikan, Alaska
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and temporary investments (Note 3A)	$ 30,015,338	$ 29,513,784	$ 59,529,122
Restricted cash, cash equivalents and investments	9,041,598	850,417	9,892,015
Receivables:			
Accounts	1,158,089	2,410,807	3,568,896
Taxes	2,284,769	-	2,284,769
Intergovernmental	3,048,358	490,885	3,539,243
Miscellaneous	49,709	-	49,709
Unbilled	66,184	1,200,786	1,266,970
Advances	756,934	(756,934)	-
Inventory	-	2,835,103	2,835,103
Prepaid items	618,050	1,049,289	1,667,339
Total current assets	47,039,029	37,594,137	84,633,166
Noncurrent assets:			
Land for resale	384,704	-	384,704
Restricted investments	-	8,281,270	8,281,270
Capital Assets (Note 3E)			
Nondepreciable capital assets	91,293,396	7,302,025	98,595,421
Depreciable capital assets, net	123,282,657	175,262,892	298,545,549
Total noncurrent assets	214,960,757	190,846,187	405,806,944
Total Assets	261,999,786	228,440,324	490,440,110
Deferred Outflow of Resources	3,155,579	920,334	4,075,913
Total Assets and Deferred Outflow of Resources	265,155,365	229,360,658	494,516,023

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City of Ketchikan, Alaska
Statement of Net Position (Cont'd)
December 31, 2016

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	4,581,130	4,251,234	8,832,364
Payroll payable	1,811,126	-	1,811,126
Accrued interest payable	348,377	259,666	608,043
Customers deposits payable	10,192	379,120	389,312
Unearned revenue	226,295	111,350	337,645
Claims payable	143,000	-	143,000
Compensated absences payable	142,562	108,772	251,334
General obligation bonds payable	1,606,049	97,983	1,704,032
Revenue bonds payable	-	3,410,109	3,410,109
Total current liabilities	8,868,731	8,618,234	17,486,965
Noncurrent liabilities			
Compensated absences payable (net of current portion)	1,283,057	978,943	2,262,000
Net pension liability	15,631,318	4,592,925	20,224,243
Landfill closure costs	963,840	-	963,840
General obligation bonds payable (net of current portion)	56,900,361	1,777,512	58,677,873
Revenue bonds payable (net of current portion)	-	51,623,807	51,623,807
Total noncurrent liabilities	74,778,576	58,973,187	133,751,763
Deferred Inflow of Resources	205,839	580,233	786,072
Total Liabilities and Deferred Inflows of Resources	83,853,146	68,171,654	152,024,800
Net Position			
Net investment in capital assets (Note 3K)	162,340,844	125,126,654	287,467,498
Restricted for:			
Capital and maintenance outlay	3,968,846	-	3,968,846
Repair and replacement funds	-	4,720,568	4,720,568
Commercial passenger excise tax funds	1,959,497	-	1,959,497
Debt service	-	4,290,000	4,290,000
Solid waste operations and maintenance	3,200,695	-	3,200,695
Harbor operations and maintenance	1,165,401	-	1,165,401
Cemetery operations and maintenance	124,720	-	124,720
Investigation and property seizure funds	311,248	-	311,248
Unrestricted	8,230,968	27,051,782	35,282,750
Total Net Position	$ 181,302,219	$ 161,189,004	$ 342,491,223

See accompanying notes to the basic financial statements

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City of Ketchikan, Alaska
Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
General government	$ 2,893,754	$ 63,374	$ 140,082	$ -
Public safety	10,143,345	1,220,992	320,463	-
Culture and tourism	3,925,120	974,792	2,200,939	95,087
Health and welfare	116,178	953	-	505,130
Public works	9,152,222	3,358,723	28,846	6,320,156
Harbor	2,047,341	1,477,885	14,083	772,462
Interest	2,238,887	-	-	-
Total Governmental Activities	30,516,847	7,096,719	2,704,413	7,692,835
Business-Type Activities:				
Electric, telecommunications and water	40,079,287	38,786,540	135,314	148,612
Port	8,858,593	8,961,241	16,004	654,642
Wastewater	2,481,609	2,971,896	4,432	-
Total Business-Type Activities	51,419,489	50,719,677	155,750	803,254
Total	$ 81,936,336	$ 57,816,396	$ 2,860,163	$ 8,496,089

General Revenues:
Property taxes
Sales taxes
Transient taxes
Intergovernmental - unrestricted
Investment earnings
Miscellaneous
Extraordinary Item - Gain on Impairment of an Asset
Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

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Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (2,690,298)	$ -	$ (2,690,298)
(8,601,890)	-	(8,601,890)
(654,302)	-	(654,302)
389,905	-	389,905
555,503	-	555,503
217,089	-	217,089
(2,238,887)	-	(2,238,887)
(13,022,880)	-	(13,022,880)
-	(1,008,821)	(1,008,821)
-	773,294	773,294
-	494,719	494,719
-	259,192	259,192
(13,022,880)	259,192	(12,763,688)
5,713,316	-	5,713,316
11,334,355	-	11,334,355
465,956	-	465,956
354,195	-	354,195
55,273	194,752	250,025
233,277	457,987	691,264
-	359,246	359,246
1,165,742	(1,165,742)	-
19,322,114	(153,757)	19,168,357
6,299,234	105,435	6,404,669
175,002,985	161,083,569	336,086,554
$ 181,302,219	$ 161,189,004	$ 342,491,223

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FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

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City of Ketchikan, Alaska
Balance Sheet
Governmental Funds
December 31, 2016

	General	Hospital Construction	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	$ 19,149,545	$ 475,800	$ 8,347,920	$ 27,973,265
Restricted cash:				
Bond construction funds	-	6,282,506	488,347	6,770,853
Investigation funds	137,151	-	-	137,151
Property seizure funds	-	-	174,097	174,097
Commercial passenger excise tax funds	-	-	1,959,497	1,959,497
Receivables:				
Accounts	287,609	505,130	365,350	1,158,089
Taxes	2,221,456	-	63,313	2,284,769
Intergovernmental	25,448	-	3,022,910	3,048,358
Interfund	266,100	-	-	266,100
Advances from other funds	241,547	-	156,934	398,481
Unbilled receivables	-	-	66,184	66,184
Land for resale	384,704	-	-	384,704
Total Assets	$ 22,713,560	$ 7,263,436	$ 14,644,552	$ 44,621,548
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	$ 662,366	$ 980,930	$ 2,937,469	$ 4,580,765
Payroll payable	1,811,126	-	-	1,811,126
Customer deposits payable	-	-	10,192	10,192
Interfund payable	-	-	266,100	266,100
Unearned revenue	70,166	-	156,129	226,295
Advances to other funds	-	-	241,547	241,547
Total Liabilities	2,543,658	980,930	3,611,437	7,136,025
Deferred Inflows of Resources	2,158,028	-	63,313	2,221,341
Fund Balances				
Nonspendable - Land held for resale	384,704	-	-	384,704
Restricted for:				
Law enforcement	137,151	-	174,097	311,248
Commercial passenger excise tax	-	-	1,959,497	1,959,497
Bond construction funds	-	6,282,506	488,347	6,770,853
Assigned:				
Subsequent years budget	4,180,116	-	287,925	4,468,041
Parking development and abatement of dangerous buildings	1,127,441	-	-	1,127,441
Hospital development and expansion	3,963,426	-	-	3,963,426
General government	182,390	-	-	182,390
Public safety	1,083,999	-	-	1,083,999
Culture and tourism	1,331,095	-	533,360	1,864,455
Public works	94,932	-	-	94,932
Collection and disposal of solid waste	-	-	2,953,670	2,953,670
Cemetery operations	-	-	83,820	83,820
Harbor operations	-	-	1,165,401	1,165,401
Streets, sidewalks and other public projects	1,443,094	-	-	1,443,094
Development of community facilities	-	-	3,051,642	3,051,642
Harbor construction	-	-	197,422	197,422
Public works projects	-	-	74,621	74,621
Unassigned	4,083,526	-	-	4,083,526
Total Fund Balances	18,011,874	6,282,506	10,969,802	35,264,182
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 22,713,560	$ 7,263,436	$ 14,644,552	$ 44,621,548

See accompanying notes to the basic financial statements

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City of Ketchikan, Alaska
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2016

Total Governmental Fund Balances		$ 35,264,182
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 not reported in the funds. However, in the statement of net position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets	$ 274,938,645	
Less accumulated depreciation	(60,362,592)	214,576,053
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Taxes		2,133,101
Services		88,240
Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net assets:		
Interfund receivables	$ 266,100	
Interfund payables	(266,100)	-
An internal service fund is used by management to charge the costs of compensated absences, insurance and claims to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,740,848
Accrued interest is not reported at the fund financial reporting level		(348,377)
Deferred inflows and outflows not reported at the fund financial reporting level		
Deferred Outflow	$ 3,155,579	
Deferred Inflow	(205,839)	2,949,740
Liabilities that are not due in the current period and therefore are not reported in the funds:		
General obligation bonds	$ (55,960,000)	
Premiums for GO bonds	(2,546,410)	
Net pension liability	(15,631,318)	
Landfill closure costs	(963,840)	(75,101,568)
Net Position Of Governmental Activities		$ 181,302,219

See accompanying notes to the basic financial statements

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City of Ketchikan, Alaska
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Hospital Construction	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 17,046,262	$ -	$ 497,374	$ 17,543,636
Licenses and permits	193,514	-	-	193,514
Intergovernmental	844,766	-	6,043,210	6,887,976
Charges for services	2,108,672	-	4,624,546	6,733,218
Fines and forfeitures	132,194	-	9,384	141,578
Investment earnings	4,311	6,859	19,997	31,167
Contributions	-	505,130	4,117	509,247
Interdepartmental charges	3,141,701	-	-	3,141,701
Miscellaneous	114,067	-	132,514	246,581
Total Revenues	23,585,487	511,989	11,331,142	35,428,618
Expenditures				
Current:				
General government	4,641,273	-	-	4,641,273
Public safety	8,425,641	-	-	8,425,641
Culture and tourism	3,171,091	-	-	3,171,091
Health and welfare	48,188	-	-	48,188
Public works	4,972,028	-	2,979,338	7,951,366
Harbor	-	-	1,129,112	1,129,112
Debt Service:				
Principal retirement	-	-	1,355,000	1,355,000
Interest and fiscal charges	-	-	2,406,978	2,406,978
Debt issuance cost	-	-	17,322	17,322
Capital Outlay	-	12,333,484	8,161,207	20,494,691
Total Expenditures	21,258,221	12,333,484	16,048,957	49,640,662
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,327,266	(11,821,495)	(4,717,815)	(14,212,044)
Other Financing Sources (Uses)				
Sale of capital assets	-	-	45,000	45,000
Issuance of bonds	-	-	1,765,000	1,765,000
Premiums from sale of bonds	-	-	252,887	252,887
Transfers in	1,533,668	-	3,637,082	5,170,750
Transfers out	(3,245,055)	-	(759,953)	(4,005,008)
Total Other Financing Sources (Uses)	(1,711,387)	-	4,940,016	3,228,629
Net Change in Fund Balances	615,879	(11,821,495)	222,201	(10,983,415)
Fund Balances Beginning of Year	17,395,995	18,104,001	10,747,601	46,247,597
Fund Balances End of Year	$ 18,011,874	$ 6,282,506	$ 10,969,802	$ 35,264,182

See accompanying notes to the basic financial statements

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City of Ketchikan, 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 December 31, 2016

Net Changes In Fund Balances - Total Governmental Funds		$ (10,983,415)
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 capitalized capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	$ (4,735,026)	
Capital outlay	24,771,676	20,036,650
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		(32,933)
The contributions of capital assets are reported on the government-wide statement of activity but not reported at the fund reporting level.		
Revenues of Internal Service Fund are included in the governmental statement of activities		24,106
Elimination of other financing sources to record net increase in payables associated with bond issuance		(2,017,887)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes		(30,009)
Charges for Services		24,325
Elimination of transfers between governmental funds:		
Transfers in	$ (4,005,008)	
Transfers out	4,005,008	-
Interest expense 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.		5,695
Repayment of general obligation debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
General obligation bonds	$ 1,355,000	
Amortization of premiums and deferred charges	162,396	
Net pension obligation	(2,240,734)	
Landfill closure costs	(3,960)	(727,298)
Change In Net Position of Governmental Activities		$ 6,299,234

See accompanying notes to the basic financial statements

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