

City of

Ketchikan



Canes

Alaska

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

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**CITY OF KETCHIKAN, ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Year Ended
December 31, 2016

Prepared by:

FINANCE DEPARTMENT

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Director of Finance

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Controller

City of Ketchikan, Alaska
Comprehensive Annual Financial Report
For The Year Ended December 31, 2016

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LETTER OF TRANSMITTAL



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July 31, 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".

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.

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 from \$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.

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:

- 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.

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.

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



Government Finance Officers Association

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

Presented to

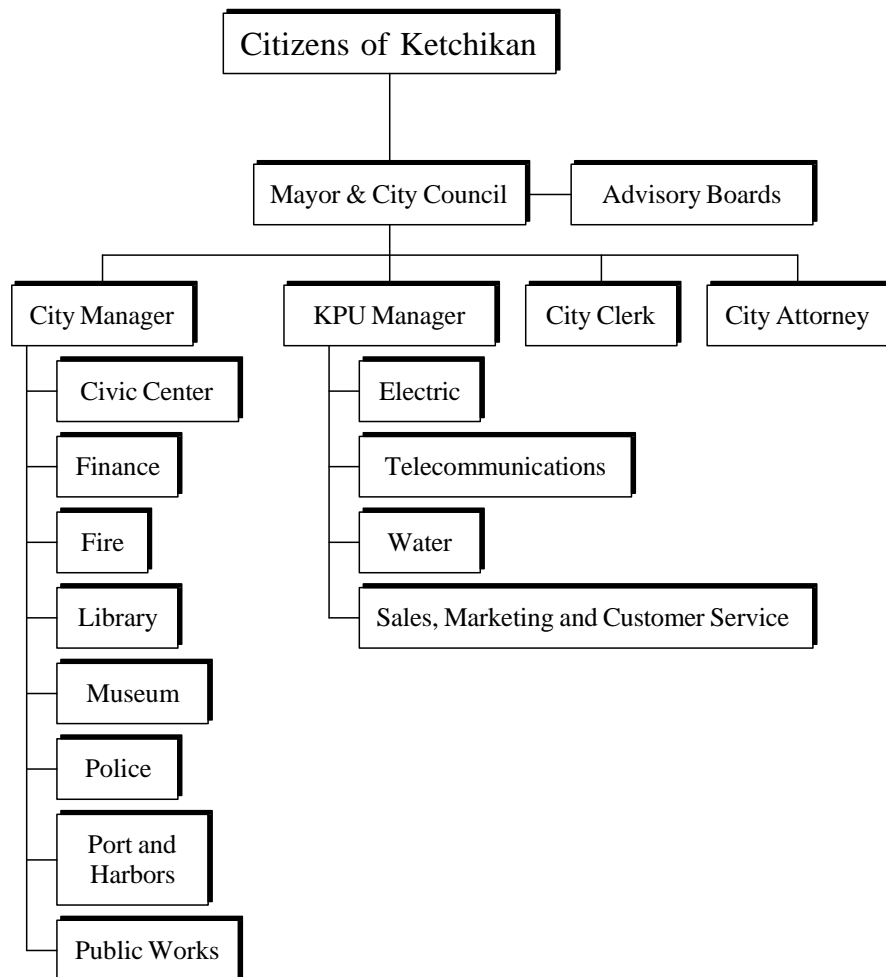
**City of Ketchikan
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

CITY OF KETCHIKAN, ALASKA
ORGANIZATIONAL CHART
DECEMBER 31, 2016



CITY OF KETCHIKAN, ALASKA

PRINCIPAL CITY OFFICIALS

December 31, 2016

MAYOR AND CITY COUNCIL

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

CITY STAFF

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

INDEPENDENT AUDITOR’S REPORT



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ketchikan, Alaska, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Ketchikan, Alaska's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ketchikan, Alaska, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 19-34 and 83-86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2017, on our consideration of the City of Ketchikan, Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ketchikan, Alaska's internal control over financial reporting and compliance.

Teuscher Walpole, LLC

July 31, 2017



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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 \$342.54 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 \$19.67 million restricted by constraints imposed from outside the City such as debt covenants, granting agencies, laws, or regulations.
 - 3) Unrestricted resources of \$35.40 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 \$35.31 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 \$4.13 million, or 19.4 percent of total General Fund expenditures. This was a decrease of \$.06 million from the prior year. The General Fund also reported an operating surplus of \$.66 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, an increase 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 required to provide resource for the debt service on the general obligation bonds issued 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*

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.

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 \$342.54 million and \$336.09 million, respectively. The net position of the City, as a whole, increased by \$6.45 million. The following table summarizes the net position of the City's governmental and business-type activities:

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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	8,822,833	11,937,989	8,618,234	7,040,210	17,441,067	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 liabilities	83,601,409	81,982,479	67,591,421	68,188,546	151,192,830	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	8,939,769	10,116,562	19,670,176	23,150,382
Unrestricted	8,276,866	7,310,053	27,122,581	26,735,278	35,399,447	34,045,331
Total net position	\$ 181,348,117	\$ 175,002,985	\$ 161,189,004	\$ 161,083,569	\$ 342,537,121	\$ 336,086,554

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 5.7 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 \$35.40 million, or 10.3 percent, of total net position. This is an increase of \$1.35 million from 2015. Unrestricted net position reported for the City's governmental activities increased by \$.96 million and the unrestricted net position of the City's business-type activities increased by \$.39 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 \$342.54 million. Over the past 13 years, the City's financial position has improved by \$135.38 million, or 65.3 percent.

Changes in Net Position

The City's net position increased \$6.45 million in 2016. The net position for governmental activities increased \$6.34 million and business-type activities increased \$.11 million. The following table provides a summary of the changes in the City's net position:

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
December 31, 2016

City of Ketchikan, Alaska

Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program:						
Charges for services	\$ 7,093,588	\$ 6,746,378	\$ 50,719,677	\$ 48,743,091	\$ 57,813,265	\$ 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	691,774	932,460	652,739	509,767	1,344,513	1,442,227
Total revenues	35,696,237	41,236,046	52,331,420	51,280,062	88,027,657	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 item and transfers	5,179,390	8,779,399	911,931	1,905,293	6,091,321	10,684,692
Extraordinary item			359,246		359,246	
Transfers in (out)	1,165,742	2,804,258	(1,165,742)	(2,804,258)	-	-
Increase (decrease) in net position	6,345,132	11,583,657	105,435	(898,965)	6,450,567	10,684,692
Net position, beginning	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	\$ 181,348,117	\$ 175,002,985	\$ 161,189,004	\$ 161,083,569	\$ 342,537,121	\$ 336,086,554

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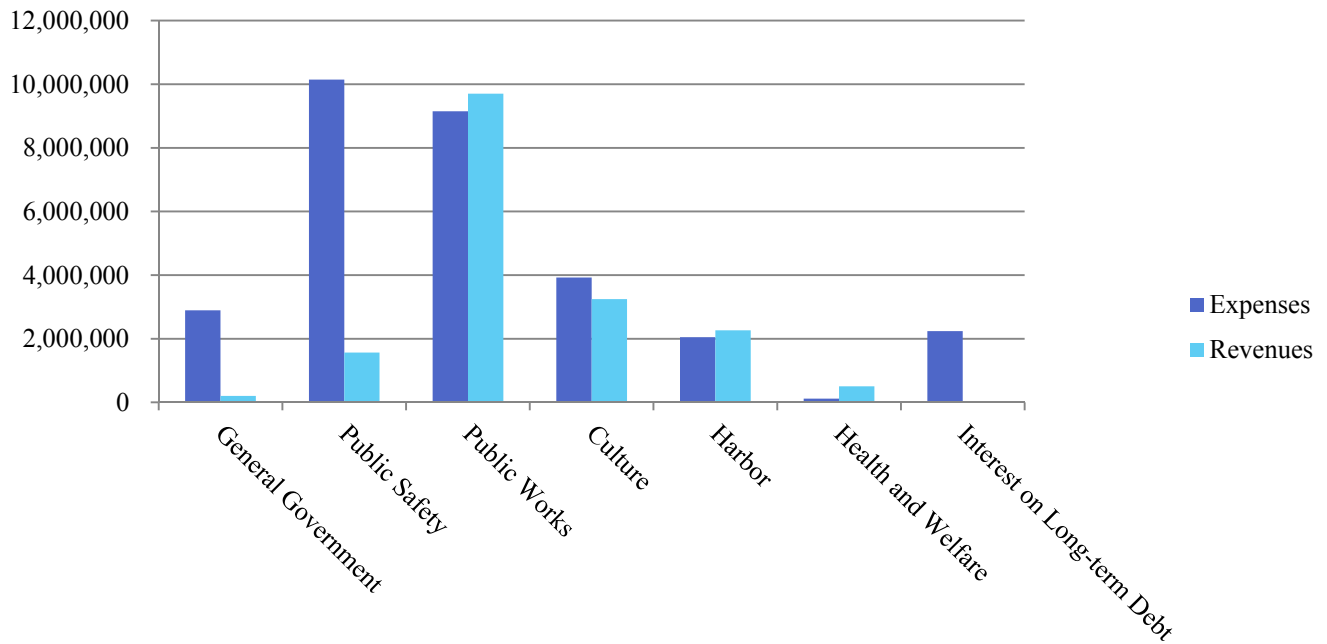
Governmental Activities. The City's net position from governmental activities increased \$6.34 million. This increase is \$5.24 million less than the increase that occurred in 2015. The key elements in the change in net position from the prior year are as follows:

- Charges for services increased by \$.35 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 \$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.

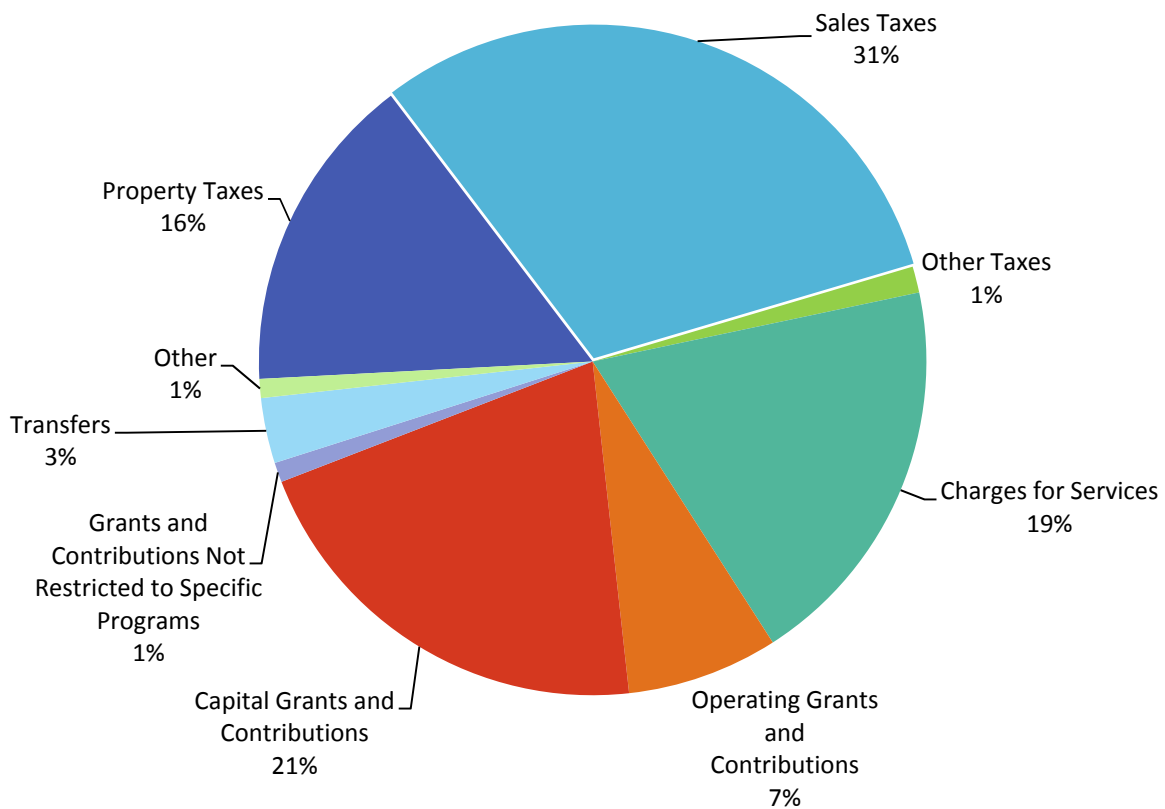
The following graphs compare program revenues with expenses and illustrate the revenues by source for governmental activities.

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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 \$.9 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
	<u>\$ 50,719,677</u>	<u>\$ 48,743,091</u>

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. Both 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 \$.6 million 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
	<u>\$51,419,489</u>	<u>\$49,374,769</u>

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 purchases of power.

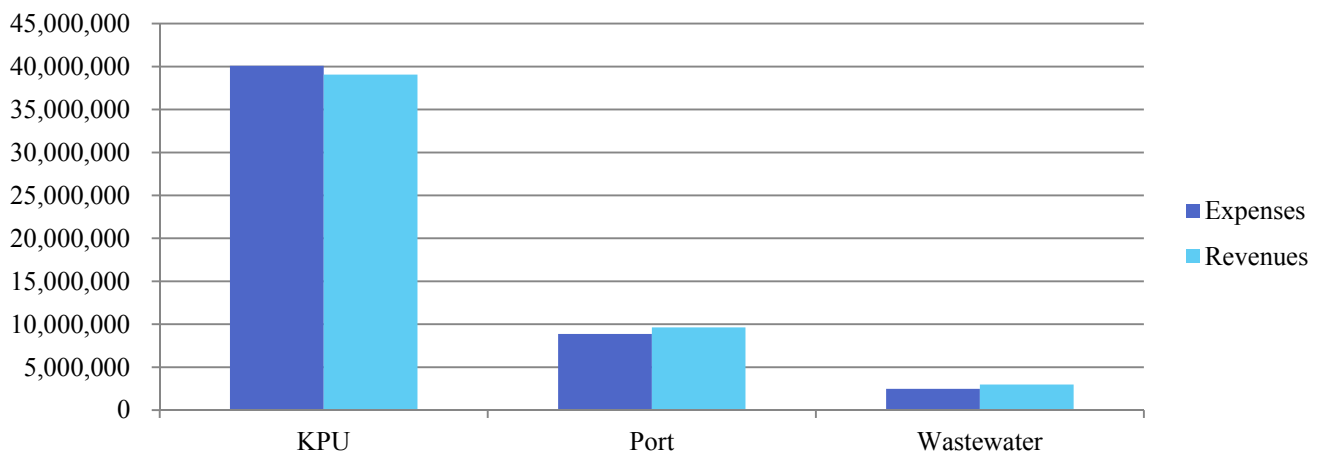
The total expenses of the telecommunication utility increased in 2016 by \$.52 million. Central office switching operating costs accounted for about 53 percent of increase, which was due to ongoing efforts to switch existing customers over to new

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.

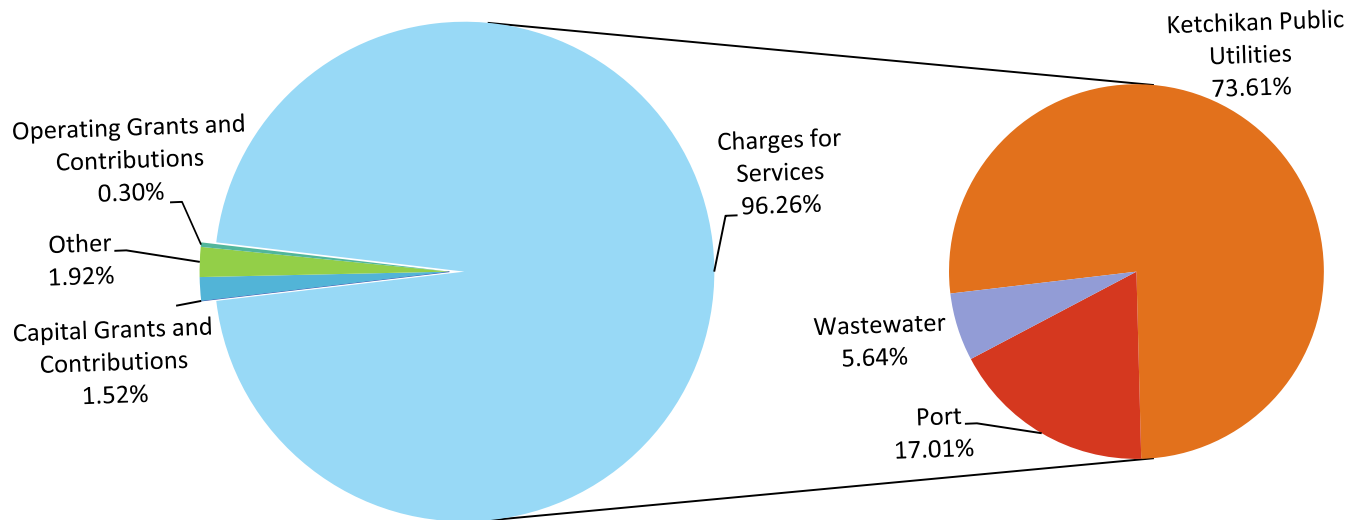
The following graphs compare program revenues with program expenses and illustrate the revenues by source for business-type activities.

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 \$35.31 million, a decrease of \$10.94 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

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 \$23.63 million, a decrease of \$1.82 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 the 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 \$18.06 million in 2016. The unassigned fund balance increased from \$4.08 million to \$4.13 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.

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 \$17.60 million and subsequently amended to \$17.62 million. All of the amendments were for grant awards for public safety and cultural activities and museum sales and contributions. Actual revenues totaled \$17.27 million, which resulted in unfavorable budget variance of \$350,502, or 1.99 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 \$626,178. 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 3-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.

(This page continued on the subsequent page)

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	<u>\$ 91,293,396</u>	<u>\$ 79,255,040</u>	<u>\$ 7,302,025</u>	<u>\$ 7,283,464</u>	<u>\$ 98,595,421</u>	<u>\$ 86,538,504</u>
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	<u>(60,362,592)</u>	<u>(55,755,150)</u>	<u>(163,210,087)</u>	<u>(155,608,766)</u>	<u>(223,572,679)</u>	<u>(211,363,916)</u>
Net depreciable assets	<u>\$ 123,282,657</u>	<u>\$ 115,317,296</u>	<u>\$ 175,262,892</u>	<u>\$ 177,168,312</u>	<u>\$ 298,545,549</u>	<u>\$ 292,485,608</u>
Percentage depreciated	<u>33%</u>	<u>33%</u>	<u>48%</u>	<u>47%</u>	<u>43%</u>	<u>42%</u>
Book value - all assets	<u>\$ 214,576,053</u>	<u>\$ 194,572,336</u>	<u>\$ 182,564,917</u>	<u>\$ 184,451,776</u>	<u>\$ 397,140,970</u>	<u>\$ 379,024,112</u>

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	1,425,618	1,407,254	1,087,714	988,450	2,513,332	2,395,704
Total	<u>\$ 58,349,458</u>	<u>\$ 57,917,134</u>	<u>\$ 52,645,611</u>	<u>\$ 59,062,855</u>	<u>\$ 110,995,069</u>	<u>\$ 116,979,989</u>

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 \$33,352. 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.

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 \$7,372.

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 biggest 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 billion. 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.

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 foot 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.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



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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	<u>47,039,029</u>	<u>37,594,137</u>	<u>84,633,166</u>
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	<u>214,960,757</u>	<u>190,846,187</u>	<u>405,806,944</u>
Total Assets	<u>261,999,786</u>	<u>228,440,324</u>	<u>490,440,110</u>
 Deferred Outflow of Resources	 <u>3,155,579</u>	 <u>920,334</u>	 <u>4,075,913</u>
 Total Assets and Deferred Outflow of Resources	 <u>265,155,365</u>	 <u>229,360,658</u>	 <u>494,516,023</u>

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	180,397	111,350	291,747
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	8,822,833	8,618,234	17,441,067
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	83,807,248	68,171,654	151,978,902
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	-	4,649,770	4,649,770
Commercial passenger excise tax funds	1,959,497	-	1,959,497
Debt service	-	4,289,999	4,289,999
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	8,276,866	27,122,581	35,399,447
Total Net Position	\$ 181,348,117	\$ 161,189,004	\$ 342,537,121

See accompanying notes to the basic financial statements

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,893,754	\$ 63,374	\$ 140,082	\$ -
Public safety	10,143,345	1,245,317	320,463	-
Culture and tourism	3,925,120	950,467	2,200,939	95,087
Health and welfare	116,178	953	-	505,130
Public works	9,152,222	3,355,592	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	7,093,588	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	\$ 57,813,265	\$ 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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,690,298)	\$ -	\$ (2,690,298)
(8,577,565)	-	(8,577,565)
(678,627)	-	(678,627)
389,905	-	389,905
552,372	-	552,372
217,089	-	217,089
(2,238,887)	-	(2,238,887)
(13,026,011)	-	(13,026,011)
-	(1,008,821)	(1,008,821)
-	773,294	773,294
-	494,719	494,719
-	259,192	259,192
(13,026,011)	259,192	(12,766,819)
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
282,306	457,987	740,293
-	359,246	359,246
1,165,742	(1,165,742)	-
19,371,143	(153,757)	19,217,386
6,345,132	105,435	6,450,567
175,002,985	161,083,569	336,086,554
<u>\$ 181,348,117</u>	<u>\$ 161,189,004</u>	<u>\$ 342,537,121</u>



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FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

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	<u>\$ 22,713,560</u>	<u>\$ 7,263,436</u>	<u>\$ 14,644,552</u>	<u>\$ 44,621,548</u>
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	24,268	-	156,129	180,397
Advances to other funds	-	-	241,547	241,547
Total Liabilities	<u>2,497,760</u>	<u>980,930</u>	<u>3,611,437</u>	<u>7,090,127</u>
Deferred Inflows of Resources	<u>2,158,028</u>	<u>-</u>	<u>63,313</u>	<u>2,221,341</u>
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	4,129,424	-	-	4,129,424
Total Fund Balances	<u>18,057,772</u>	<u>6,282,506</u>	<u>10,969,802</u>	<u>35,310,080</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 22,713,560</u>	<u>\$ 7,263,436</u>	<u>\$ 14,644,552</u>	<u>\$ 44,621,548</u>

See accompanying notes to the basic financial statements

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		\$ 35,310,080
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	<u>(60,362,592)</u>	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	<u>(266,100)</u>	-
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	<u>(205,839)</u>	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	<u>(963,840)</u>	<u>(75,101,568)</u>
Net Position Of Governmental Activities		<u>\$ 181,348,117</u>

See accompanying notes to the basic financial statements

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	159,965	-	132,514	292,479
Total Revenues	23,631,385	511,989	11,331,142	35,474,516
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	2,373,164	(11,821,495)	(4,717,815)	(14,166,146)
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	661,777	(11,821,495)	222,201	(10,937,517)
Fund Balances Beginning of Year	17,395,995	18,104,001	10,747,601	46,247,597
Fund Balances End of Year	\$ 18,057,772	\$ 6,282,506	\$ 10,969,802	\$ 35,310,080

See accompanying notes to the basic financial statements

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		\$ (10,937,517)
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	<u>24,771,676</u>	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)
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	<u>4,005,008</u>	-
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	<u>(3,960)</u>	<u>(727,298)</u>
Change In Net Position of Governmental Activities		<u>\$ 6,345,132</u>

See accompanying notes to the basic financial statements



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PROPRIETARY FUNDS

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

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
Assets					
Current Assets:					
Cash and temporary investments	\$ 19,395,178	\$ 7,957,557	\$ 2,161,049	\$ 29,513,784	\$ 2,042,073
Restricted cash, cash equivalents and investments	640,271	185,935	24,211	850,417	-
Receivables:					
Accounts	2,249,891	-	160,916	2,410,807	-
Intergovernmental	-	490,885	-	490,885	-
Miscellaneous	-	-	-	-	49,709
Inventory	2,835,103	-	-	2,835,103	-
Prepaid items	22,343	1,026,946	-	1,049,289	618,050
Unbilled revenue	1,048,528	-	152,258	1,200,786	-
Total Current Assets	26,191,314	9,661,323	2,498,434	38,351,071	2,709,832
Noncurrent Assets:					
Restricted Assets:					
Investments	1,391,500	6,889,770	-	8,281,270	-
Advances from other funds	-	2,700,000	-	2,700,000	600,000
Capital Assets:					
Nondepreciable capital assets	3,417,764	2,319,667	1,564,594	7,302,025	-
Depreciable capital assets, net	108,523,195	50,299,639	16,440,058	175,262,892	-
Total Noncurrent Assets	113,332,459	62,209,076	18,004,652	193,546,187	600,000
Total Assets	139,523,773	71,870,399	20,503,086	231,897,258	3,309,832
Deferred Outflow of Resources	759,803	125,721	34,810	920,334	-
Total Assets and Deferred Outflow of Resources	140,283,576	71,996,120	20,537,896	232,817,592	3,309,832

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

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
Liabilities					
Current Liabilities:					
Accounts payable	2,951,121	228,107	1,072,006	4,251,234	365
Accrued interest	140,693	113,555	5,418	259,666	-
Customer deposits	379,120	-	-	379,120	-
Advances to other funds	287,932	-	-	287,932	-
Compensated absences payable	103,342	3,129	2,301	108,772	142,562
Unearned revenue	111,350	-	-	111,350	-
General obligation bonds payable	-	-	97,983	97,983	-
Revenue bonds payable	2,298,564	1,097,584	13,961	3,410,109	-
Claims payable	-	-	-	-	143,000
Total Current Liabilities	6,272,122	1,442,375	1,191,669	8,906,166	285,927
Long-Term Liabilities:					
Compensated absences payable (net of current portion)	930,074	28,157	20,712	978,943	1,283,057
Net pension liability	3,800,135	620,884	171,906	4,592,925	-
Advances from other funds	3,169,002	-	-	3,169,002	-
Revenue bonds payable (net of current portion)	21,609,969	29,759,634	254,204	51,623,807	-
General obligation bonds payable (net of current portion)	-	-	1,777,512	1,777,512	-
Total Long-Term Liabilities	29,509,180	30,408,675	2,224,334	62,142,189	1,283,057
Deferred Inflow of Resources	42,359	535,958	1,916	580,233	
Total Liabilities and Deferred Inflow of Resources	35,823,661	32,387,008	3,417,919	71,628,588	1,568,984
Net Position					
Net investment in capital assets	88,032,611	21,233,051	15,860,992	125,126,654	-
Restricted for bond retirement	1,958,826	2,312,380	18,793	4,289,999	-
Restricted for repair and replacement	-	4,649,770	-	4,649,770	-
Unrestricted	14,468,478	11,413,911	1,240,192	27,122,581	1,740,848
Total Net Position	\$ 104,459,915	\$ 39,609,112	\$ 17,119,977	\$ 161,189,004	\$ 1,740,848

See accompanying notes to the basic financial statements



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City of Ketchikan, Alaska
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
Operating Revenues					
Charges for services	\$ 38,876,540	\$ 8,961,241	\$ 2,971,896	\$ 50,809,677	\$ 2,498,038
Miscellaneous	444,379	-	13,608	457,987	106
Total Operating Revenues	39,320,919	8,961,241	2,985,504	51,267,664	2,498,144
Operating Expenses					
Operation and maintenance	25,483,547	4,916,988	2,000,409	32,400,944	-
Administration and general	5,793,720	-	-	5,793,720	-
Depreciation	8,042,878	1,605,242	448,211	10,096,331	-
Compensated absences	-	-	-	-	1,264,137
Insurance	-	-	-	-	1,188,420
Claims	-	-	-	-	45,481
Total Operating Expenses	39,320,145	6,522,230	2,448,620	48,290,995	2,498,038
Operating Income	774	2,439,011	536,884	2,976,669	106
Non-Operating Revenues (Expenses)					
Operating grants	135,314	16,004	4,432	155,750	-
Interest and fiscal charges	(821,489)	(1,665,360)	(32,989)	(2,519,838)	-
Debt refunding costs	(27,653)	(234,304)	-	(261,957)	-
Gain or (loss) on disposal of capital assets	-	(436,699)	-	(436,699)	-
Investment earnings	7,713	186,539	500	194,752	24,000
Total Non-Operating Revenues (Expenses)	(706,115)	(2,133,820)	(28,057)	(2,867,992)	24,000
Income (Loss) Before Capital Contributions, Capital Grants and Transfers	(705,341)	305,191	508,827	108,677	24,106
Capital Contributions and Grants					
Capital contributions and grants	148,612	654,642	-	803,254	-
Total Capital Contributions and Grants	148,612	654,642	-	803,254	-
Net Income (Loss) Before Extraordinary Item and Transfers	(556,729)	959,833	508,827	911,931	24,106
Extraordinary Item - Gain on Impairment of an Asset	-	359,246	-	359,246	-
Net Income (Loss) before Transfers	(556,729)	1,319,079	508,827	1,271,177	-
Transfers					
Transfer from general fund	-	19,258	-	19,258	-
Payments in lieu of taxes	(786,000)	(319,000)	(80,000)	(1,185,000)	-
Total Transfers Out	(786,000)	(299,742)	(80,000)	(1,165,742)	-
Total Capital Contributions, Capital Grants and Transfers	(637,388)	335,642	(80,000)	(381,746)	-
Change in Net Position	(1,342,729)	1,019,337	428,827	105,435	24,106
Net Position Beginning of Year	105,802,644	38,589,775	16,691,150	161,083,569	1,716,742
Net Position End of Year	\$ 104,459,915	\$ 39,609,112	\$ 17,119,977	\$ 161,189,004	\$ 1,740,848

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
Cash Flows from Operating Activities					
Cash received from customers and users	\$ 40,206,205	\$ 9,181,875	\$ 2,971,107	\$ 52,359,187	\$ 2,498,144
Cash payments to employees for services	(13,280,806)	(1,034,629)	(852,081)	(15,167,516)	-
Cash payments to suppliers for goods and services	(16,883,907)	(3,726,053)	(1,175,781)	(21,785,741)	-
Cash payments for insurance and claims	-	-	-	-	(1,269,576)
Cash payments for compensated absences	-	-	-	-	(1,245,773)
Net Cash Provided (Used) by Operating Activities	10,041,492	4,421,193	943,245	15,405,930	(17,205)
Cash Flows from Noncapital Financing Activities					
Operating grant from other governments	135,314	16,004	4,432	155,750	-
Transfers out	-	19,258	-	19,258	-
Payment in lieu of taxes to the general fund	(786,000)	(319,000)	(80,000)	(1,185,000)	-
Net Cash Used by Noncapital Financing Activities	(650,686)	(283,738)	(75,568)	(1,009,992)	-
Cash Flows from Capital and Related Financing Activities					
Advances	(276,857)	-	-	(276,857)	-
Capital grant received from other governments	148,612	836,408	-	985,020	-
Capital debt proceeds	1,368,439	-	-	1,368,439	-
Loss on disposition of capital assets	-	-	-	-	-
Principal paid on general obligation bonds	-	-	(96,529)	(96,529)	-
Interest paid on general obligation bonds	-	-	(59,501)	(59,501)	-
Principal paid on revenue bonds	(2,145,519)	(1,540,000)	(13,752)	(3,699,271)	-
Interest paid on revenue bonds	(930,442)	(1,780,067)	(4,177)	(2,714,686)	-
Payments for capital acquisitions and construction	(6,253,558)	(810,356)	(177,860)	(7,241,774)	-
Net Cash Used by Capital and Related Financing Activities	(8,089,325)	(3,294,015)	(351,819)	(11,735,159)	-
Cash Flows from Investing Activities					
Investment earnings	8,528	191,529	500	200,557	24,000
Proceeds from bond reserve fund investments	194,500	320,597	-	515,097	-
Purchase of bond reserve fund investments	-	(457,608)	-	(457,608)	-
Net Cash Provided by Investing Activities	203,028	54,518	500	258,046	24,000
Net Increase in Cash and Cash Equivalents	1,504,509	897,958	516,358	2,918,825	6,795
Cash and Cash Equivalents Beginning of Year (including \$1,163,963 for Ketchikan Public Utilities \$824,743 for Port and \$54,520 for Wastewater Services reported in restricted accounts)	18,530,940	7,245,534	1,668,902	27,445,376	2,035,278
Cash and Cash Equivalents End of Year (including \$640,271 for Ketchikan Public Utilities, \$185,935 for Port and \$24,211 for Wastewater Services reported in restricted accounts)	\$ 20,035,449	\$ 8,143,492	\$ 2,185,260	\$ 30,364,201	\$ 2,042,073

(continued)

City of Ketchikan, Alaska
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

(continued)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 774	\$ 2,439,011	\$ 536,884	\$ 2,976,669	\$ 106
Adjustments:					
Depreciation	8,042,878	1,605,242	448,211	10,096,331	-
Other	83,363	-	-	83,363	-
(Increase) Decrease in Assets and Deferred Outflows:					
Accounts receivable	891,780	220,635	4,249	1,116,664	(16,539)
Unbilled revenue	(90,362)	-	(18,646)	(109,008)	-
Prepaid expenses	(7,446)	86,144	-	78,698	(3,330)
Inventory	120,444	-	-	120,444	-
Customer deposits	8,180	-	-	8,180	-
Deferred outflows	(498,747)	(83,332)	(22,603)	(604,682)	-
Increase (Decrease) in Liabilities and Deferred Inflows:					
Accounts payable	253,704	(14,189)	(40,243)	199,272	(15,806)
Compensated absences payable	113,138	(2,225)	(11,649)	99,264	18,364
Unearned revenue	83,868	-	-	83,868	-
Pension liability	1,046,313	170,952	47,331	1,264,596	-
Deferred inflows	(6,395)	(1,045)	(289)	(7,729)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 10,041,492</u>	<u>\$ 4,421,193</u>	<u>\$ 943,245</u>	<u>\$ 15,405,930</u>	<u>\$ (17,205)</u>
Noncash investing, capital and financing activities					
Fair value of non-cash investments	-	\$ (45,543)	-	-	-
Revenue bond arbitrage	\$ 1,400	-	-	-	-

See accompanying notes to the basic financial statements



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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) applicable to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. A summary of the City of Ketchikan's significant accounting policies applied in the preparation of these financial statements follows.

1-A. Reporting Entity

The City of Ketchikan, Alaska (the "City") is a home rule municipality operating under the powers granted by the constitution and laws of the State of Alaska. The City operates under a Council-Manager form of government and provides a variety of municipal services including general administration; police; fire; library; museum; health; public works; cemetery; port and harbors; solid waste collection and disposal; wastewater collection and treatment; and electric, telecommunications and water utilities.

As required by U.S. GAAP, these financial statements present the City (primary government) and its component units. The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. Based upon this criterion, the reporting entity is limited to the City and no component units are included.

1-B. Government-Wide and Fund Financial Statements

The government-wide statements, which include the statement of net position and statement of activities report information on all the activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which are generally supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely generally on fees and charges to external parties.

The statement of net position reports all of the City's assets and liabilities, with the difference between the two presented as net position.

The statement of activities demonstrates the extent to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are clearly identifiable with a specific function. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods and services provided by the programs, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each reported as a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

1-C. Measurement Focus, Basis of Accounting and Statement Presentation

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On the accrual basis, property taxes are recognized as

Note 1 - Summary of Significant Accounting Policies (Continued)

revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds are reported using current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period or when matured. The City considers most revenue as available if collected within 60 days after year end. Property taxes, sales taxes, and transient occupancy taxes, interest income, grant revenue and charges for services are susceptible to accrual. Sales tax revenue is considered available if it is collected within 30 days. Fines, licenses, permits and other receipts become measurable and available when cash is received by the City and are recognized as revenue at the time. Grant revenue is considered available if it is expected to be collected within one year and all eligibility requirements are met. Expenditures are recorded when the related liability is incurred except for debt service expenditures, which are recognized when the payment is due.

The City reports the following major funds:

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

Hospital Construction Fund – The hospital construction fund accounts for all financial resources related to construction of improvements to the Ketchikan Medical Center.

The City reports the following proprietary funds:

Ketchikan Public Utilities Fund – This fund provides electric and telecommunication utility services to most residents of the Ketchikan Gateway Borough, which includes the City, and water utility services to the residents of the City.

Ketchikan Port Fund – This fund accounts for the operation and maintenance of the port facilities that are owned or operated by the City.

Wastewater Services Fund – This fund accounts for the collection, treatment and disposal of wastewater within the City.

Additionally, the City reports the following fund types:

Internal Service Funds – The internal service funds provide services to other funds on a cost-reimbursement basis. These services include paying the costs of compensated absences for the City's employees and to pay for claims not covered by the City's insurance plans. The City's two internal services funds are the compensated absences fund and the self-insurance fund.

The effect of interfund activity generally has been eliminated from the government-wide financial statements. Exceptions to this practice include payments and other charges between the City's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions affected.

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

When both restricted and unrestricted resources are available for use, the City uses the restricted resources first, then unrestricted resources as needed.

Note 1 - Summary of Significant Accounting Policies (Continued)***1-D. Assets, Liabilities and Net Position and Fund Balances******1-D-1 Cash, Cash Equivalents, and Investments***

A central treasury is used to account for all cash and investments, except for restricted bond redemption, bond reserve, and bond construction cash and investments; and capital improvement fund investments.

Investments are recorded at fair value, which is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The exceptions are the City's nonparticipating contracts, and certificates of deposit, which are valued at cost. Investment revenue on cash pool investments is allocated to the various funds based on their month-end cash pool equity balances.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents as the demand deposits and all investments maintained in the cash management pool, regardless of maturity period, since the various funds use the cash management pool essentially as a demand deposit account.

The City is authorized to invest in obligations of, or obligations issued or guaranteed by, the US Treasury, agencies or instrumentalities, negotiable certificates of deposit issued by rated banks, and certificates of deposit issued by banks located within the State of Alaska or issued by a rated bank. The City is also authorized to enter into repurchase agreements secured by obligations insured and guaranteed by US Treasury, agencies, or instrumentalities.

City bond ordinances require that funds in revenue bond reserve and redemption accounts be either deposited in demand deposits or invested in direct US Government obligations. The City policy requires that all certificates of deposits be collateralized to a level of 100 percent with federal, state or municipal obligations.

1-D-2 Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled utility charges are accrued as receivables and revenue.

1-D-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not expendable available financial resources and therefore are not available for appropriation.

The above amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1-D-3 Consumable Inventories

Inventories for materials used to maintain plant in the Ketchikan Public Utilities Fund are valued at cost, which approximates market, using average cost method. The Ketchikan Public Utilities Fund also has diesel fuel inventory which is valued using the FIFO method. The cost of governmental fund-type inventories is recorded as expenditures when consumed, using the FIFO method.

1-D-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for appropriation.

Note 1 - Summary of Significant Accounting Policies (Continued)

1-D-6 Restricted Assets

Certain cash and investments are restricted for the payment of revenue bond debt service and construction costs.

The Revenue Bond Redemption Fund and Revenue Bond Reserve Fund have been established in accordance with the provisions of the revenue bond indentures. These funds can only be used for the payment of principal and interest on revenue bonds outstanding and must be maintained in accordance with the provisions of the applicable revenue bond ordinances. As of December 31, 2016 the balance on hand in the KPU Revenue Bond Redemption Fund amounted to \$640,271, which was the required amount per applicable bond ordinances. The KPU Revenue Bond Reserve Fund contained \$1,391,500, which was the required amount per applicable bond ordinances. The Port Revenue Bond Redemption Fund amounted to \$185,935, which was \$239 more than required. The Port Revenue Bond Reserve Fund contained \$2,240,000, as required by applicable bond ordinances. The Wastewater Service Fund contained \$24,211 in the Bond Redemption Fund.

The Harbor Construction Fund and the Hospital Construction Fund have been established in accordance with the provisions of the bond indentures. These funds can only be used for the payment of costs incurred in the construction of the improvements to harbor facilities and the Ketchikan Medical Center addition, respectively. The total amount available as of December 31, 2016 was \$488,347 in the Harbor Construction Fund and \$6,282,506 in the Hospital Construction Fund.

The Repair and Replacement Fund has been established in the Port Fund pursuant to the covenants of the 2016 Port Revenue Refunding Bond and the provisions of the long-term lease agreement for Berth IV. As of December 31, 2016 the amount required to satisfy the bond covenants and lease agreement was \$3,517,935 for the revenue bonds and \$1,131,835 for the long-term lease for a total of \$4,649,770.

The City received Commercial Passenger Vessel Excise Tax Funds from the State of Alaska. These funds are restricted for purposes established by the State. The City currently has \$155,881 in the Major Capital Improvements Fund and \$933 in the Harbor Improvements Fund and \$1,802,683 in the Commercial Passenger Vessel Excise Tax Fund to be spent in accordance with state statutes.

The City is holding funds related to police investigations as restricted assets. These funds total \$137,151. In addition to this the City also receives from Federal and State government sources an equitable share of the funds received from the seizure of forfeited assets. These proceeds must be used for law enforcement purposes. These funds total \$174,097.

1-D-7 Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Generally, the City maintains a capitalization threshold of five thousand dollars. However, the Telecommunications Division of the KPU Enterprise Fund follows the Federal Communications Commission's (FCC) capitalization rules which requires a lower capitalization limit for certain assets. The City's infrastructure consists of roads, bridges, sidewalks, storm drains, docks, and parking facilities. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Asset Class	Estimated Lives	
	Governmental Activities	Business-type Activities
Land improvements	15-25 Years	---
Buildings and components	10-100 Years	20-60 Years
Machinery and equipment	3-25 Years	3-15 Years
Infrastructure	10-100 Years	30-85 Years
Dams, roads, bridges, docks, structures, water mains, and generators	30-40 Years	20-60 Years
Electric, telecommunications and water services, overhead and underground facilities, hydrants, fuel holders, poles and fixtures, meters and transformers	---	12-30 Years

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

1-D-8 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the City's past experience of making termination payments.

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

1-D-9 Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

1-D-10 Bond Premiums and Discounts, Debt Issuance Costs and Refunding Gains and Losses

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statements of activities, bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method.

Debt refunding gains and losses are reported as deferred inflows or outflows of resources on the statements of net position. These gains and losses are deferred and amortized over the shorter of the life of the refunding debt and the refunded debt.

Bond issuance costs are recognized as outflow of resources in the reporting period in which there are incurred.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

1-D-11 Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The City classifies its fund balance at the fund statement level based on one or more of the following categories:

Non-spendable – Fund balances that are classified as non-spendable includes amounts that cannot be spent because they are not in spendable form or not expected to be converted to cash.

Restricted – Fund balances that are classified as restricted includes amounts that have externally imposed restrictions on the use of the resources, such as creditors, grantors, laws or regulations of other governments.

Committed – Fund balances that are classified as committed includes amounts that can only be used for a specific purpose pursuant to constraints imposed by City Council’s formal action to establish and rescind committed funds is through passage of a motion, the highest level of decision-making authority in the City.

Assigned – Fund balances that are classified as assigned includes amounts that are constrained by the City’s intent to use the funds for a specific purpose, such as the subsequent years budget, encumbrances and special revenue fund balances that are not already classified as non-spendable, restricted or committed. The City Council and City Manager have the authority to take action provided in the Ketchikan Municipal Code or the City’s Charter that would cause the City to classify fund balances as assigned.

Unassigned – Fund balance that is classified as unassigned is the residual balance not already classified as non-spendable, restricted, committed or assigned in the general fund.

When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net position amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position amounts are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

1-D-12 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for wastewater, port, electricity, telecommunications and water. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. Any revenue and expense not meeting this definition is reported as non-operating revenue and expense.

1-D-13 Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Note 1 - Summary of Significant Accounting Policies (Continued)

1-D-13 Interfund Activity

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

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

1-D-14 Estimates

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

1-D-16 Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to future periods that will not be recognized as an outflow of resources, or expense/expenditures, until then. Deferred inflows of resources represents an acquisition of net position that applies to future periods that will not be recognized as an inflow of resources, or revenues, until then.

Note 2 – Stewardship, Compliance and Accountability

2-A. Budgetary Information

The City adopts an annual operating budget for the general fund, each of its special revenue funds, capital projects funds, debt service funds, enterprise funds and internal service funds. The budget resolution reflects the total of each department's appropriation in each fund. The budgets for the enterprise and internal service funds are adopted for management purposes and are not reported in these financial statements.

The budgets are adopted on a basis consistent with GAAP except that outstanding encumbrances are reported as expenditures on the budgetary basis. For budgetary reporting purposes, advances are classified as revenues and transfers are classified as expenditures.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund.

The City Council may transfer unencumbered appropriation balances from any item of appropriation to any other item of appropriation. Council authorization is required to transfer appropriations from one department to another and from appropriated reserves. The total of expenditures and outstanding encumbrances for any department cannot exceed the amount legally appropriated for that department with the adoption of the annual budget, unless otherwise amended by the City Council.

On December 17, 2015, the 2016 General Government Operating and Capital Budget and the 2015 Ketchikan Public Utilities Operating and Capital Budget were adopted by the City Council with the passage of Resolution 15-2609 and Resolution 15-2610, respectively. During the year, the 2016 General Government Operating and Capital Budget was amended to provide for supplemental appropriations as follows:

- Acceptance of a grant for the fire department in the amount of \$4,000.
- Acceptance of a grant for the fire department in the amount of \$122.
- Acceptance of a grant for the fire department in the amount of \$6,920.
- Acceptance of a grant for the library department in the amount of \$6,900.

Note 2 – Stewardship, Compliance and Accountability (Continued)

- Acceptance of a grant for the museum department in the amount of \$235,750.
- Increase revenues and appropriations for the museum department in the amount of \$4,500.
- Acceptance of a private contribution for the museum department in the amount of \$220.
- Increase appropriations for the tourism and economic development department in the amount of \$15,363.
- Issuance of bonds for the harbor department in the amount of \$160,000.
- Increase appropriations for the harbor department in the amount of \$5,000.

During the year, the 2016 Ketchikan Public Utilities Capital Budget was amended as follows:

- Issuance of bonds for the water department in the amount of \$1,400,000.

In addition, transfers of funds between budget accounts, within departments, which did not increase appropriations, were made for both General Government and Ketchikan Public Utilities. The effects of these transfers were not significant in relation to the budgets taken as a whole.

All unencumbered appropriations lapse at the end of each fiscal year, but encumbered appropriation balances carry forward automatically and may be expended after year-end. All unencumbered, unexpended annual appropriations lapse at year-end. Payments made against prior year purchase orders result in current year expenditures being increased and current year encumbrance balances being reduced so that these payments do not reduce current year appropriations.

Note 3 - Detailed Notes on All Funds**3-A. Deposits and Investments**

Cash and investments for the City are comprised of governmental and business-type activities. The balances at December 31, 2016 were:

Cash on hand	\$	12,770
Deposits with financial institutions		77,689,637
Total	\$	<u>77,702,407</u>

Cash and investments for the City include both governmental and business-type activities as follows:

	Governmental Activities	Business-type Activities	Total
Unrestricted	\$ 31,818,021	\$ 29,513,784	\$ 61,331,805
Restricted	7,238,915	9,131,687	16,370,602
Total	<u>\$ 39,056,936</u>	<u>\$ 38,645,471</u>	<u>\$ 77,702,407</u>

The restricted cash and investments are comprised entirely of \$2,031,771, \$24,211 and \$2,425,935 for bond reserve accounts established for the City's municipal utility, wastewater services and port revenue bonds, respectively, \$6,770,852 for bond construction accounts, \$4,649,770 for the Port repair and replacement accounts, \$156,814 for commercial passenger excise tax fund accounts and \$311,249 for public safety confiscated funds.

Deposits

Custodial credit risk-deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy is in accordance with guidelines established by the City Charter, the City Council and its bond ordinances. All deposits were covered by federal depository insurance up to \$250,000 and collateralized with eligible securities in amounts equal at least 100 percent of the bank value of deposits. As of December 31, 2016, the book value of all the City deposits was \$77,689,637, the bank value was \$77,201,897. The bank balance was not fully collateralized as of December 31, 2016. The funds under-collateralized were \$3,304,500. The City is fully collateralized by the end of January 2017.

Note 3 - Detailed Notes on All Funds (Continued)**3-B. Receivables**

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

Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability. Receivables for the year ended December 31, 2016, consisted of the following:

	Governmental Activities	Business- type Activities	Total
Accounts receivable	\$ 6,752,509	\$ 4,180,478	\$ 10,932,987
Allowance for doubtful accounts	(145,400)	(78,000)	(223,400)
Net accounts receivable	<u>\$ 6,607,109</u>	<u>\$ 4,102,478</u>	<u>\$ 10,709,587</u>

3-C. Property Taxes

Under Alaska Statutes, boroughs are required to bill and collect property taxes for cities located within its boundaries. The Ketchikan Gateway Borough performs these functions for the City. The City must set the rate of levy by June 15 of each year. Property taxes are levied on July 1 and are based on the assessed valuation of real and personal property as of January 1. Property taxes are due and payable immediately upon levy and become delinquent if not paid on or before September 30 of the year in which they are levied. The lien date is October 1. Foreclosure proceedings are initiated by the Ketchikan Gateway Borough the following January on properties for which property taxes has not been paid by December 31. Upon the issuance of a judgment by the court, properties with delinquent taxes are transferred to the Borough and held for at least one year in order to permit the property owner with an option to redeem the property. At the end of the redemption period, all unredeemed property located within the City is deeded to the City by the court subject to the payment by the City of all unpaid borough taxes and the costs of foreclosure levied against the property.

3-D. Leases**3-D-1 Operating Leases**

The City is a lessor in a number of operating leases as follows:

In 1988, the City entered into an agreement with the United States of America, Forest Service to lease City owned land for 40 years for a Southeast Alaska visitor's information center. The terms of the lease agreement require annual lease payments of \$1 per year.

In 1981, the City entered into an agreement with Peace Health to lease the City owned hospital for 10 years. The terms of the lease require annual payments of \$1 per year. In 1992, 2003 and 2013, the agreement was amended to provide for 10-year extensions.

Note 3 - Detailed Notes on All Funds (Continued)

In 2004, the State of Alaska transferred, at no cost, to the City of Ketchikan thirteen tidelands leases. The following is a schedule of investment in property held for lease and the minimum future rentals as of December 31, 2016:

Schedule of Investment in Property Held For Lease	
Tidelands	\$ 941,500
Total	941,500
Less: Accumulated Depreciation	-
Net Investment	<u>\$ 941,500</u>

Years Ending December 31	Amount
2017	\$ 48,739
2018	48,738
2019	48,739
2020	48,738
2021	48,739
2022-2026	197,199
2027-2031	163,786
2032-2036	142,970
2037-2041	74,525
2042-2046	68,705
2047-2051	59,800
2052-2056	30,000
2057-2061	30,000
2062-2063	12,000
Total minimum future lease rentals	<u>\$ 1,022,678</u>

Nine of the leases have a scheduled rate change after 25 years and then every 10 years thereafter, three of the leases have a scheduled rate change in the sixth year and every five years thereafter and one lease has no future rate changes at the date of transfer from the State. The expiration of the lease with the shortest remaining term expires in 2023 while the lease with the longest remaining term expires in 2063.

The City is a lessee in the following operating lease:

The City is under contract to lease a panamax class cruise ship berth and adjacent ground transportation areas, which will be used in its port operations, under a 30-year non-cancelable operating lease. The lease agreement includes two ten-year options to renew.

Note 3 - Detailed Notes on All Funds (Continued)

The future minimum lease payments for this lease are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2017	\$ 1,800,000
2018	1,800,000
2019	1,800,000
2020	1,800,000
2021	1,800,000
2022-2026	9,000,000
2027-2031	9,000,000
2032-2036	9,000,000
2037	1,800,000
Total future minimum lease payments	<u>\$ 37,800,000</u>

The future minimum lease payments do not include contingent lease payments that will be paid if the number of cruise ship passengers paying the City's passenger wharfage fee exceeds 820,000 passengers. Various formulas are used to determine the contingent lease payments and all are dependent on passenger volume. Contingent lease payments will be decreased if passenger volume decreases. In 2016, the City paid the minimum lease of \$1,800,000 plus a contingent lease payment of \$664,670 for a total of \$2,464,670.

3-E. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 28,904,498	\$ -	\$ -	\$ 28,904,498
Easements	588,168	-	-	588,168
Construction in progress	49,661,624	16,023,606	3,985,250	61,699,980
Other capital assets	100,750	-	-	100,750
Total nondepreciable capital assets	<u>79,255,040</u>	<u>16,023,606</u>	<u>3,985,250</u>	<u>91,293,396</u>
Depreciable capital assets:				
Land improvements	1,554,203	-	-	1,554,203
Buildings	75,840,835	3,814,015	-	79,654,850
Machinery and equipment	16,344,693	512,348	160,517	16,696,524
Infrastructure	76,751,184	8,406,957	-	85,158,141
Software	581,531	-	-	581,531
Total depreciable capital assets	<u>171,072,446</u>	<u>12,733,320</u>	<u>160,517</u>	<u>183,645,249</u>
Total capital assets	<u>250,327,486</u>	<u>28,756,926</u>	<u>4,145,767</u>	<u>274,938,645</u>
Accumulated depreciation:				
Land improvements	1,341,930	8,312	-	1,350,242
Buildings	20,353,970	1,369,397	-	21,723,367
Machinery and equipment	9,309,215	990,384	127,583	10,172,016
Infrastructure	24,541,006	2,338,317	-	26,879,323
Software	209,029	28,615	-	237,644
Total accumulated depreciation	<u>55,755,150</u>	<u>4,735,025</u>	<u>127,583</u>	<u>60,362,592</u>
Governmental activities capital assets, net	<u>\$ 194,572,336</u>	<u>\$ 24,021,901</u>	<u>\$ 4,018,184</u>	<u>\$ 214,576,053</u>

Note 3 - Detailed Notes on All Funds (Continued)Governmental activities depreciation expense

General government	\$ 93,070
Public safety	730,884
Public works	1,863,617
Health and welfare	614,906
Harbor	1,157,232
Culture	<u>275,316</u>
Total governmental activities depreciation expense	<u>\$ 4,735,025</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 4,498,606	\$ -	\$ -	\$ 4,498,606
Other capital assets	221,766	-	-	221,766
Construction in progress	<u>2,563,092</u>	<u>1,656,255</u>	<u>1,637,694</u>	<u>2,581,653</u>
Total non-depreciable capital assets	<u>7,283,464</u>	<u>1,656,255</u>	<u>1,637,694</u>	<u>7,302,025</u>
Depreciable capital assets:				
Electric utility plant	123,062,973	1,203,669	393,622	123,873,020
Telecommunications utility plant	65,451,151	2,563,653	1,787,951	66,226,853
Water utility plant	52,990,957	3,571,368	246,647	56,315,678
Wastewater utility plant	24,659,337	10,995	-	24,670,332
Port facilities	<u>66,612,660</u>	<u>1,352,330</u>	<u>577,894</u>	<u>67,387,096</u>
Total depreciable capital assets	<u>332,777,078</u>	<u>8,702,015</u>	<u>3,006,114</u>	<u>338,472,979</u>
Total capital assets	<u>340,060,542</u>	<u>10,358,270</u>	<u>4,643,808</u>	<u>345,775,004</u>
Accumulated depreciation:				
Electric utility plant	66,458,571	3,032,559	393,622	69,097,508
Telecommunications utility plant	48,722,164	3,629,194	1,781,373	50,569,985
Water utility plant	17,022,558	1,381,125	178,820	18,224,863
Wastewater utility plant	7,782,064	448,210	-	8,230,274
Port facilities	<u>15,623,409</u>	<u>1,605,242</u>	<u>141,194</u>	<u>17,087,457</u>
Total accumulated depreciation	<u>155,608,766</u>	<u>10,096,330</u>	<u>2,495,009</u>	<u>163,210,087</u>
Business-type activities capital assets, net	<u>\$ 184,451,776</u>	<u>\$ 261,940</u>	<u>\$ 2,148,799</u>	<u>\$ 182,564,917</u>

Note 3 - Detailed Notes on All Funds (Continued)

3-F. Commitments

The City has the following commitments as of December 31, 2016:

	Operational	Capital	Total
Governmental Funds			
General	\$ 274,014	\$ 1,045,624	\$ 1,319,638
Hospital construction fund	-	3,584,314	3,584,314
Non-major special revenue funds	9,403	216,705	226,108
Non-major capital projects funds	-	6,589,107	6,589,107
Total Governmental Funds	<u>\$ 283,417</u>	<u>\$ 11,435,750</u>	<u>\$ 11,719,167</u>
Enterprise Funds			
KPU	\$ 890,916	\$ 916,745	\$ 1,807,661
Port	2,542	43,296	45,838
Wastewater	2,900	1,471,065	1,473,965
Total Enterprise Funds	<u>\$ 896,358</u>	<u>\$ 2,431,106</u>	<u>\$ 3,327,464</u>

3-G. Interfund Balances and Transfers

Interfund balances at December 31, 2016, consisted of the \$266,100 from governmental funds and represents reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year except where noted.

Interfund transfers for the year ended December 31, 2016, consisted of the following:

Transfers from	Transfers to:			
	General fund	Port fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 19,258	\$ 3,225,797	\$ 3,245,055
KPU fund	786,000	-	-	786,000
Port fund	319,000	-	-	319,000
Wastewater fund	80,000	-	-	80,000
Nonmajor governmental funds	<u>348,668</u>	<u>-</u>	<u>411,285</u>	<u>759,953</u>
Total	<u>\$ 1,533,668</u>	<u>\$ 19,258</u>	<u>\$ 3,637,082</u>	<u>\$ 5,190,008</u>

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

Note 3 - Detailed Notes on All Funds (Continued)**3-H. Landfill Closure and Postclosure Care**

State and federal laws and regulations require the City to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for up to thirty years after closure. Operating and capital expenditures related to current activities of the landfill are recorded in the Solid Waste Services special revenue fund. During 2016, the City did not have any current expenditures for landfill closure costs nor any post-closure care costs. The total estimated liability for landfill closure and postclosure care costs are reported on the government-wide statement of net position.

During 2016, the future closure and postclosure costs were reevaluated and adjusted to reflect current conditions. As of December 31, 2016, the estimated liability for landfill closure and postclosure care costs totaled \$963,840, an increase of \$3,960 from the estimated liability as of December 31, 2015.

The estimated liability is based on an engineer's estimate taking into account various factors including used capacity. As of December 31, 2016 used capacity was approximately 60.64%. It is estimated that an additional \$736,160 will be recognized as closure and postclosure care expenses between the date of the balance sheet, and the year 2037, in 21 years, the date the landfill is expected to reach full capacity. The estimated total current cost of the landfill closure and postclosure care is \$1,700,000 and is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2016. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, and/or changes in the landfill laws and regulations.

The City is required by state and federal laws and regulations to demonstrate financial responsibility for closure and postclosure care costs. The City was in compliance with the requirements for inert landfills at December 31, 2016.

3-I. Long-Term Debt

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities.

General obligation bonds are secured by the full faith and credit of the City. These bonds are payable from taxes levied on all property located within the City, sales taxes collected within the City, and from proprietary revenues, if the bonds were issued for proprietary activities. General obligation bonds currently outstanding are as follows:

1997 Hospital General Obligation Bonds – issued to finance improvements for the Ketchikan General Hospital, refunded March 17, 2015, due in annual installments through October 1, 2017, bearing interest rates of 2.00-4.00%.

2010 Fire Station General Obligation Bonds – issued to finance construction of a new fire station for the Ketchikan Fire Department, issued December 9, 2010, due in annual installments through August 1, 2030, bearing interest rates of 1.422 – 6.256%.

2012 Library Facilities General Obligation Bonds – issued to finance construction of a new library for the Ketchikan area, issued May 1, 2012, due in annual installments through September 1, 2031, bearing interest rates of 2.00 – 5.00%.

2014 Harbor General Obligation Bonds – issued to finance harbor improvements for Bar Harbor South, issued June 19, 2014, due in annual installments through June 1, 2034, bearing interest rates of 3.00 – 5.00%.

2014 Hospital General Obligation Refunding Bonds – issued to finance construction of an addition to the Ketchikan Medical Center, issued June 19, 2014, due in annual installments through June 1, 2044, bearing interest rates of 4.00 – 5.00%.

2016 Harbor General Obligation Bonds – issued to finance harbor improvements for Hole in the Wall and Bar Harbor Ramp 3, issued November 3, 2016, due in annual installments through December 1, 2035, bearing interest rates of 4.00 – 5.00%.

Note 3 - Detailed Notes on All Funds (Continued)

Wastewater General Obligation Bonds, ADEC Clean Water Fund 481011 – issued to finance the replacement of a portion of the Tongass Avenue sewer main, due in semiannual installments through May 1, 2032 bearing an interest rate of 1.5%.

Wastewater General Obligation Bonds, ADEC Clean Water Fund 481071 – issued to finance the replacement of a portion of the Tongass Avenue sewer main, bearing an interest rate of 1.5%, due in semiannual installments through November 1, 2033.

Wastewater General Obligation Bonds, ADEC Clean Water Fund 481072 – issued to finance the replacement of a portion of the Tongass Avenue sewer main, bearing an interest rate of 1.5%, due in semiannual installments through November 1, 2033.

Wastewater General Obligation Bonds, ADEC Clean Water Fund 481101 – issued to finance the replacement of a portion of the Jackson/Monroe Avenue sewer main, bearing an interest rate of 1.5% due in semiannual installments through November 1, 2035.

Annual debt service requirements to amortize general obligation bonds outstanding, as of December 31, 2016 follow:

Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 1,455,000	\$ 2,442,793	\$ 3,897,793	\$ 97,985	\$ 27,766	\$ 125,751
2018	1,490,000	2,365,068	3,855,068	99,460	26,291	125,751
2019	1,560,000	2,291,724	3,851,724	100,957	24,794	125,751
2020	1,630,000	2,214,438	3,844,438	102,477	23,274	125,751
2021	1,700,000	2,133,057	3,833,057	104,020	21,731	125,751
2022-2026	9,765,000	9,294,144	19,059,144	544,070	84,684	628,754
2027-2031	11,600,000	6,712,032	18,312,032	586,281	42,473	628,754
2032-2036	9,430,000	4,428,150	13,858,150	240,245	6,400	246,645
2037-2041	10,175,000	2,480,900	12,655,900	-	-	-
2042-2044	7,155,000	436,900	7,591,900	-	-	-
Total	\$ 55,960,000	\$ 34,799,206	\$ 90,759,206	\$ 1,875,495	\$ 257,413	\$ 2,132,908

Revenue Bonds - The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay for debt service. All revenues of the respective funds are pledged to satisfy annual principal and interest requirements until the bonds mature. All revenue bonds issued by the City have been recorded in the Ketchikan Public Utilities, Port or Wastewater Enterprise Funds and are described below:

KPU Revenue Bonds, Refunding, Series T, 2016 – issued to finance the expansion of diesel generation capacity, refunded April 21, 2016, due in annual installments through June 1, 2017, bearing an interest rate of 5.00%.

KPU Revenue Bonds, 2008, Series W, Clean Renewable Energy Tax Credit – issued to finance a hydroelectric modernization project, dated July 10, 2008, due in annual installments through December 15, 2022 bearing an interest rate of .750%.

KPU Revenue Bonds, 2013, Series X– issued to finance a hydroelectric project, dated June 19, 2013, due in annual installments through June 1, 2033 bearing an interest rates of 2.00 – 5.00%.

KPU Revenue Bonds, ADEC Drinking Water Fund 481021– issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the replacement of a portion of the Tongass Avenue water main, due in semiannual installments through May 1, 2032.

Note 3 - Detailed Notes on All Funds (Continued)

KPU Revenue Bonds, ADEC Drinking Water Fund 481051— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of a water treatment facility, due in semiannual installments through November 1, 2033.

KPU Revenue Bonds, ADEC Drinking Water Fund 481061— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the replacement of a portion of Tongass Avenue water main, due in semiannual installments through November 1, 2033.

KPU Revenue Bonds, ADEC Drinking Water Fund 481091— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Baranof reservoir replacement, due in semiannual installments through November 1, 2033.

KPU Revenue Bonds, ADEC Drinking Water Fund 481121— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Baranof reservoir replacement, due in semiannual installments through November 1, 2033.

KPU Revenue Bonds, ADEC Drinking Water Fund 481141— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Jackson/Monroe water main replacement, due in semiannual installments through November 1, 2035.

Port Revenue Refunding Bonds, 2016 — issued to finance the port expansion and reconfiguration project, refunded November 3, 2016, due in annual installments through December 1, 2035, bearing interest rates of 2.00 – 5.00%.

Wastewater Revenue Bonds, ADEC Clean Water Fund 481111 — issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the replacement of a portion of the Alaska Avenue sewer main, due in semiannual installments through November 1, 2033.

The operating revenues of the KPU, Port and Wastewater Funds were \$39 million, \$9 million and \$3 million respectively. The debt service for KPU, Port and Wastewater Funds were \$1.7 million or 4.2% of revenues, \$1.5 million or 17.1% of revenues and \$110 thousand or 3.7% of revenues, respectively.

Annual debt service requirements to amortize revenue bonds outstanding, as of December 31, 2016 follow:

Year	Principal	Interest	Total
2017	\$ 3,084,522	\$ 2,046,719	\$ 5,131,241
2018	2,001,441	1,968,326	3,969,767
2019	2,073,463	1,898,228	3,971,691
2020	2,145,592	1,822,199	3,967,791
2021	2,222,828	1,740,313	3,963,141
2022-2026	12,186,549	7,313,531	19,500,080
2027-2031	14,949,505	4,465,451	19,414,956
2032-2035	11,018,502	1,138,654	12,157,156
Total	<u>\$ 49,682,402</u>	<u>\$ 22,393,421</u>	<u>\$ 72,075,823</u>

Note 3 - Detailed Notes on All Funds (Continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2016:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 55,550,000	\$ 1,765,000	\$ 1,355,000	\$ 55,960,000	\$ 1,455,000
Plus deferred amounts:					
For issuance premiums	2,434,081	252,887	140,557	2,546,411	151,049
Total bonds payable	57,984,081	2,017,887	1,495,557	58,506,411	1,606,049
Landfill closure costs	959,880	3,960		963,840	-
Compensated absences	1,407,254	1,164,874	1,146,510	1,425,618	142,562
Total Governmental Activities	\$ 60,351,215	\$ 3,186,721	\$ 2,642,067	\$ 60,895,869	\$ 1,748,611
Business-Type Activities					
Bonds payable:					
General obligation bonds	\$ 1,972,026	\$ -	\$ 96,531	\$ 1,875,495	\$ 97,984
Revenue bonds	56,102,379	29,453,694	35,873,671	49,682,402	3,017,237
Plus deferred amounts:					
For issuance premiums	2,181,567	3,950,304	780,358	5,351,513	325,586
Total bonds payable	60,255,972	33,403,998	36,750,560	56,909,410	3,440,807
Compensated absences	988,450	1,303,433	1,204,169	1,087,714	108,771
Total Business-Type Activities	\$ 61,244,422	\$ 34,707,431	\$ 37,954,729	\$ 57,997,124	\$ 3,549,578

The general obligation bonds for governmental activities are being retired by the general obligation bond debt service fund.

The landfill closure costs are being paid from the solid waste services fund. Principal and interest payments related to the City's revenue bonds are financed from income derived from the operations of the Ketchikan Public Utilities and Port Enterprise funds. The general obligation bonds for business-type activities are being retired from resources derived from the operations of the Port enterprise fund. The compensated absences liability is being liquidated from the compensated absences fund.

Defeased Bonds Outstanding - In prior years, the City issued general obligation and municipal utility revenue refunding bonds to defease certain outstanding general obligation and municipal utility revenue bonds to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to insure payment of debt service on the refunded bonds. Accordingly, the trust assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. As of December 31, 2016, \$32,965,000 of the bonds outstanding was considered defeased.

Bond Refundings - In April 2016, the City issued \$2,295,000 in revenue bonds for a current refunding of \$2,510,000 of the outstanding 2005 Series T refunding bonds. The carrying amount of the old bonds exceeded the carrying amount of the new bonds by \$39,542. This amount will be amortized over the remaining life of the refunded debt. The refunding reduced the City's aggregate debt service payments to maturity by \$219,695, which resulted in the net present value savings of \$33,352. In November 2016, the City issued \$27,635,000 revenue bonds to refund \$30,845,000 of the outstanding 2006 Port bonds. The carrying amount of the old bonds exceeded the carrying amount of the new bonds by \$533,698. This amount will be amortized over the remaining life of the refunded debt. The refunding reduced the City's aggregate debt service payments to maturity by \$6,601,134, which resulted in the net present value savings of \$4,406,350.

Note 3 - Detailed Notes on All Funds (Continued)

3-J. Retirement Plans

Substantially all regular employees of the City are members of the Alaska Public Employees' Retirement System (PERS) except for employees who are members of the International Brotherhood of Electrical Workers Local No. 1547 (IBEW). IBEW members participate in a union sponsored defined benefit plan.

A. State of Alaska Public Employees' Retirement System

Plan Description

All regular employees of the City not covered by a collective bargaining agreement that includes a pension benefit and work at least 14 hours are provided with a pension through the State of Alaska Public Employees Retirement System (PERS). The PERS was originally established as an agent multiple-employer plan but was converted to cost-sharing multiple employer plan, effective July 1, 2008. The PERS includes defined benefit plans (Tiers I, II, and III) and a defined contribution plan (Tier IV). The PERS defined benefit plan was closed to all new employees hired on or after July 1, 2006 and replaced with a defined contribution plan. PERS provides retirement, disability, death and other post-retirement benefits. Benefits and employer contributions are established by Alaska Statutes and may only be amended by the State Legislature.

PERS is administered by the State of Alaska. Each fiscal year, PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirements and Benefits, P.O. Box 110203, Juneau, AK 99811-0203 or online at <http://doa.alaska.gov/drb/pers/employee/resources/cafr.html>.

Defined Benefit Plan

Plan Benefits

Retirement Benefits - The determination of retirement benefits is based on an employee's initial entry date into the PERS. Employees entering into the PERS before July 1, 1986 are classified as Tier I and are eligible for normal benefits at age 55 or early retirement benefits at age 50 after five years of service. Employees with an initial entry date of on or after July 1, 1986 are classified as Tiers II and III and, after five years of service, are eligible for normal benefits at age 60 or early retirement benefits at age 55. The benefit is calculated by multiplying the average monthly compensation times credited PERS service times the percentage multiplier. The percentage multipliers for peace officers/firefighters are 2% for the first ten years of service and 2.5% for years of service over ten years. The percentage multipliers for all others are 2% for the first ten years, 2.25% for the second ten years and 2.5% for all years of service earned on or after July 1, 1986. Service earned before July 1, 1986 is calculated at 2%.

Death Benefits - Monthly death benefits may be paid to a spouse or dependent children upon the death of a non-retired employee calculated based on whether it is an occupational or non-occupational death. For a retired employee, the beneficiary will receive a lump sum refund of the employee's account balance or, if the member selected a survivor option, lifetime monthly benefits for the eligible spouse.

Disability Benefits - Monthly disability benefits are paid to permanently disabled employees until they recover, die or become eligible for normal retirement. Employees are appointed to normal retirement on the first month of the month after they become eligible. Benefits are determined as follows:

- Occupational disability benefits are equal to 40% of an employee's gross monthly compensation at the date of their disability. Employees are not required to satisfy age or service requirements.
- Non-occupational disability benefits are calculated based on the employee's average monthly compensation and PERS service on the date of termination due to the disability. Employees must have five years of PERS service in order to be eligible to receive benefits.

Benefit Changes After Retirement - Postretirement pension adjustments (PRPA) are granted annually to eligible benefit recipients when the consumer price index (CPI) for urban wage earners and clerical works for Anchorage increases during the preceding calendar year. Ad hoc PRPAs up to a maximum of 4% may be granted to eligible recipients who first entered PERS prior to July 1, 1986 if the CPI increases and the funding ratio is at least 105%.

Note 3 - Detailed Notes on All Funds (Continued)

Alaska Cost of Living Allowance – Eligible recipients who reside in Alaska receive an Alaska cost of living allowance equal to 10% of their base benefits or \$50, whichever is more.

Contributions

Mandatory contributions are required by regular employees eligible to participate in the PERS. Police and firefighters are required to contribute 7.5% of their annual covered salary and all other employees are required to contribute 6.75%.

There are several other contribution rates associated with funding the PERS. They are as follows:

Employer Contribution Rate - Alaska Statute 39.35.255 established a mandatory employer contribution rate of 22% of covered payroll. This rate is assessed on the covered payroll attributable to employees participating in the defined benefit and the defined contribution plans. Contributions derived from the employees participating in the defined contribution plan that are not required to fund the benefits of the deferred contribution plan are referred to as the Defined Benefit Unfunded Liability or DBUL contribution. The Alaska Legislature can change the mandatory employer contribution rate by amending Alaska Statute 39.35.255.

Alaska Retirement Management Board Adopted Rate – This rate is actuarially determined and used to calculate the annual funding requirements for the PERS and is the rate formally adopted by the Alaska Retirement Management Board (ARMB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost methods or any other assumptions used to determine the rate. Effective July 1, 2015, the Alaska Legislature began requiring the ARMB to adopt employer contribution rates for past service cost liabilities using a level percent of pay method over a closed 25-year term, which ends in 2039. This will result in lower ARMB adopted rates in future years but increase the amount required to meet the funding requirements of the PERS by extending period required to fund the pension liability by nine years. Prior to July 1, 2015, the ARMB used an actuarially determined rate based on the level dollar method.

State Contribution Rate - This is the rate paid by the State as an on-behalf payment under Alaska Statutes 39.25.280. This statute requires the State to contribute, subject to available funding, an on-behalf amount equal to the difference between the ARMB Adopted Rate and Employer Contribution Rate mandated by Alaska Statutes 39.35.255.

Contributions rates for the year ended December 31, 2016 were based on the June 30, 2016 roll forward PERS valuation report and the June 30, 2015 PERS actuarial valuation report and were as follows:

	Employer Rate		ARMB Rate		State Contribution Rate	
	Jan 1 - June 30	July 1 - Dec 31	Jan 1 - June 30	July 1 - Dec 31	Jan 1 - June 30	July 1 - Dec 31
Pension	13.25%	14.96%	16.88%	26.14%	3.63%	4.14%
Postemployment healthcare	8.75%	7.04%	10.31%	0.00%	1.56%	0.00%
Total Contribution Rate	<u>22.00%</u>	<u>22.00%</u>	<u>27.19%</u>	<u>26.14%</u>	<u>5.19%</u>	<u>4.14%</u>

The amounts contributed by the City and the State in the form of on-behalf payments for Tiers I, II, and III for the year ended December 31 were as follows:

Pension	2016	2015	2014	2013
Employer contributions (including DBUL)	\$ 1,066,834	\$ 960,680	\$ 882,730	\$ 771,002
Nonemployer contributions	398,317	2,382,842	2,330,923	777,802
Total Contributions	<u>\$ 1,465,151</u>	<u>\$ 3,343,522</u>	<u>\$ 3,213,653</u>	<u>\$ 1,548,804</u>
Postemployment Healthcare	2016	2015	2014	2013
Employer contributions (including DBUL)	\$ 597,283	\$ 677,349	\$ 793,836	\$ 900,495
Nonemployer contributions	88,708	72,849	301,477	531,634
Total Contributions	<u>\$ 685,991</u>	<u>\$ 750,198</u>	<u>\$ 1,095,313</u>	<u>\$ 1,432,129</u>

Note 3 - Detailed Notes on All Funds (Continued)

The amounts contributed by the City for postemployment healthcare were equal to the required employer contributions for the last three years. Included in both the pension and the postemployment health amounts are the DBUL amounts that were levied against the PERS Defined Contribution Plan (Tier IV).

Terminated employees may receive refunds of their mandatory and voluntary contributions, indebtedness payments and interest earned on the contributions and indebtedness payments. Terminated employee contribution accounts may be attached to satisfy claims under Alaska Statutes 09.38.065, federal income tax levies, and valid qualified domestic relation orders.

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

At December 31, 2016, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 20,224,243
State's proportionate share of the net pension liability attributable to employer	2,550,121
	<u>\$ 22,774,364</u>

This disclosure is based on the provisions of Alaska Statute 39.35.280, which may be amended at the discretion of the Alaska State Legislature. An amendment to the Statute could result in the City recognizing some, or all, of the State's proportionate share of the net pension liability associated with the City.

The net pension liability was measured as of June 30, 2016 and the total pension liability used for the calculation was determined by an actuarial valuation as of June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2016, the City's proportion was .3618%, which was an increase of .197% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$4,436,668 and revenue of \$398,317 for support provided by the State. At December 31, 2016, the City reported deferred outflows of resources and deferred inflow of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 93,279	\$ -
Changes in proportion and differences between employer share of contributions	1,407,548	-
Difference Between Expected and Actual Experience	1,859	-
Net differences between projected and actual earnings on pension plan investments	1,987,946	225,434
Contributions subsequent to the measurement date	564,800	-
Totals	<u>\$ 4,055,432</u>	<u>\$ 225,434</u>

Note 3 - Detailed Notes on All Funds (Continued)

The deferred outflows of resources related to pensions of \$564,800 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending December 31:</u>	
2017	\$ 1,495,066
2018	432,680
2019	812,678
2020	524,774

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of December 31, 2015:

Inflation	3.12%
Salary increases	Graded by service from 9.66% to 4.92% for peace officers and firefighters Graded by age and service from 8.55% to 4.34% for all others
Investment rate of return	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%

Pre-termination mortality rates were based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for others. Post-termination mortality rates were based on 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in the actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Long-Term Expected Rate of Return

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

Long-Term Expected Real Rate of Return

Asset Class	
Domestic equity	5.35%
Global equity (non-US)	5.55%
Private equity	6.25%
Fixed income composite	0.80%
Real estate	3.65%
Alternative equity	4.70%

Note 3 - Detailed Notes on All Funds (Continued)**Discount Rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employee, employer and State contributions will continue to be made at the current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 26,047,800	\$ 20,224,243	\$ 15,312,340

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Alaska Public Employees Retirement System financial report.

Defined Contribution Plan –

All regular employees who are first time members of the PERS participate in the PERS Defined Contribution Hybrid Plan for Tier IV. This plan provides pension, occupational disability, death, and healthcare benefits.

Plan Benefits

Pension Benefits – The pension plan is a defined contribution plan. Employees immediately vest 100 percent in their own contributions. An employee vests 25 percent in the employer's contributions with two years of service, 50 percent with three years of service, 75 percent with four years of service and 100% with five years of service. Contributions consist solely of employee and employer contributions, with no special funding or other nonemployer contributions. Alaska Statutes require that forfeitures be used to reduce employer contributions. The benefits paid to employees are based on the amounts contributed to the plan by employers and employees and investment earnings.

Occupational Death and Disability Benefits – The Occupational Death and Disability Plan is a defined benefit plan. Employees who become totally and permanently disabled from occupational causes may be eligible to receive a monthly disability benefit. Beneficiaries receive benefits when an employee dies from occupational causes before retirement.

Healthcare Benefits – The Retiree Major Medical Plan is a defined benefit plan. Employees must have a minimum of ten year of service in order to be eligible for the Major Medical Plan. The Health Reimbursement Arrangement is a defined contribution plan established to reimburse eligible medical from individual savings accounts.

Funding Policy and Contribution Rates

The employee contribution rate for the PERS Defined Contribution Plan is set by Alaska Statutes at 8 percent of eligible compensation. Contributions are accounted for in an individual pension account established for each employee and are immediately vested.

The employer contribution rate for the PERS Defined Contribution Plan set by Alaska Statutes at the same rate as the PERS Defined Benefit Plan. The current employer contribution rate is 22 percent and is comprised of five elements: (1) pension; (2) retiree major medical; (3) occupational death and disability; (4) health reimbursement account; and a (5) residual contribution applied as a payment to the PERS Defined Benefit Plan's unfunded liability (DUBL). The City's liability is limited to its employer contributions. Certain rates are set annually on July 1. The table below summarizes the rates in effect during the City's fiscal year.

Note 3 - Detailed Notes on All Funds (Continued)

	1/1/16 - 6/30/16	7/1/16 - 12/31/16
<i>Employee:</i>		
Pension		
Police Officers and Firefighters	8.00%	8.00%
Other Employees	8.00%	8.00%
<i>Employer:</i>		
Pension		
Police Officers and Firefighters	5.00%	5.00%
Other Employees	5.00%	5.00%
Retiree Major Medical		
Police Officers and Firefighters	1.68%	1.18%
Other Employees	1.68%	1.18%
Occupational Disability & Death:		
Police Officers and Firefighters	1.05%	0.49%
Other Employees	0.22%	0.17%
Health Reimbursement Account:		
Police Officers and Firefighters	\$167.04/month*	\$170.78/month*
Other Employees	\$167.04/month*	\$170.78/month*

* Fixed dollar amount per employee based on 3% of the average annual compensation of all employees of all employers in the PERS as required under AS 39.30.370.

The contributions rates for the year ended December 31, 2016 were based on the June 30, 2016 roll forward PERS valuation report and the June 30, 2015 PERS actuarial valuation report.

The amounts contributed by the City for the PERS Defined Contribution Hybrid Plan for Tier IV for the year ended December 31 were as follows.

	2016	2015	2014
Covered employee payroll	<u>\$ 3,908,223</u>	<u>\$ 3,690,264</u>	<u>\$ 3,396,993</u>
Pension contributions	194,181	184,661	169,854
Other postemployment contributions	<u>182,372</u>	<u>185,145</u>	<u>145,655</u>
Total Contributions	<u>\$ 376,553</u>	<u>\$ 369,806</u>	<u>\$ 315,509</u>

B. International Brotherhood of Electrical Workers

The International Brotherhood of Electrical Workers (IBEW) retirement plan is a union sponsored defined benefit plan. The plan is funded entirely by employer contributions based upon hourly rates, which are determined by a collective bargaining process. The City's obligation for retirement under the IBEW plan is limited to the amount paid to the Alaska Electrical Trust Fund. The City exercises no fiduciary responsibility over the IBEW plan. Accordingly, the City accounts for the IBEW retirement plan as if it were a defined contribution plan. Employees who are members of the IBEW are eligible to participate immediately upon employment and are fully vested after ten years of service.

Contributions for employees covered under the public works and clerical workers collective bargaining agreement range from 17% up to \$4.07 per hour worked; contributions for employees covered under the Ketchikan Public Utilities collective bargaining agreement range from \$3.09 to \$5.64 per hour for craft employees and \$2.82 to \$5.14 for non-craft employees. The City's total payroll for the year ended December 31, 2016 was \$20,968,178 and payroll for covered employees totaled \$10,720,479. The total amount contributed to the IBEW plan in 2016 was \$1,572,678, which represents 14.7% of the City's current covered payroll.

Note 3 - Detailed Notes on All Funds (Continued)

3-K. Net Investment in Capital Assets

Net Investment in capital assets on the government-wide statement of net position as of December 31, 2016 are as follows:

	Governmental Activities	Business-type Activities
Cost of capital assets	\$ 274,938,645	\$ 345,775,004
Less accumulated depreciation	(60,362,592)	(163,210,087)
Book value	214,576,053	182,564,917
Less capital related debt	(52,223,904)	(56,909,411)
Plus (Less) bond discount and refunding amounts	(11,305)	(528,852)
Net investment in capital assets	<u>\$ 162,340,844</u>	<u>\$ 125,126,654</u>

3-L. Deferred Inflows and Outflows of Resources

Deferred outflows of resources consist of deferred charges from the City's pension plan activity and debt refundings resulting from the difference in the carrying value of the refunded debt and its reacquisition price.

Deferred inflows of resources consist of revenues earned but unavailable for use, from pension plan activity and debt refundings resulting in the difference in the carrying value of the refunded debt and its reacquisition price.

The City's deferred inflows and outflows of resources at December 31, 2016 are as follows:

	Fund Level		Government Wide Level	
	Governmental Funds	Proprietary Funds	Governmental Activities	Business-type Activities
Deferred Outflows				
Outflow due to refunding	\$ -	\$ 185	\$ 20,296	\$ 185
Outflow due to pension accounting	-	920,149	3,135,283	920,149
Total Deferred Outflows	<u>\$ -</u>	<u>\$ 920,334</u>	<u>\$ 3,155,579</u>	<u>\$ 920,334</u>
Deferred Inflows				
Revenue from taxes	\$ 2,133,101	\$ -	\$ -	\$ -
Revenue from services	88,240	-	-	-
Inflow from refunding	-	529,037	31,601	529,037
Inflow from pension accounting	-	51,196	174,238	51,196
Total Deferred Inflows	<u>\$ 2,221,341</u>	<u>\$ 580,233</u>	<u>\$ 205,839</u>	<u>\$ 580,233</u>

Additional information regarding the deferred outflows and deferred inflows of resources related to pension plan activity are included in note 3-J.

Note 4- Other Notes

4-A. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters. The City utilizes a self-insurance fund to account for and finance its uninsured risks of loss and insurance deductibles. The Self-Insurance Fund provides coverage up to a maximum of \$25,000 for each property claim, \$75,000 for each general liability claim, and \$100,000 for each employment practices claim. The City purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in two of the past three fiscal years. All funds of the City participate in the risk management program and make payments to the Self-

Note 4 - Other Notes (Continued)

Insurance Fund based on the amounts needed to pay insurance and related risk management services, claims paid, claims incurred, but not reported, and to maintain adequate reserves for losses not covered by insurance. As of December 31, 2016, the City had a net position of \$1,740,848 in the Self-Insurance Fund. Claims payable represents estimates of claims incurred but not settled and claims incurred but not reported based upon past experience modified for current trends and information, which approximates the actuarial estimates of the amounts needed to pay the claims. At December 31, 2016 pending claims in the amount of \$143,000 and unpaid incurred claims in the amount of \$365 are included as a liability of the self-insurance fund. Amounts due within one year are \$365.

Changes in the balances of claims liabilities for the years ended December 31, 2016, 2015 and 2014 are as follows:

Date	(1) Beginning of Fiscal Year Liability	(2) Current Year Claims and Changes in Estimates	(3) Claim Payments	(4) End of Fiscal Year Liability
2014	255,623	115,399	112,623	258,399
2015	258,399	31,182	130,410	159,171
2016	159,171	45,481	61,287	143,365

There were no significant reductions in insurance coverage from the prior year.

4-B. Contingent Liabilities

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

Litigation - The City is a defendant in various lawsuits and a number of claims for damages and personal injury are pending against the City. Although the outcome of these lawsuits and claims is not presently determinable, in the opinion of City's management and legal counsel, the resolution of these contingencies should not have a material adverse effect on the financial condition of the City.

4-C. Swan Lake Hydroelectric Facility and Related Party Transactions

The City's electric utility currently operates five hydroelectric and two diesel electric generating plants. The City owns four of the hydroelectric plants and the diesel plants. The fifth hydroelectric plant is the 22.5 mega-watt Swan Lake facility owned by the Southeast Alaska Power Agency (the "SEAPA"), a joint action agency organized under AS 42.45.300 by the City and the municipalities of Wrangell, Alaska and Petersburg, Alaska. The SEAPA is an Alaskan public corporation and an instrumentality of the member utilities, having a legal existence independent of and separate from the member utilities. The agency has no power to bind, obligate or impose any debt, liability, or obligation on any member utility. Each member utility appoints representatives to serve as voting members of the SEAPA's five-member governing board. The City appoints two representatives. Wrangell and Petersburg each appoint one representative. One representative serves at large on a rotating basis. The SEAPA is a jointly governed organization. Members of the jointly governed organization have neither ongoing financial interest nor financial responsibility for that organization.

The City operates and maintains the Swan Lake hydroelectric facility under the terms of a long-term operating agreement with the SEAPA. The City also purchases power from the SEAPA under the terms and conditions of a long-term power sales agreement. In 2016, the SEAPA paid the City \$767,708 to operate the Swan Lake hydroelectric facility. The City paid the SEAPA \$6,247,593 for power purchased from the Swan Lake hydroelectric facility. During 2016, approximately 51% of the City's total electric generation, or 90,444,864 kWh, was produced by the Swan Lake hydroelectric facility. At December 31, 2016, the amount due to the SEAPA was \$1,398,321.

4-D. Ketchikan Public Utilities-Sale of the Telecommunications Division

On April 6, 2010, the voters of the City authorized the sale of the Telecommunications Division of Ketchikan Public Utilities for no less than fair market value as determined by an appraiser, subject to City Council approval. The voters also approved the establishment of a rate stabilization fund to account for the net proceeds from the sale. The City has engaged a broker specializing in telecommunications transactions to locate a buyer. Several prospective buyers have approached the City but no offers have been tendered. The City and its broker plan to resume efforts to actively market the telecommunication utility in the summer of 2017.

4-E. Violation of Stage I Disinfectants/Disinfection Byproducts Rule

In 2004, the Alaska Department of Environmental Conservation (ADEC) cited the municipal water system owned and operated by the City of Ketchikan d/b/a Ketchikan Public Utilities for exceeding acceptable levels of haloacetic acids. This occurrence was deemed to be a violation of the Stage I Disinfection and Disinfection Byproducts Rule and the City was ordered to correct the violation or begin water filtration. The City entered into a compliance order by consent to construct a facility that uses ultraviolet for primary disinfection and chloramines for residual disinfection. In October 2013, the Stage 2 Disinfection Byproducts Rule went into effect. The new rule raised the standards for disinfection byproducts and pushed KPU further away from compliance. In April 2014, a new addition to the ultraviolet water treatment facility was placed in service using chloramination disinfection which is designed to reduce haloacetic acid levels. While the initial results from operating the new facility showed an improvement in the levels of haloacetic acids, it was determined that the improvement was insufficient to correct violations under the new Stage 2 Disinfection Byproducts Rule. In addition, it had been determined that the municipal water system's raw water source was experiencing water coliform levels that exceeded acceptable levels. In December 2014, the City entered into a second compliance order by consent with ADEC to construct a two-point chlorination facility in order to further address the issue of elevated haloacetic acid levels in the municipal water system. The two-point chlorination facility was placed in service in June 2016. The initial test samples of water treated by this new facility have been promising but the critical testing will take place in the summer and fall of 2017. Warmer weather generally raises the amount of dissolved organics present in the incoming raw water which, after disinfection, also increases the level of haloacetic acids present in the municipal water system. If these measures fail to bring the City into compliance with the Stage 2 Disinfection Byproducts Rule, the City may be required to construct and operate a water filtration plant. Preliminary estimates indicate that a capital investment of \$40 million will be needed to construct a water filtration plant and \$400,000 annually will be required to operate it.

4-F. Tax Abatements

In 2005, the City entered into a 30-year agreement with Alaska Industrial Development and Export Authority and the operator of the Alaska ship and dry-dock, currently Vigor Alaska LLC, to provide tax relief per AS 29.45.050. The tax relief is intended to support the growth of Ketchikan's maritime industry and provide economic diversity and strength. The property tax abatement in 2016 is \$475,772.

The City has also agreed to provide partial property tax relief to housing agencies for the purpose of encouraging the development of low income housing. The property taxes paid is equal to 10% of rents received less utilities. The total 2016 tax abatement for this program is \$56,112. The current participants of this program are Ketchikan Indian Community and Tlingit Haida Regional Housing Authority.



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Required Supplementary Information
City of Ketchikan, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Taxes						
Real & personal property taxes	\$ 5,852,725	\$ 5,852,725	\$ 6,002,812	\$ -	\$ 6,002,812	\$ 150,087
Automobile & boat taxes	45,000	45,000	47,749	-	47,749	2,749
Penalty & interest	60,000	60,000	38,704	-	38,704	(21,296)
Senior citizen local contribution	(436,400)	(436,400)	(458,116)	-	(458,116)	(21,716)
Sales tax	4,293,750	4,293,750	4,256,103	-	4,256,103	(37,647)
Payments in lieu of taxes	10,000	10,000	35,789	-	35,789	25,789
	<u>9,825,075</u>	<u>9,825,075</u>	<u>9,923,041</u>	<u>-</u>	<u>9,923,041</u>	<u>97,966</u>
Payments in lieu of taxes						
Ketchikan public utilities fund	786,000	786,000	-	786,000	786,000	-
Port fund	319,000	319,000	-	319,000	319,000	-
Wastewater services fund	80,000	80,000	-	80,000	80,000	-
	<u>1,185,000</u>	<u>1,185,000</u>	<u>-</u>	<u>1,185,000</u>	<u>1,185,000</u>	<u>-</u>
Licenses and permits						
Entertainment	500	500	-	-	-	(500)
Itinerant merchant	-	-	-	-	-	-
Building permits	73,000	73,000	191,629	-	191,629	118,629
Other	1,600	1,600	1,885	-	1,885	285
	<u>75,100</u>	<u>75,100</u>	<u>193,514</u>	<u>-</u>	<u>193,514</u>	<u>118,414</u>
Intergovernmental						
State fire grants	57,324	57,324	6,158	-	6,158	(51,166)
Federal fire grants	81,050	92,092	69,490	-	69,490	(22,602)
Raw fish tax	-	-	-	-	-	-
Liquor licenses tax	30,000	30,000	44,000	-	44,000	14,000
Other state revenues	420,150	427,050	720,070	(359,155)	360,915	(66,135)
Federal revenues	-	-	5,048	-	5,048	5,048
Foundation grant museum	35,000	35,000	-	-	-	(35,000)
	<u>623,524</u>	<u>641,466</u>	<u>844,766</u>	<u>(359,155)</u>	<u>485,611</u>	<u>(155,855)</u>
Charges for services						
Ambulance	575,000	575,000	589,985	-	589,985	14,985
Rentals	14,000	14,000	19,130	-	19,130	5,130
Parking fees	80,000	80,000	86,755	-	86,755	6,755
Cemetery	800	800	725	-	725	(75)
Library services	657,085	657,085	588,293	-	588,293	(68,792)
Museum services	212,900	217,400	252,579	-	252,579	35,179
E-911 emergency dispatch services	420,000	420,000	403,482	-	403,482	(16,518)
Civic center services	98,200	98,200	109,595	-	109,595	11,395
Other charges	96,100	96,100	58,128	-	58,128	(37,972)
	<u>2,154,085</u>	<u>2,158,585</u>	<u>2,108,672</u>	<u>-</u>	<u>2,108,672</u>	<u>(49,913)</u>
Fines and forfeitures						
Parking fines	80,000	80,000	89,835	-	89,835	9,835
Other fines	30,000	30,000	17,217	-	17,217	(12,783)
Court deposits	32,000	32,000	25,142	-	25,142	(6,858)
	<u>142,000</u>	<u>142,000</u>	<u>132,194</u>	<u>-</u>	<u>132,194</u>	<u>(9,806)</u>
Investment earnings	1,000	1,000	1,355	-	1,355	355
Other revenue						
Miscellaneous	86,600	86,820	103,321	-	103,321	16,501
Interdepartmental charges	3,509,865	3,509,865	3,141,701	-	3,141,701	(368,164)
Total Revenues	<u>17,602,249</u>	<u>17,624,911</u>	<u>16,448,564</u>	<u>825,845</u>	<u>17,274,409</u>	<u>(350,502)</u>

Required Supplementary Information
City of Ketchikan, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Cont'd)
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Expenditures						
Current:						
General government						
Mayor and council	176,980	195,101	167,909	-	167,909	27,192
City Clerk	289,805	290,805	297,288	(6,743)	290,545	260
Law	347,238	361,738	306,568	(2,532)	304,036	57,702
City Manager	699,059	703,934	646,739	(19,445)	627,294	76,640
Finance	1,960,594	1,960,594	1,811,370	(22,632)	1,788,738	171,856
Information Technology	1,096,723	1,096,723	1,047,499	(20,685)	1,026,814	69,909
	<u>4,570,399</u>	<u>4,608,895</u>	<u>4,277,373</u>	<u>(72,037)</u>	<u>4,205,336</u>	<u>403,559</u>
Public safety						
Fire	3,387,599	3,449,641	3,407,219	(102,209)	3,305,010	144,631
Police	4,891,974	4,983,620	4,802,987	(139,120)	4,663,867	319,753
	<u>8,279,573</u>	<u>8,433,261</u>	<u>8,210,206</u>	<u>(241,329)</u>	<u>7,968,877</u>	<u>464,384</u>
Culture						
Library	1,417,656	1,424,556	1,279,725	(338)	1,279,387	145,169
Museum	963,456	968,176	847,685	1,274	848,959	119,217
Civic Center	449,811	449,811	435,015	(7,168)	427,847	21,964
	<u>2,830,923</u>	<u>2,842,543</u>	<u>2,562,425</u>	<u>(6,232)</u>	<u>2,556,193</u>	<u>286,350</u>
Health and welfare						
Public Health	14,325	14,325	10,226	-	10,226	4,099
Public works						
Engineering	1,804,022	1,804,022	1,537,232	(17,329)	1,519,903	284,119
Streets	1,810,674	1,810,674	1,353,713	(9,481)	1,344,232	466,442
Cemetery	81,485	81,485	70,426	2,787	73,213	8,272
Garage	533,478	533,478	485,764	(2,157)	483,607	49,871
Building Maintenance	432,520	450,337	386,381	7,027	393,408	56,929
	<u>4,662,179</u>	<u>4,679,996</u>	<u>3,833,516</u>	<u>(19,153)</u>	<u>3,814,363</u>	<u>865,633</u>
Total Expenditures	<u>20,357,399</u>	<u>20,579,020</u>	<u>18,893,746</u>	<u>(338,751)</u>	<u>18,554,995</u>	<u>2,024,025</u>
Deficiency of Revenues						
Under Expenditures	<u>(2,755,150)</u>	<u>(2,954,109)</u>	<u>(2,445,182)</u>	<u>1,164,596</u>	<u>(1,280,586)</u>	<u>1,673,523</u>

Required Supplementary Information
City of Ketchikan, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Cont'd)
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Other Financing Sources (Uses)						
Transfers in						
Sales tax hospital and other public works fund	420,000	420,000	420,000	-	420,000	-
Sales tax public works fund	2,000,000	2,000,000	2,000,000	-	2,000,000	-
Transient occupancy tax fund	351,611	351,611	318,251	-	318,251	(33,360)
Shoreline area fund	6,374	6,374	6,374	-	6,374	-
Bayview cemetery fund	5,000	5,000	5,000	-	5,000	-
Commercial passenger vessel tax	88,250	88,250	25,417	-	25,417	(62,833)
Ketchikan public utilities fund	-	-	786,000	(786,000)	-	-
Port fund	-	-	319,000	(319,000)	-	-
Wastewater services fund	-	-	80,000	(80,000)	-	-
Transfers out						
GO bond debt service fund	(663,064)	(663,064)	(663,047)	-	(663,047)	17
Community grant fund	(185,973)	(185,973)	(185,973)	-	(185,973)	-
Port fund	-	(19,258)	(19,258)	-	(19,258)	-
Sale of capital assets	10,000	10,000	-	-	-	(10,000)
Total Other Financing Sources (Uses)	2,032,198	2,012,940	3,091,764	(1,185,000)	1,906,764	(106,176)
Net Change in Fund Balances	(722,952)	(941,169)	646,582	(20,404)	626,178	1,611,627
Prior Year Encumbrances Returned	-	-	-	44,280	44,280	44,280
Fund Balances Beginning of Year	4,280,045	4,280,045	5,708,614	(296,390)	5,412,224	1,132,179
Fund Balances End of Year	\$ 3,557,093	\$ 3,338,876	\$ 6,355,196	\$ (272,514)	\$ 6,082,682	\$ 2,788,086

City of Ketchikan, Alaska
Notes to Required Supplementary Information
For the Year Ended December 31, 2016

Note 1 – Budgetary Basis

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that payments in lieu of taxes from the City's enterprise funds are treated as tax revenue, outstanding encumbrances are reported as expenditures and payments made by the State of Alaska to the Alaska Public Employees Retirement System on behalf of the City are excluded and certain funds required by GASB Statement No. 54 to be included as part of the general fund have been excluded. The legally adopted budget for the general fund of the City does not include these items or funds. The schedules below reconciles the amounts for each when it is not visible on the statement.

GAAP to Budget Adjustments - Encumbrance and On-Behalf Payments

	Encumbrances		On Behalf Payments	Total
	Prior Year Activity	Current Year Activity		
General Government				
Mayor and Council	\$ (33,250)	\$ 33,250	\$ -	\$ -
City Clerk	(7,412)	7,750	(7,081)	(6,743)
Law	-	-	(2,532)	(2,532)
City Manager	-	-	(19,445)	(19,445)
Finance	(59,500)	76,250	(39,382)	(22,632)
Information Technology	(1,603)	-	(19,082)	(20,685)
Total General Government	<u>(101,765)</u>	<u>117,250</u>	<u>(87,522)</u>	<u>(72,037)</u>
Public Safety				
Fire	(14,116)	29	(88,122)	(102,209)
Police	(13,800)	6,573	(131,893)	(139,120)
Total Public Safety	<u>(27,916)</u>	<u>6,602</u>	<u>(220,015)</u>	<u>(241,329)</u>
Culture				
Library	(22,106)	32,330	(10,562)	(338)
Museum	(7,075)	17,297	(8,948)	1,274
Civic Center	-	-	(7,168)	(7,168)
Total Culture	<u>(29,181)</u>	<u>49,627</u>	<u>(26,678)</u>	<u>(6,232)</u>
Public Works				
Engineering	(4,745)	7,320	(19,904)	(17,329)
Streets	(8,351)	-	(1,130)	(9,481)
Cemetery	(40,633)	43,420	-	2,787
Garage	-	1,749	(3,906)	(2,157)
Building Maintenance	(3,900)	10,927	-	7,027
Total Public Works	<u>(57,629)</u>	<u>63,416</u>	<u>(24,940)</u>	<u>(19,153)</u>
Total GAAP to Budget Adjustments	<u>\$ (216,491)</u>	<u>\$ 236,895</u>	<u>\$ (359,155)</u>	<u>\$ (338,751)</u>

City of Ketchikan, Alaska
Notes to Required Supplementary Information
For the Year Ended December 31, 2016

Note 1 – Budgetary Basis (Continued)

Budget to GAAP Adjustments - Inclusion of GASB Statement 54 Funds				
	<u>Revenues</u>	<u>Expenditures</u>	<u>Other</u>	<u>Net Change</u>
General Fund	<u>\$ 16,448,564</u>	<u>\$ (18,893,746)</u>	<u>\$ 3,091,764</u>	<u>\$ 646,582</u>
GASB Statement 54 Funds Required to be Reported as Part of the General Fund				
Hospital Sales Tax Fund	2,851,546	(37,962)	(3,031,500)	(217,916)
Public Works Sales Tax Fund	4,278,499	(1,803,663)	(2,073,125)	401,711
Economic Development & Parking Fund	184	(162,450)	-	(162,266)
Shoreline Fund	32	-	(6,374)	(6,342)
Community Grant Fund	52,560	(360,400)	307,848	8
Total of Excluded Funds for Budgetary Purposes	<u>7,182,821</u>	<u>(2,364,475)</u>	<u>(4,803,151)</u>	<u>15,195</u>
Total GAAP Perspective General Fund	<u><u>\$ 23,631,385</u></u>	<u><u>\$ (21,258,221)</u></u>	<u><u>\$ (1,711,387)</u></u>	<u><u>\$ 661,777</u></u>
	<u>Net Change</u>	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>	
General Fund	<u>\$ 646,582</u>	<u>\$ 5,708,614</u>	<u>\$ 6,355,196</u>	
GASB Statement 54 Funds Required to be Reported as Part of the General Fund				
Hospital Sales Tax Fund	(217,916)	5,003,814	4,785,898	
Public Works Sales Tax Fund	401,711	5,257,708	5,659,419	
Economic Development & Parking Fund	(162,266)	1,289,707	1,127,441	
Shoreline Fund	(6,342)	123,745	117,403	
Community Grant Fund	8	12,407	12,415	
Total of Excluded Funds for Budgetary Purposes	<u>15,195</u>	<u>11,687,381</u>	<u>11,702,576</u>	
Total GAAP Perspective General Fund	<u><u>\$ 661,777</u></u>	<u><u>\$ 17,395,995</u></u>	<u><u>\$ 18,057,772</u></u>	

City of Ketchikan, Alaska
Schedule of the City's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
For the Year Ended December 31, 2016

	2016	2015
City's proportion of the net pension liability	0.3618%	0.3022%
City's proportionate share of the net pension liability	\$ 20,224,243	\$ 14,655,785
State's proportional share of the net pension liability associated with the City	2,550,121	3,925,957
Total Net Pension Liability	<u>\$ 22,774,364</u>	<u>\$ 18,581,742</u>
City's covered employee payroll	\$ 5,469,103	\$ 5,504,557
City's portionate share of the net pension liability as a percentage of covered payroll	369.791%	266.248%
Plan fiduciary net postion as a percentage of total pension liability	59.55%	63.96%

Note: This schedule is intended to show information for a 10-year period as it becomes available.

The data provided in the schedule is based as of the measurement date of the PERS net pension liability, which is as of June 30 of the City's calendar year.

City of Ketchikan, Alaska
Schedule of City Contributions
Public Employees Retirement System
For the Year Ended December 31, 2016

	2016	2015
Contractually required contribution	\$ 1,066,834	\$ 960,680
Contributions in relation to the contractually required contributions	(1,066,834)	(960,680)
Contribution deficiency (excess)	-	-
City's covered employee payroll	\$ 5,366,360	\$ 5,430,257
Contributions as a percentage of covered- employee payroll	19.88%	17.69%

Note: This schedule is intended to show information for a 10-year period as it becomes available.



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GOVERNMENTAL FUNDS

City of Ketchikan, Alaska
Combining Balance Sheet
Nonmajor Governmental Funds - by Fund Type
December 31, 2016

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	\$ 5,013,377	\$ 3,334,543	\$ 8,347,920
Restricted cash:			
Bond construction funds	-	488,347	488,347
Property seizure funds	174,097	-	174,097
Commercial passenger excise tax funds	1,802,683	156,814	1,959,497
Receivables:			
Accounts	365,350	-	365,350
Taxes	63,313	-	63,313
Intergovernmental	-	3,022,910	3,022,910
Advances from other funds	-	156,934	156,934
Unbilled revenue	66,184	-	66,184
Total Assets	\$ 7,485,004	\$ 7,159,548	\$ 14,644,552
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 254,414	\$ 2,683,055	\$ 2,937,469
Customer deposits payable	10,192	-	10,192
Interfund payable	-	266,100	266,100
Unearned revenue	156,129	-	156,129
Advances to other funds	-	241,547	241,547
Total Liabilities	420,735	3,190,702	3,611,437
Deferred Inflows of Resources	63,313	-	63,313
Fund Balances			
Restricted:			
Law enforcement	174,097	-	174,097
Commercial passenger excise tax	1,802,683	156,814	1,959,497
Bond construction funds	-	488,347	488,347
Assigned:			
Subsequent years budget	287,925	-	287,925
Culture and tourism	533,360	-	533,360
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
Development of community facilities	-	3,051,642	3,051,642
Harbor construction	-	197,422	197,422
Public works projects	-	74,621	74,621
Total Fund Balances	7,000,956	3,968,846	10,969,802
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,485,004	\$ 7,159,548	\$ 14,644,552

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

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 497,374	\$ -	\$ -	\$ 497,374
Intergovernmental	2,175,287	-	3,867,923	6,043,210
Charges for services	4,624,546	-	-	4,624,546
Fines and forfeitures	9,384	-	-	9,384
Investment earnings	1,714	-	18,283	19,997
Contributions	-	-	4,117	4,117
Miscellaneous	3,127	129,387	-	132,514
Total Revenues	7,311,432	129,387	3,890,323	11,331,142
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and tourism	-	-	-	-
Health and welfare	-	-	-	-
Public works	2,979,338	-	-	2,979,338
Port and harbor	1,129,112	-	-	1,129,112
Debt Service:				
Principal retirement	90,000	1,265,000	-	1,355,000
Interest and fiscal charges	122,478	2,284,500	-	2,406,978
Debt issuance costs	-	-	17,322	17,322
Capital Outlay	82,341	-	8,078,866	8,161,207
Total Expenditures	4,403,269	3,549,500	8,096,188	16,048,957
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,908,163	(3,420,113)	(4,205,865)	(4,717,815)
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	4,683	3,420,113	212,286	3,637,082
Transfers out	(560,954)	-	(198,999)	(759,953)
Total Other Financing Sources (Uses)	(556,271)	3,420,113	2,076,174	4,940,016
Net Change in Fund Balances	2,351,892	-	(2,129,691)	222,201
Fund Balances Beginning of Year	4,649,064	-	6,098,537	10,747,601
Fund Balances End of Year	\$ 7,000,956	\$ -	\$ 3,968,846	\$ 10,969,802

NONMAJOR SPECIAL REVENUE FUNDS

Transient Tax Fund – This fund is used to account for the proceeds of the seven (7) percent transient occupancy tax levied on hotel rent under Section 3.28 of the Ketchikan Municipal Code. These funds must be used primarily for the purpose of promoting the City but may be used for other purposes as determined by the City Council.

Solid Waste Services Fund – This fund is used to account for the revenues received from the collection and disposal of solid waste and the related expenditure of the funds.

Ketchikan Boat Harbor Fund – This fund is used to account for the revenues received from the operation of the boat harbor facilities. These revenues must be used to pay the cost of maintenance, operation and supervision of the City's boat harbor facilities as specified in Section 14.04.020 of the Ketchikan Municipal Code.

Bayview Cemetery Fund – This fund is used to account for revenues received that are dedicated to support the operation of the Bayview Cemetery and the related expenditure in these funds.

Commercial Passenger Vessel Tax Fund – This fund is used to account for revenues received from the State of Alaska and are dedicated for the following use per AS 43.52.200 (1) improve port and harbor infrastructure, (2) provide services to commercial passenger vessels and the passengers on board those vessels, or (3) improve the safety and efficiency of the interstate and foreign commerce activities in which the vessels and the passengers on board those vessels are engaged.

Federal and State Grant Fund – This fund is used to account for the receipt of grant revenues and the related expenditures.

Forfeitures and Property Seizures Fund – This fund is used to account for revenues received from the seizure of assets during drug enforcement operations that are dedicated to law enforcement activities.

City of Ketchikan, Alaska
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2016

	Transient Tax	Solid Waste Services	Ketchikan Boat Harbor
Assets			
Cash and temporary investments	\$ 533,360	\$ 3,039,345	\$ 1,315,952
Restricted cash	-	-	-
Receivables:			
Accounts	-	326,128	39,222
Taxes	63,313	-	-
Unbilled revenue	-	66,184	-
Total Assets	\$ 596,673	\$ 3,431,657	\$ 1,355,174
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 230,962	\$ 23,452
Customer deposits payable	-	-	10,192
Unearned revenue	-	-	156,129
Total Liabilities	-	230,962	189,773
Deferred Inflows of Resources	63,313	-	-
Fund Balances			
Restricted:			
Law enforcement	-	-	-
Commercial passenger excise tax	-	-	-
Assigned:			
Subsequent years budget	-	247,025	-
Culture and tourism	533,360	-	-
Collection and disposal of solid waste	-	2,953,670	-
Cemetery operations	-	-	-
Harbor operations	-	-	1,165,401
Total Fund Balances	533,360	3,200,695	1,165,401
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 596,673	\$ 3,431,657	\$ 1,355,174

Bayview Cemetery	Commercial Passenger Vessel Tax	Forfeitures And Property Seizures	Total Nonmajor Special Revenue Funds
\$ 124,720	\$ -	\$ -	\$ 5,013,377
-	1,802,683	174,097	1,976,780
-	-	-	365,350
-	-	-	63,313
-	-	-	66,184
<u>\$ 124,720</u>	<u>\$ 1,802,683</u>	<u>\$ 174,097</u>	<u>\$ 7,485,004</u>
\$ -	\$ -	\$ -	\$ 254,414
-	-	-	10,192
-	-	-	156,129
-	-	-	420,735
-	-	-	63,313
-	-	174,097	174,097
-	1,802,683	-	1,802,683
40,900	-	-	287,925
-	-	-	533,360
-	-	-	2,953,670
83,820	-	-	83,820
-	-	-	1,165,401
<u>124,720</u>	<u>1,802,683</u>	<u>174,097</u>	<u>7,000,956</u>
<u>\$ 124,720</u>	<u>\$ 1,802,683</u>	<u>\$ 174,097</u>	<u>\$ 7,485,004</u>

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

	Transient Tax	Solid Waste Services	Ketchikan Boat Harbor
Revenues			
Taxes	\$ 497,374	\$ -	\$ -
Intergovernmental	-	3,906	29,748
Charges for services	-	3,142,540	1,475,000
Fines and forfeitures	-	-	2,885
Investment earnings	87	781	345
Miscellaneous	-	3,115	12
Total Revenues	497,461	3,150,342	1,507,990
Expenditures			
Current:			
Public works	-	2,966,588	-
Port and harbors	-	-	1,129,112
Debt Service:			
Principal retirement	-	-	90,000
Interest and fiscal charges	-	-	122,478
Capital Outlay	-	72,396	9,945
Total Expenditures	-	3,038,984	1,351,535
Excess (Deficiency) of Revenues Over (Under) Expenditures	497,461	111,358	156,455
Other Financing Sources (Uses)			
Transfers in	-	-	4,683
Transfers out	(318,251)	-	-
Total Other Financing Sources (Uses)	(318,251)	-	4,683
Net Change in Fund Balances	179,210	111,358	161,138
Fund Balances Beginning Of Year	354,150	3,089,337	1,004,263
Fund Balances End Of Year	\$ 533,360	\$ 3,200,695	\$ 1,165,401

Bayview Cemetery	Commercial Passenger Vessel tax	Forfeitures And Property Seizures	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 497,374
-	2,141,633	-	2,175,287
7,006	-	-	4,624,546
-	-	6,499	9,384
30	425	46	1,714
-	-	-	3,127
7,036	2,142,058	6,545	7,311,432
12,750	-	-	2,979,338
-	-	-	1,129,112
-	-	-	90,000
-	-	-	122,478
-	-	-	82,341
12,750	-	-	4,403,269
(5,714)	2,142,058	6,545	2,908,163
-	-	-	4,683
(5,000)	(237,703)	-	(560,954)
(5,000)	(237,703)	-	(556,271)
(10,714)	1,904,355	6,545	2,351,892
135,434	(101,672)	167,552	4,649,064
\$ 124,720	\$ 1,802,683	\$ 174,097	\$ 7,000,956

City of Ketchikan, Alaska
Transient Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Taxes	\$ 370,000	\$ 370,000	\$ 497,374	\$ -	\$ 497,374	\$ 127,374
Investment earnings	-	-	87	-	87	87
Total Revenues	<u>370,000</u>	<u>370,000</u>	<u>497,461</u>	<u>-</u>	<u>497,461</u>	<u>127,461</u>
Other Financing Uses						
Transfers out						
General fund	(351,611)	(351,611)	(318,251)	-	(318,251)	33,360
Total Other Financing Uses	<u>(351,611)</u>	<u>(351,611)</u>	<u>(318,251)</u>	<u>-</u>	<u>(318,251)</u>	<u>33,360</u>
Net Change in Fund Balances	<u>18,389</u>	<u>18,389</u>	<u>179,210</u>	<u>-</u>	<u>179,210</u>	<u>160,821</u>
Fund Balances Beginning of Year	<u>161,469</u>	<u>161,469</u>	<u>354,150</u>	<u>-</u>	<u>354,150</u>	<u>192,681</u>
Fund Balances End of Year	<u>\$ 179,858</u>	<u>\$ 179,858</u>	<u>\$ 533,360</u>	<u>\$ -</u>	<u>\$ 533,360</u>	<u>\$ 353,502</u>

City of Ketchikan, Alaska
Solid Waste Services Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Intergovernmental	\$ -	\$ -	\$ 3,906	\$ (3,906)	\$ -	\$ -
Charges for services	3,364,350	3,364,350	3,142,540	-	3,142,540	(221,810)
Investment earnings	-	-	781	-	781	781
Miscellaneous	-	-	3,115	-	3,115	3,115
Interdepartmental - equipment rental	42,150	42,150	-	-	-	(42,150)
Total Revenues	3,406,500	3,406,500	3,150,342	(3,906)	3,146,436	(260,064)
Expenditures						
Current:						
Public works	3,148,702	3,159,752	2,966,588	(3,906)	2,962,682	197,070
Capital Outlay	550,500	539,450	72,396	157,148	229,544	309,906
Total Expenditures	3,699,202	3,699,202	3,038,984	153,242	3,192,226	506,976
Net Change in Fund Balances	(292,702)	(292,702)	111,358	(157,148)	(45,790)	246,912
Prior Year Encumbrances Returned	-	-	-	26,090	26,090	26,090
Fund Balances Beginning of Year	2,983,673	2,983,673	3,089,337	(61,297)	3,028,040	44,367
Fund Balances End of Year	\$ 2,690,971	\$ 2,690,971	\$ 3,200,695	\$ (192,355)	\$ 3,008,340	\$ 317,369

City of Ketchikan, Alaska
Ketchikan Boat Harbor Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Intergovernmental	\$ 30,000	\$ 30,000	\$ 29,748	\$ (14,083)	\$ 15,665	\$ (14,335)
Charges for services	1,421,345	1,421,345	1,475,000	-	1,475,000	53,655
Fines and forfeitures	6,000	6,000	2,885	-	2,885	(3,115)
Investment earnings	-	-	345	-	345	345
Miscellaneous	-	-	12	-	12	12
Total Revenues	<u>1,457,345</u>	<u>1,457,345</u>	<u>1,507,990</u>	<u>(14,083)</u>	<u>1,493,907</u>	<u>36,562</u>
Expenditures						
Current:						
Port and harbor	1,158,110	1,171,810	1,129,112	(22,151)	1,106,961	64,849
Debt Service:						
Principal retirement	166,800	166,800	90,000	-	90,000	76,800
Interest and fiscal charges	206,900	206,900	122,478	-	122,478	84,422
Capital Outlay			<u>9,945</u>	<u>(9,945)</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,531,810</u>	<u>1,545,510</u>	<u>1,351,535</u>	<u>(32,096)</u>	<u>1,319,439</u>	<u>226,071</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(74,465)</u>	<u>(88,165)</u>	<u>156,455</u>	<u>18,013</u>	<u>174,468</u>	<u>262,633</u>
Other Financing Sources						
Transfer in harbor improvements fund	-	-	4,683	-	4,683	4,683
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>4,683</u>	<u>-</u>	<u>4,683</u>	<u>4,683</u>
Net Change in Fund Balances	<u>(74,465)</u>	<u>(88,165)</u>	<u>161,138</u>	<u>18,013</u>	<u>179,151</u>	<u>267,316</u>
Fund Balances Beginning of Year	<u>831,494</u>	<u>831,494</u>	<u>1,004,263</u>	<u>(27,416)</u>	<u>976,847</u>	<u>145,353</u>
Fund Balances End of Year	<u>\$ 757,029</u>	<u>\$ 743,329</u>	<u>\$ 1,165,401</u>	<u>\$ (9,403)</u>	<u>\$ 1,155,998</u>	<u>\$ 412,669</u>

City of Ketchikan, Alaska
Bayview Cemetery Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Charges for services	\$ 16,500	\$ 16,500	\$ 7,006	\$ -	\$ 7,006	\$ (9,494)
Investment earnings	-	-	30	-	30	30
Total Revenues	<u>16,500</u>	<u>16,500</u>	<u>7,036</u>	<u>-</u>	<u>7,036</u>	<u>(9,464)</u>
Expenditures						
Current:						
Public works	39,000	39,000	12,750	18,850	31,600	7,400
Deficiency of Revenues Under Expenditures	<u>(22,500)</u>	<u>(22,500)</u>	<u>(5,714)</u>	<u>(18,850)</u>	<u>(24,564)</u>	<u>(2,064)</u>
Other Financing Uses						
Transfers out						
General fund	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>
Total Other Financing Sources	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(27,500)</u>	<u>(27,500)</u>	<u>(10,714)</u>	<u>(18,850)</u>	<u>(29,564)</u>	<u>(2,064)</u>
Fund Balances Beginning of Year	<u>127,680</u>	<u>127,680</u>	<u>135,434</u>	<u>(5,500)</u>	<u>129,934</u>	<u>2,254</u>
Fund Balances End of Year	<u>\$ 100,180</u>	<u>\$ 100,180</u>	<u>\$ 124,720</u>	<u>\$ (24,350)</u>	<u>\$ 100,370</u>	<u>\$ 190</u>

City of Ketchikan, Alaska
Commercial Passenger Vessel Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Intergovernmental	\$ 2,030,000	\$ 2,030,000	\$ 2,141,633	\$ -	\$ 2,141,633	\$ 111,633
Investment earnings	-	-	425		425	425
Total Revenues	<u>2,030,000</u>	<u>2,030,000</u>	<u>2,142,058</u>	<u>-</u>	<u>2,142,058</u>	<u>112,058</u>
Expenditures						
Current:						
Tourism	40,000	40,000	-	-	-	40,000
Excess of Revenues Over Expenditures	<u>1,990,000</u>	<u>1,990,000</u>	<u>2,142,058</u>	<u>-</u>	<u>2,142,058</u>	<u>152,058</u>
Other Financing Uses						
Transfers out						
General fund	(88,250)	(88,250)	(25,417)	-	(25,417)	62,833
Major capital improvements fund	(395,000)	(410,363)	(207,286)	-	(207,286)	203,077
Harbor improvements fund	-	(5,000)	(5,000)	-	(5,000)	-
Total Other Financing Uses	<u>(483,250)</u>	<u>(503,613)</u>	<u>(237,703)</u>	<u>-</u>	<u>(237,703)</u>	<u>265,910</u>
Net Change in Fund Balances	<u>1,506,750</u>	<u>1,486,387</u>	<u>1,904,355</u>	<u>-</u>	<u>1,904,355</u>	<u>417,968</u>
Fund Balances Beginning of Year	<u>(102,613)</u>	<u>(102,613)</u>	<u>(101,672)</u>	<u>-</u>	<u>(101,672)</u>	<u>941</u>
Fund Balances End of Year	<u>\$ 1,404,137</u>	<u>\$ 1,383,774</u>	<u>\$ 1,802,683</u>	<u>\$ -</u>	<u>\$ 1,802,683</u>	<u>\$ 418,909</u>

City of Ketchikan, Alaska
Federal and State Grant Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Intergovernmental	\$ 175,800	\$ 175,800	\$ -	\$ -	\$ -	\$ (175,800)
Expenditures						
Current:						
Public safety	175,800	175,800	-	-	-	175,800
Health and welfare	-	-	-	-	-	-
Total Expenditures	<u>175,800</u>	<u>175,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,800</u>
Excess of Revenues Over Expenditures	-	-	-	-	-	-
Fund Balances Beginning of Year	-	-	-	-	-	-
Fund Balances End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Ketchikan, Alaska
Forfeitures And Property Seizures Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Fines & Forfeitures	\$ 15,000	\$ 15,000	\$ 6,499	\$ -	\$ 6,499	\$ (8,501)
Investment earnings	-	-	46		46	46
Total Revenues	<u>15,000</u>	<u>15,000</u>	<u>6,545</u>	<u>-</u>	<u>6,545</u>	<u>(8,455)</u>
 Net Change in Fund Balances	 15,000	 15,000	 6,545	 -	 6,545	 (8,455)
Fund Balances Beginning of Year	<u>186,110</u>	<u>186,110</u>	<u>167,552</u>	<u>-</u>	<u>167,552</u>	<u>(18,558)</u>
Fund Balances End of Year	<u>\$ 201,110</u>	<u>\$ 201,110</u>	<u>\$ 174,097</u>	<u>\$ -</u>	<u>\$ 174,097</u>	<u>\$ (27,013)</u>

NONMAJOR DEBT SERVICE FUNDS

General Obligation Bond Debt Service Fund – This fund is used to accumulate funds for the payment of principal and interest on general obligation bonds not accounted for in enterprise funds.

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

	General Obligation Bond Debt Service
Revenues	
Miscellaneous income	\$ 129,387
Expenditures	
Debt Service:	
Principal retirement	1,265,000
Interest and fiscal charges	2,284,500
Total Expenditures	3,549,500
Deficiency of Revenues Under Expenditures	(3,420,113)
Other Financing Sources	
Transfers in	
General fund	663,047
Sales tax hospital & other public works fund	2,562,750
Community facilities development fund	194,316
Total Other Financing Sources	3,420,113
Net Change in Fund Balances	-
Fund Balances Beginning of Year	-
Fund Balances End of Year	\$ -

City of Ketchikan, Alaska
General Obligation Bond Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Miscellaneous income	\$ 129,387	\$ 129,387	\$ 129,387	\$ -
Expenditures				
Debt Service:				
Principal retirement	1,265,000	1,265,000	1,265,000	-
Interest and fiscal charges	2,284,501	2,284,501	2,284,500	1
Total Expenditures	<u>3,549,501</u>	<u>3,549,501</u>	<u>3,549,500</u>	<u>1</u>
Other Financing Sources				
Transfers in				
General fund	663,064	663,064	663,047	(17)
Sales tax hospital & other public works fund	2,562,750	2,562,750	2,562,750	-
Community facilities development fund	194,300	194,300	194,316	16
Total Other Financing Sources	<u>3,420,114</u>	<u>3,420,114</u>	<u>3,420,113</u>	<u>(1)</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



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NONMAJOR CAPITAL IMPROVEMENT FUND

Major Capital Improvements Fund – This fund is used to account for the improvement, acquisition and construction of major capital assets as determined by the City Council.

Harbor Improvements Fund – This fund is used to account for the improvement, acquisition and construction of harbor facilities.

Community Facilities Development Fund – This fund is used to account for the acquisition and construction of major public facilities.

MAJOR CAPITAL IMPROVEMENT FUND ¹

Hospital Construction Fund – This fund is used to account for the construction of improvements to the Ketchikan Medical Center.

¹*This major fund schedule is provided for budgetary comparison purposes only.*

City of Ketchikan, Alaska
Combining Balance Sheet
Nonmajor Capital Project Fund
December 31, 2016

	Major Capital Improvements	Harbor Improvements	Community Facilities Development	Total Nonmajor Capital Projects Funds
Assets				
Cash and investments	\$ -	\$ 439,835	\$ 2,894,708	\$ 3,334,543
Restricted cash:				
Bond construction funds	-	488,347	-	488,347
Commercial passenger excise tax funds	155,881	933	-	156,814
Receivables:				
Intergovernmental	3,022,910	-		3,022,910
Advances from other funds	-	-	156,934	156,934
Total Assets	\$ 3,178,791	\$ 929,115	\$ 3,051,642	\$ 7,159,548
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,682,189	\$ 866	\$ -	\$ 2,683,055
Interfund payable	266,100	-	-	266,100
Advances to other funds	-	241,547	-	241,547
Total Liabilities	2,948,289	242,413	-	3,190,702
Fund Balances				
Restricted				
Commercial passenger excise tax funds	155,881	933	-	156,814
Bond construction funds	-	488,347	-	488,347
Assigned:				
Development of community facilities	-	-	3,051,642	3,051,642
Harbor projects	-	197,422	-	197,422
Public works projects	74,621	-	-	74,621
Total Fund Balances	230,502	686,702	3,051,642	3,968,846
Total Liabilities and Fund Balances	\$ 3,178,791	\$ 929,115	\$ 3,051,642	\$ 7,159,548

City of Ketchikan, Alaska
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Fund
For the Year Ended December 31, 2016

	Major Capital Improvements	Harbor Improvements	Community Facilities Development	Total Nonmajor Capital Projects Funds
Revenues				
Intergovernmental	\$ 3,115,243	\$ 752,680	\$ -	\$ 3,867,923
Investment earnings	164	70	18,049	18,283
Contributions	-	4,117	-	4,117
Total Revenues	3,115,407	756,867	18,049	3,890,323
Expenditures				
Debt Service:				
Debt issuance costs	-	17,322	-	17,322
Capital Outlay:				
Culture and tourism	1,685,948	-	-	1,685,948
Public works	3,020,156	-	-	3,020,156
Port and harbors	-	3,372,762	-	3,372,762
Total Expenditures	4,706,104	3,390,084	-	8,096,188
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,590,697)	(2,633,217)	18,049	(4,205,865)
Other Financing Sources (Uses)				
Proceeds from the sale of bonds	-	1,765,000	-	1,765,000
Premium from sale of bonds	-	252,887	-	252,887
Transfers out				
Harbor fund	-	(4,683)	-	(4,683)
Debt service fund	-	-	(194,316)	(194,316)
Transfers in				
Commercial passenger vessel tax fund	207,286	5,000	-	212,286
Sale of capital assets	-	45,000	-	45,000
Total Other Financing Sources (Uses)	207,286	2,063,204	(194,316)	2,076,174
Net Change in Fund Balances	(1,383,411)	(570,013)	(176,267)	(2,129,691)
Fund Balances At Beginning of Year	1,613,913	1,256,715	3,227,909	6,098,537
Fund Balances At End of Year	\$ 230,502	\$ 686,702	\$ 3,051,642	\$ 3,968,846

City of Ketchikan, Alaska
Major Capital Improvements Fund
Project Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Intergovernmental	\$ 9,325,200	\$ 9,560,950	\$ 3,115,243	\$ -	\$ 3,115,243	\$ (6,445,707)
Investment earnings	-	-	164	-	164	164
Total Revenues	<u>9,325,200</u>	<u>9,560,950</u>	<u>3,115,407</u>	<u>-</u>	<u>3,115,407</u>	<u>(6,445,543)</u>
Expenditures						
Culture and tourism	395,000	646,113	1,685,948	(1,198,753)	487,195	158,918
Public works	9,325,200	9,325,200	3,020,156	6,253,144	9,273,300	51,900
Total Expenditures	<u>9,720,200</u>	<u>9,971,313</u>	<u>4,706,104</u>	<u>5,054,391</u>	<u>9,760,495</u>	<u>210,818</u>
Deficiency of Revenues Under Expenditures	(395,000)	(410,363)	(1,590,697)	(5,054,391)	(6,645,088)	(6,234,725)
Other Financing Sources						
Transfer in	395,000	410,363	207,286	-	207,286	(203,077)
Total Other Financing Sources	<u>395,000</u>	<u>410,363</u>	<u>207,286</u>	<u>-</u>	<u>207,286</u>	<u>(203,077)</u>
Net Change in Fund Balances	-	-	(1,383,411)	(5,054,391)	(6,437,802)	(6,437,802)
Prior Year Encumbrances Returned	-	-	-	34,459	34,459	34,459
Fund Balances Beginning of Year	<u>54,792</u>	<u>54,792</u>	<u>1,613,913</u>	<u>(1,529,456)</u>	<u>84,457</u>	<u>29,665</u>
Fund Balances End of Year	<u>\$ 54,792</u>	<u>\$ 54,792</u>	<u>\$ 230,502</u>	<u>\$ (6,549,388)</u>	<u>\$ (6,318,886)</u>	<u>\$ (6,373,678)</u>

City of Ketchikan, Alaska
Harbor Improvements Fund
Project Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Intergovernmental	\$ 246,000	\$ 246,000	\$ 752,680	\$ -	\$ 752,680	\$ 506,680
Investment earnings	-	-	70	-	70	70
Contributions	-	-	4,117	-	4,117	4,117
Total Revenues	<u>246,000</u>	<u>246,000</u>	<u>756,867</u>	<u>-</u>	<u>756,867</u>	<u>510,867</u>
Expenditures						
Debt Service:						
Debt issuance costs	-	-	17,322	-	17,322	(17,322)
Capital Outlay:						
Port and harbors	<u>227,665</u>	<u>392,665</u>	<u>3,372,762</u>	<u>(3,046,473)</u>	<u>326,289</u>	<u>66,376</u>
Total Expenditures	<u>227,665</u>	<u>392,665</u>	<u>3,390,084</u>	<u>(3,046,473)</u>	<u>326,289</u>	<u>49,054</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,335</u>	<u>(146,665)</u>	<u>(2,633,217)</u>	<u>3,046,473</u>	<u>430,578</u>	<u>559,921</u>
Other Financing Sources and (Uses)						
Transfer in						
Commercial passenger vessel tax	-	5,000	5,000	-	5,000	-
Transfers out						
Harbor	-	-	(4,683)	-	(4,683)	(4,683)
Advances from other funds	(312,500)	(312,500)	-	(312,500)	(312,500)	-
Proceeds from sale of bonds	-	-	1,765,000	-	1,765,000	1,765,000
Premium from sale of bonds	-	-	252,887	-	252,887	252,887
Sale of capital assets	-	-	45,000	-	45,000	45,000
Total Other Financing Sources (Uses)	<u>(312,500)</u>	<u>(307,500)</u>	<u>2,063,204</u>	<u>(312,500)</u>	<u>1,750,704</u>	<u>2,058,204</u>
Net Change in Fund Balances	<u>(294,165)</u>	<u>(454,165)</u>	<u>(570,013)</u>	<u>2,733,973</u>	<u>2,181,282</u>	<u>2,618,125</u>
Fund Balances Beginning of Year	<u>1,141,171</u>	<u>1,141,171</u>	<u>1,256,715</u>	<u>(2,532,146)</u>	<u>(1,275,431)</u>	<u>(2,416,602)</u>
Fund Balances End of Year	<u>\$ 847,006</u>	<u>\$ 687,006</u>	<u>\$ 686,702</u>	<u>\$ 201,827</u>	<u>\$ 905,851</u>	<u>\$ 201,523</u>

City of Ketchikan, Alaska
Community Facilities Development Fund
Project Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Investment earnings	\$ 17,352	\$ 17,352	\$ 18,049	\$ -	\$ 18,049	\$ 697
Total Revenues	17,352	17,352	18,049	-	18,049	697
Other Financing Sources and (Uses)						
Transfers out						
Debt service fund	(194,300)	(194,300)	(194,316)	-	(194,316)	(16)
Advances to other funds	276,857	276,857	-	276,857	276,857	-
Total Other Financing Sources and (Uses)	82,557	82,557	(194,316)	276,857	82,541	(16)
Net Change in Fund Balances	99,909	99,909	(176,267)	276,857	100,590	681
Fund Balances Beginning of Year	2,793,815	2,793,815	3,227,909	(433,791)	2,794,118	303
Fund Balances End of Year	\$ 2,893,724	\$ 2,893,724	\$ 3,051,642	\$ (156,934)	\$ 2,894,708	\$ 984

City of Ketchikan, Alaska
Hospital Construction Fund
Project Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Contributions	\$ -	\$ -	\$ 505,130		\$ 505,130	\$ 505,130
Investment earnings	-	-	6,859	-	6,859	6,859
Total Revenues	-	-	511,989	-	511,989	511,989
Expenditures						
Health and welfare	5,528,900	5,528,900	12,333,484	(6,488,489)	5,844,995	(316,095)
Net Change in Fund Balances	(5,528,900)	(5,528,900)	(11,821,495)	6,488,489	(5,333,006)	195,894
Prior Year Encumbrances Returned	-	-	-	1,150,200	1,150,200	1,150,200
Fund Balances Beginning of Year	5,692,223	5,692,223	18,104,001	(11,223,003)	6,880,998	1,188,775
Fund Balances End of Year	\$ 163,323	\$ 163,323	\$ 6,282,506	\$ (3,584,314)	\$ 2,698,192	\$ 2,534,869



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GENERAL FUND

Due to the implementation of GASB Statement No. 54 the City has re-classified five of its special revenue funds to bring the City into compliance with the new standard. The Hospital Sales Tax, Public Works Sales Tax, Economic Development and Parking, Shoreline and Community Grant Funds are all considered to be general fund activity. The City has added this section to present the combining statements of the general fund and the individual budgetary fund statements. The general fund's individual budgetary statement is still presented as required supplementary information.

General Fund – This fund is used to account for all resources and activities of the City except those required to be accounted for in another fund.

Hospital Sales Tax and Other Public Works Fund – This fund is used to account for the proceeds of the sales tax levy that is restricted to the payment of costs of construction and maintenance of capital improvements under Section 3.04.130(b) of the Ketchikan Municipal Code.

Public Works Sales Tax and Other Public Works Fund – This fund is used to account for the proceeds of the sales tax levy that is restricted to the payment of costs of construction and maintenance of capital improvements under Section 3.04.130(a) of the Ketchikan Municipal Code.

Economic Development and Parking Fund – This fund is used to account for the proceeds from the sale of the Spruce Mill property. These proceeds must be used for economic development and the development of parking facilities as determined by the City Council.

Shoreline Fund – This fund is used to account for the assets and liabilities of the former Shoreline Service Area that were transferred to the City at the time the service area was annexed.

Community Grant Fund – This fund is used to account for grants given to community based non-profit humanitarian agencies as determined by the City Council.

City of Ketchikan, Alaska
Combining Balance Sheet
General Fund
December 31, 2016

	General	Hospital Sales Tax	Public Works Sales Tax
Assets			
Cash and temporary investments	\$ 7,397,538	\$ 4,792,653	\$ 5,897,017
Restricted cash - Investigation Funds	137,151	-	-
Receivables:			
Accounts	287,609	-	-
Taxes	981,125	496,132	744,199
Intergovernmental	25,448	-	-
Interfund	266,100	-	-
Advances from other funds	-	-	-
Land for resale	384,704	-	-
Total Assets	\$ 9,479,675	\$ 5,288,785	\$ 6,641,216
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 371,388	\$ 6,755	\$ 237,598
Payroll payable	1,811,126	-	-
Unearned revenue	24,268	-	-
Total Liabilities	2,206,782	6,755	237,598
Deferred Inflows of Resources	917,697	496,132	744,199
Fund Balances			
Nonspendable	384,704	-	-
Restricted	137,151	-	-
Assigned:			
Subsequent years budget	1,431,403	822,472	1,907,860
Parking development and abatement of dangerous buildings	-	-	-
Hospital development and expansion	-	3,963,426	-
General government	121,250	-	61,132
Public safety	6,705	-	965,865
Culture and tourism	49,627	-	1,281,468
Public works	94,932	-	-
Streets, sidewalks and other public projects	-	-	1,443,094
Unassigned	4,129,424	-	-
Total Fund Balances	6,355,196	4,785,898	5,659,419
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,479,675	\$ 5,288,785	\$ 6,641,216

Economic Development & Parking	Shoreline Services	Community Grant Fund	Totals
\$ 924,369	\$ 117,403	\$ 20,565	\$ 19,149,545
-	-	-	137,151
-	-	-	287,609
-	-	-	2,221,456
-	-	-	25,448
-	-	-	266,100
241,547	-	-	241,547
-	-	-	384,704
<u>\$ 1,165,916</u>	<u>\$ 117,403</u>	<u>\$ 20,565</u>	<u>\$ 22,713,560</u>
\$ 38,475	\$ -	\$ 8,150	\$ 662,366
-	-	-	1,811,126
-	-	-	24,268
<u>38,475</u>	<u>-</u>	<u>8,150</u>	<u>2,497,760</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,158,028</u>
-	-	-	384,704
-	-	-	137,151
-	5,974	12,407	4,180,116
1,127,441	-	-	1,127,441
-	-	-	3,963,426
-	-	8	182,390
-	111,429	-	1,083,999
-	-	-	1,331,095
-	-	-	94,932
-	-	-	1,443,094
-	-	-	4,129,424
<u>1,127,441</u>	<u>117,403</u>	<u>12,415</u>	<u>18,057,772</u>
<u>\$ 1,165,916</u>	<u>\$ 117,403</u>	<u>\$ 20,565</u>	<u>\$ 22,713,560</u>

City of Ketchikan, Alaska
General Fund
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2016

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
Revenues							
Taxes							
Real & personal property taxes	\$ 6,002,812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,002,812
Automobile & boat taxes	47,749	-	-	-	-	-	47,749
Penalty & interest	38,704	11,886	17,830	-	-	-	68,420
Senior citizen local contribution	(458,116)	-	-	-	-	-	(458,116)
Sales tax	4,256,103	2,837,402	4,256,103	-	-	-	11,349,608
Payments in lieu of taxes	35,789	-	-	-	-	-	35,789
	<u>9,923,041</u>	<u>2,849,288</u>	<u>4,273,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,046,262</u>
Licenses and permits							
Building permits	191,629	-	-	-	-	-	191,629
Other	1,885	-	-	-	-	-	1,885
	<u>193,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,514</u>
Intergovernmental							
Federal fire grants	69,490	-	-	-	-	-	69,490
Liquor licenses tax	44,000	-	-	-	-	-	44,000
Other state revenues	720,070	-	-	-	-	-	720,070
Federal revenues	5,048	-	-	-	-	-	5,048
	<u>844,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>844,766</u>
Charges for services							
Ambulance	589,985	-	-	-	-	-	589,985
Rentals	19,130	-	-	-	-	-	19,130
Parking fees	86,755	-	-	-	-	-	86,755
Cemetery	725	-	-	-	-	-	725
Library services	588,293	-	-	-	-	-	588,293
Museum services	252,579	-	-	-	-	-	252,579
E-911 emergency dispatch services	403,482	-	-	-	-	-	403,482
Civic center services	109,595	-	-	-	-	-	109,595
Other charges	58,128	-	-	-	-	-	58,128
	<u>2,108,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,108,672</u>
Fines and forfeitures							
Parking fines	89,835	-	-	-	-	-	89,835
Other fines	17,217	-	-	-	-	-	17,217
Court deposits	25,142	-	-	-	-	-	25,142
	<u>132,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,194</u>
Investment earnings	1,355	1,305	1,435	184	32	-	4,311
Other revenue							
Miscellaneous	103,321	953	3,131	-	-	52,560	159,965
Interdepartmental charges	3,141,701	-	-	-	-	-	3,141,701
Total Revenues	<u>16,448,564</u>	<u>2,851,546</u>	<u>4,278,499</u>	<u>184</u>	<u>32</u>	<u>52,560</u>	<u>23,631,385</u>

City of Ketchikan, Alaska
General Fund
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances (Cont'd)
For the Year Ended December 31, 2016

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
Expenditures							
Current:							
General government							
Mayor and council	167,909	-	-	-	-	360,400	528,309
City Clerk	297,288	-	-	-	-	-	297,288
Law	306,568	-	-	-	-	-	306,568
City Manager	646,739	-	-	-	-	-	646,739
Finance	1,811,370	-	3,500	-	-	-	1,814,870
Information Technology	1,047,499	-	-	-	-	-	1,047,499
	<u>4,277,373</u>	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>360,400</u>	<u>4,641,273</u>
Public safety							
Fire	3,407,219	-	44,212	-	-	-	3,451,431
Police	4,802,987	-	171,223	-	-	-	4,974,210
	<u>8,210,206</u>	<u>-</u>	<u>215,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,425,641</u>
Culture							
Library	1,279,725	-	-	-	-	-	1,279,725
Museum	847,685	-	365,400	-	-	-	1,213,085
Civic Center	435,015	-	80,816	-	-	-	515,831
Tourism and development	-	-	-	162,450	-	-	162,450
	<u>2,562,425</u>	<u>-</u>	<u>446,216</u>	<u>162,450</u>	<u>-</u>	<u>-</u>	<u>3,171,091</u>
Health and welfare							
Public Health	10,226	37,962	-	-	-	-	48,188
Public works							
Engineering	1,537,232	-	41,546	-	-	-	1,578,778
Streets	1,353,713	-	1,007,521	-	-	-	2,361,234
Cemetery	70,426	-	-	-	-	-	70,426
Garage	485,764	-	8,698	-	-	-	494,462
Building Maintenance	386,381	-	80,747	-	-	-	467,128
	<u>3,833,516</u>	<u>-</u>	<u>1,138,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,972,028</u>
Total Expenditures	<u>18,893,746</u>	<u>37,962</u>	<u>1,803,663</u>	<u>162,450</u>	<u>-</u>	<u>360,400</u>	<u>21,258,221</u>
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	<u>(2,445,182)</u>	<u>2,813,584</u>	<u>2,474,836</u>	<u>(162,266)</u>	<u>32</u>	<u>(307,840)</u>	<u>2,373,164</u>

City of Ketchikan, Alaska
General Fund
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances (Cont'd)
For the Year Ended December 31, 2016

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
Other Financing Sources (Uses)							
Transfers in							
Sales tax hospital and other public works fund	420,000	(420,000)	-	-	-	-	-
Sales tax public works fund	2,000,000	-	(2,000,000)	-	-	-	-
Transient occupancy tax fund	318,251	-	-	-	-	-	318,251
Shoreline area fund	6,374	-	-	-	(6,374)	-	-
Bayview cemetery fund	5,000	-	-	-	-	-	5,000
Commercial passenger vessel tax fund	25,417	-	-	-	-	-	25,417
Ketchikan public utilities fund	786,000	-	-	-	-	-	786,000
Port fund	319,000	-	-	-	-	-	319,000
Wastewater services fund	80,000	-	-	-	-	-	80,000
Transfers out							
General obligation bond debt service fund	(663,047)	(2,562,750)	-	-	-	-	(3,225,797)
Community grant fund	(185,973)	(48,750)	(73,125)	-	-	307,848	-
Port fund	(19,258)	-	-	-	-	-	(19,258)
Total Other Financing Sources (Uses)	3,091,764	(3,031,500)	(2,073,125)	-	(6,374)	307,848	(1,711,387)
Net Change in Fund Balances	646,582	(217,916)	401,711	(162,266)	(6,342)	8	661,777
Fund Balances Beginning of Year	5,708,614	5,003,814	5,257,708	1,289,707	123,745	12,407	17,395,995
Fund Balances End of Year	6,355,196	4,785,898	5,659,419	1,127,441	117,403	12,415	18,057,772

City of Ketchikan, Alaska
Sales Tax Hospital and Other Public Works Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Taxes	\$ 2,862,500	\$ 2,862,500	\$ 2,837,402	\$ -	\$ 2,837,402	\$ (25,098)
Penalties and interest	12,500	12,500	11,886	-	11,886	(614)
Investment earnings	-	-	1,305	-	1,305	1,305
Miscellaneous	-	-	953	-	953	953
Total Revenues	<u>2,875,000</u>	<u>2,875,000</u>	<u>2,851,546</u>	<u>-</u>	<u>2,851,546</u>	<u>(23,454)</u>
Expenditures						
Current:						
Health and welfare	<u>263,800</u>	<u>307,311</u>	<u>37,962</u>	<u>17,127</u>	<u>55,089</u>	<u>252,222</u>
Total Expenditures	<u>263,800</u>	<u>307,311</u>	<u>37,962</u>	<u>17,127</u>	<u>55,089</u>	<u>252,222</u>
Excess of Revenues Over Expenditures	<u>2,611,200</u>	<u>2,567,689</u>	<u>2,813,584</u>	<u>(17,127)</u>	<u>2,796,457</u>	<u>228,768</u>
Other Financing Uses						
Transfers out						
General fund	(420,000)	(420,000)	(420,000)	-	(420,000)	-
Community grant fund	(48,750)	(48,750)	(48,750)	-	(48,750)	-
General obligation debt service fund	<u>(2,562,750)</u>	<u>(2,562,750)</u>	<u>(2,562,750)</u>	<u>-</u>	<u>(2,562,750)</u>	<u>-</u>
Total Other Financing Uses	<u>(3,031,500)</u>	<u>(3,031,500)</u>	<u>(3,031,500)</u>	<u>-</u>	<u>(3,031,500)</u>	<u>-</u>
Net Change in Fund Balances	<u>(420,300)</u>	<u>(463,811)</u>	<u>(217,916)</u>	<u>(17,127)</u>	<u>(235,043)</u>	<u>228,768</u>
Fund Balances Beginning of Year	<u>4,931,717</u>	<u>4,931,717</u>	<u>5,003,814</u>	<u>(7,404)</u>	<u>4,996,410</u>	<u>64,693</u>
Fund Balances End of Year	<u>\$ 4,511,417</u>	<u>\$ 4,467,906</u>	<u>\$ 4,785,898</u>	<u>\$ (24,531)</u>	<u>\$ 4,761,367</u>	<u>\$ 293,461</u>

City of Ketchikan, Alaska
Sales Tax Public Works Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Taxes	\$ 4,293,750	\$ 4,293,750	\$ 4,256,103	\$ -	\$ 4,256,103	\$ (37,647)
Penalties and interest	18,000	18,000	17,830	-	17,830	(170)
Intergovernmental	20,524	20,524	-	-	-	(20,524)
Investment earnings	-	-	1,435	-	1,435	1,435
Miscellaneous	-	-	3,131	-	3,131	3,131
Total Revenues	4,332,274	4,332,274	4,278,499	-	4,278,499	(53,775)
Expenditures						
Current:						
General government						
Finance	20,000	20,000	3,500	16,357	19,857	143
Public safety						
Fire	187,562	234,931	44,212	155,175	199,387	35,544
Police	188,740	201,385	171,223	(11,150)	160,073	41,312
Culture						
Museum	705,559	918,520	365,400	538,333	903,733	14,787
Civic center	236,925	244,025	80,816	28,260	109,076	134,949
Public works						
Engineering	167,000	170,250	41,546	6,983	48,529	121,721
Streets	1,983,000	2,019,716	1,007,521	(100,366)	907,155	1,112,561
Garage	-	-	8,698	(8,698)	-	-
Building maintenance	-	24,000	80,747	(60,424)	20,323	3,677
Total Expenditures	3,488,786	3,832,827	1,803,663	564,470	2,368,133	1,464,694
Excess of Revenues Over Expenditures	843,488	499,447	2,474,836	(564,470)	1,910,366	1,410,919
Other Financing Uses						
Transfer out						
General fund	(2,000,000)	(2,000,000)	(2,000,000)	-	(2,000,000)	-
Community grant fund	(73,125)	(73,125)	(73,125)	-	(73,125)	-
Total Other Financing Uses	(2,073,125)	(2,073,125)	(2,073,125)	-	(2,073,125)	-
Net Change in Fund Balances	(1,229,637)	(1,573,678)	401,711	(564,470)	(162,759)	1,410,919
Prior Year Encumbrances Returned	-	-	-	33,871	33,871	33,871
Fund Balances Beginning of Year	4,235,433	4,235,433	5,257,708	(491,990)	4,765,718	530,285
Fund Balances End of Year	\$ 3,005,796	\$ 2,661,755	\$ 5,659,419	\$ (1,022,589)	\$ 4,636,830	\$ 1,975,075

City of Ketchikan, Alaska
Economic Development & Parking Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	184	-	184	184
Total Revenues	-	-	184	-	184	184
Expenditures						
Current:						
Economic tourism and development	162,450	162,450	162,450	-	162,450	-
	162,450	162,450	162,450	-	162,450	-
Deficiency of Revenues Under Expenditures	(162,450)	(162,450)	(162,266)	-	(162,266)	184
Other Financing Uses						
Advances from harbor improvements fund	312,500	312,500	-	312,500	312,500	-
Total Other Financing Uses	312,500	312,500	-	312,500	312,500	-
Net Change in Fund Balances	150,050	150,050	(162,266)	312,500	150,234	184
Fund Balances Beginning of Year	555,771	555,771	1,289,707	(554,047)	735,660	179,889
Fund Balances End of Year	\$ 705,821	\$ 705,821	\$ 1,127,441	\$ (241,547)	\$ 885,894	\$ 180,073

City of Ketchikan, Alaska
Shoreline Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>(GAAP Basis) Actual</u>	<u>Reclassifications and Encumbrances</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance Positive (Negative)</u>
Revenues						
Investment earnings	\$ 40	\$ 40	\$ 32	\$ -	\$ 32	\$ (8)
Other Financing Uses						
General fund	(6,374)	(6,374)	(6,374)	-	(6,374)	-
Net Change in Fund Balances	(6,334)	(6,334)	(6,342)	-	(6,342)	(8)
Fund Balances Beginning of Year	123,766	123,766	123,745	-	123,745	(21)
Fund Balances End of Year	<u>\$ 117,432</u>	<u>\$ 117,432</u>	<u>\$ 117,403</u>	<u>\$ -</u>	<u>\$ 117,403</u>	<u>\$ (29)</u>

City of Ketchikan, Alaska
Community Grant Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
Revenues						
Contributions	\$ 52,560	\$ 52,560	\$ 52,560	\$ -	\$ 52,560	\$ -
Total Revenues	52,560	52,560	52,560	-	52,560	-
Expenditures						
Current:						
Mayor and council	360,408	360,408	360,400	-	360,400	8
Deficiency of Revenues Under Expenditures	(307,848)	(307,848)	(307,840)	-	(307,840)	8
Other Financing Sources						
Transfers in						
General fund	185,973	185,973	185,973	-	185,973	-
Hospital sales tax fund	48,750	48,750	48,750	-	48,750	-
Public works sales tax fund	73,125	73,125	73,125	-	73,125	-
Total Other Financing Sources	307,848	307,848	307,848	-	307,848	-
Net Change in Fund Balances	-	-	8	-	8	8
Fund Balances Beginning of Year	280	280	12,407	-	12,407	12,127
Fund Balances End of Year	\$ 280	\$ 280	\$ 12,415	\$ -	\$ 12,415	\$ 12,135



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PROPRIETARY FUNDS

MAJOR ENTERPRISE FUNDS

Ketchikan Public Utilities Fund – This fund is used to account for the operations, maintenance, and capital improvements of Ketchikan Public Utilities, a combined utility that provides electric, telecommunications and water services.

Port Fund – This fund is used to account for the operations, maintenance, and capital improvements of the city-owned port facilities.

Wastewater Fund – This fund is used to account for the operations, maintenance, and capital improvements of the municipal wastewater collection and treatment utility system.

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Statements of Net Position
December 31, 2016 and 2015

		<u>2016</u>	<u>2015</u>
Assets			
Current assets			
Cash and temporary investments		\$ 19,395,178	\$ 17,366,977
Restricted cash, cash equivalents and investments:			
Revenue bond redemption fund cash		640,271	1,163,963
Accounts receivable	\$ 2,319,891		
Less uncollectible accounts	<u>(70,000)</u>	2,249,891	3,141,671
Due from other governments		-	879,146
Prepaid expenses		22,343	14,897
Inventory of materials		2,835,103	2,955,547
Unbilled revenue		<u>1,048,528</u>	<u>958,166</u>
Total current assets		<u>26,191,314</u>	<u>26,480,367</u>
Noncurrent assets			
Restricted investments:			
Revenue bond reserve fund investments		1,391,500	1,586,000
Accrued interest receivable - bond reserve fund		-	2,796
Total noncurrent restricted assets		<u>1,391,500</u>	<u>1,588,796</u>
Utility plant in service:			
Land		2,722,866	2,722,866
Other non-depreciable assets		52,405	52,405
Construction work in progress		642,493	1,776,210
Plant in service		246,415,551	241,505,081
Less accumulated depreciation		<u>(137,892,356)</u>	<u>(132,203,292)</u>
Total capital assets (net of accumulated depreciation)		<u>111,940,959</u>	<u>113,853,270</u>
Total noncurrent assets		<u>113,332,459</u>	<u>115,442,066</u>
Total assets		<u>139,523,773</u>	<u>141,922,433</u>
Deferred outflow of resources		<u>759,803</u>	<u>296,796</u>
Total Assets and Deferred Outflow of Resources		<u>\$ 140,283,576</u>	<u>\$ 142,219,229</u>

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Statements of Net Position
December 31, 2016 and 2015

	2016	2015
Liabilities		
Current liabilities		
Accounts payable	\$ 2,951,121	\$ 2,739,026
Accrued interest payable	140,693	160,022
Compensated absences payable	103,342	92,028
Customer deposits	379,120	370,940
Unearned revenue	111,350	27,482
Unamortized premiums	123,002	115,484
Revenue bonds payable	2,175,562	2,145,519
Advances to other funds	287,932	276,857
Total current liabilities	6,272,122	5,927,358
Noncurrent liabilities		
Accrued interest payable	-	4,278
Unamortized bond premium	1,396,293	1,497,244
Compensated absences payable	930,074	828,250
Net pension liability	3,800,135	2,753,822
Revenue bonds payable	20,213,676	21,899,945
Advances to other funds	3,169,002	3,456,934
Total noncurrent liabilities	29,509,180	30,440,473
Deferred inflow of resources	42,359	48,754
Total Liabilities and Deferred Inflows of Resources	35,823,661	36,416,585
Net position		
Net investment in capital assets	88,032,611	88,231,003
Restricted for bond retirement	1,958,826	2,655,331
Unrestricted	14,468,478	14,916,310
Total net position	104,459,915	105,802,644
Total liabilities and net position	\$ 140,283,576	\$ 142,219,229

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Statements of Revenues, Expenses and
Changes in Net Position - by Service
For the Years Ended December 31, 2016 and 2015

	Total		Electric	
	2016	2015	2016	2015
Operating Revenues				
Services	\$38,876,540	\$37,043,159	\$16,765,326	\$16,087,247
Other	444,379	399,210	370,497	350,271
Total Operating Revenues	<u>39,320,919</u>	<u>37,442,369</u>	<u>17,135,823</u>	<u>16,437,518</u>
Operating Expenses				
Operation and maintenance	25,483,547	24,026,833	12,783,034	11,662,447
Administration and general	5,793,720	5,875,484	1,626,940	1,644,771
Depreciation	8,042,878	8,053,750	3,032,559	3,162,371
Total Operating Expenses	<u>39,320,145</u>	<u>37,956,067</u>	<u>17,442,533</u>	<u>16,469,589</u>
Operating Income (Loss)	<u>774</u>	<u>(513,698)</u>	<u>(306,710)</u>	<u>(32,071)</u>
Non-Operating Revenues (Expenses)				
Operating grants	135,314	537,986	26,690	126,366
Interest earnings	7,713	6,780	5,092	5,413
Revenue bond interest expense	(802,681)	(896,371)	(531,729)	(614,146)
Other interest expense	(18,808)	(17,934)	(15,188)	(14,200)
Debt refunding costs	(27,653)	-	(27,653)	-
Total Non-Operating Revenue (Expenses)	<u>(706,115)</u>	<u>(369,539)</u>	<u>(542,788)</u>	<u>(496,567)</u>
Net Income (Loss) Before Contributions, Grants and Transfers	<u>(705,341)</u>	<u>(883,237)</u>	<u>(849,498)</u>	<u>(528,638)</u>
Capital contributions	148,612	172,852	115,150	98,245
Capital grants	-	775,730	-	-
Transfers out - payment in lieu of taxes	<u>(786,000)</u>	<u>(786,000)</u>	<u>(381,993)</u>	<u>(381,993)</u>
Total Contributions, Grants and Transfers	<u>(637,388)</u>	<u>162,582</u>	<u>(266,843)</u>	<u>(283,748)</u>
Change in Net Position	<u>(1,342,729)</u>	<u>(720,655)</u>	<u>(\$1,116,341)</u>	<u>(\$812,386)</u>
Net Position Beginning of Year	<u>105,802,644</u>	<u>106,523,299</u>		
Net Position End of Year	<u><u>\$104,459,915</u></u>	<u><u>\$105,802,644</u></u>		

Telecommunications		Water	
2016	2015	2016	2015
\$18,463,623	\$17,502,673	\$3,647,591	\$3,453,239
-	-	73,882	48,939
18,463,623	17,502,673	3,721,473	3,502,178
10,642,306	10,101,434	2,058,207	2,262,952
3,740,714	3,806,866	426,066	423,847
3,629,194	3,568,792	1,381,125	1,322,587
18,012,214	17,477,092	3,865,398	4,009,386
451,409	25,581	(143,925)	(507,208)
55,113	276,855	53,511	134,765
2,184	1,140	437	227
(149,352)	(160,000)	(121,600)	(122,225)
(3,620)	(3,734)	-	-
-	-	-	-
(95,675)	114,261	(67,652)	12,767
355,734	139,842	(211,577)	(494,441)
33,462	74,607	-	-
-	-	-	775,730
(206,358)	(206,358)	(197,649)	(197,649)
(172,896)	(131,751)	(197,649)	578,081
\$182,838	\$8,091	(\$409,226)	\$83,640

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from customers and users	\$ 40,206,205	\$ 36,327,362
Cash payments to employees for services	(13,280,806)	(12,751,297)
Cash payments to suppliers for goods and services	<u>(16,883,907)</u>	<u>(15,897,513)</u>
Net Cash Provided by Operating Activities	<u>10,041,492</u>	<u>7,678,552</u>
Cash Flows from Noncapital Financing Activity		
Operating grant from other governments	135,314	537,986
Payment in lieu of taxes to the general fund	<u>(786,000)</u>	<u>(786,000)</u>
Net Cash Used by Noncapital Financing Activities	<u>(650,686)</u>	<u>(248,014)</u>
Cash Flows from Capital and Related Financing Activities		
Advances from other funds	(276,857)	(266,209)
Capital grant received from other governments	148,612	3,383,782
Capital debt proceeds	1,368,439	-
Principal paid on revenue bonds	(2,145,519)	(2,044,901)
Interest paid on revenue bonds	(930,442)	(1,140,484)
Payments for capital acquisitions and construction	<u>(6,253,558)</u>	<u>(7,015,707)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(8,089,325)</u>	<u>(7,083,519)</u>
Cash Flows from Investing Activities		
Investment earnings	8,528	5,383
Proceeds from bond reserve fund investments	<u>194,500</u>	<u>92,041</u>
Net Cash Flows Provided by Investing Activities	<u>203,028</u>	<u>97,424</u>
Net Increase in Cash and Cash Equivalents	1,504,509	444,443
Cash and Cash Equivalents Beginning of Year	<u>18,530,940</u>	<u>18,086,497</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 20,035,449</u></u>	<u><u>\$ 18,530,940</u></u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and temporary investments - current assets	19,395,178	17,366,977
Revenue bond redemption fund - restricted	<u>640,271</u>	<u>1,163,963</u>
	<u><u>\$ 20,035,449</u></u>	<u><u>\$ 18,530,940</u></u>

(continued)

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

(continued)

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 774	\$ (513,698)
Adjustments:		
Depreciation	8,042,878	8,053,750
Other	83,363	328,215
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts receivable	891,780	(1,018,265)
Unbilled revenue	(90,362)	(69,914)
Prepaid expenses	(7,446)	2,268
Inventory	120,444	56,822
Customer deposits	8,180	7,432
Deferred outflows	(498,747)	(171,690)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts payable	253,704	280,030
Accrued expenses		
Compensated absences payable	113,138	141,951
Unearned revenue	83,868	(26,828)
Net pension liability	1,046,313	559,725
Deferred inflow of resources for pension	(6,395)	48,754
Net Cash Provided by Operating Activities	<u>\$ 10,041,492</u>	<u>\$ 7,678,552</u>
 Noncash investing, capital and financing activities		
Revenue bond arbitrage	\$ (1,982)	\$ 1,400

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Schedules of Revenues
For the Years Ended December 31, 2016 and 2015

	2016		2015	
	Amount	Total	Amount	Total
Electric Department				
Revenue from Services:				
Residential	\$7,127,462		\$6,752,943	
Boats	318,082		279,072	
Commercial	6,846,651		6,584,210	
Industrial	1,795,059		1,784,436	
Demand	495,104		507,363	
Area Lighting	53,056		50,076	
Street Lighting	129,912		129,143	
Diesel Surcharge	-	\$16,765,326	4	\$16,087,247
Other Revenue:				
Service Charges	113,836		110,341	
Late Payment Charges	76,881		67,244	
Rentals - Interdepartmental	142,397		154,217	
Other	37,383	370,497	18,469	350,271
Total Electric		17,135,823		16,437,518
Telecommunications Department				
Local Network Services:				
Basic Local Service	988,060		857,251	
Local Private Line	917,059		869,780	
Other Local Exchange	177,811	2,082,930	303,624	2,030,655
Network Access Services:				
Interstate End User	874,220		966,265	
Switched Access	4,985,811		5,197,862	
Special Access	1,667,345		1,746,940	
State Access	1,399,924	8,927,300	1,502,254	9,413,321
Other Revenues:				
Directory Revenue	275,724		293,681	
Other	99,052	374,776	168,145	461,826
Nonregulated Revenues	7,078,617	7,078,617	5,596,871	5,596,871
Total Telecommunications		\$ 18,463,623		\$ 17,502,673

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Schedules of Revenues (Cont'd)
For the Years Ended December 31, 2016 and 2015

		2016		2015	
		Amount	Total	Amount	Total
Water Department					
	Revenue from Services:				
	Residential	\$1,632,301		\$1,521,500	
	Apartments	351,241		327,663	
	Commercial	1,275,949		1,208,718	
	Industrial	233,375		236,283	
	Port	154,725	\$3,647,591	159,075	\$3,453,239
	Other Revenue:				
	Service Charges	739		711	
	Late Payment Charges	19,709		16,897	
	Other	53,434	73,882	31,331	48,939
	Total Water		3,721,473		3,502,178
Total Revenue			\$39,320,919		\$37,442,369

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Schedules of Operation and Maintenance Expenses
For the Years Ended December 31, 2016 and 2015

	2016		2015	
	Amount	Total	Amount	Total
Electric Department				
Hydroelectric Generation				
Operation				
Supervision & Engineering	\$1,075,710		\$1,030,176	
Hydraulic Expenses	54,708		61,380	
Electric Expenses	10,195	1,140,613	13,506	1,105,062
Maintenance				
Structures	82,522		83,391	
Reservoirs & Dams	257,748		190,900	
Electric Plant	158,830		118,503	
Other	167,626	666,726	161,302	554,096
Total Hydroelectric Generation		1,807,339		1,659,158
Diesel Generation				
Operation				
Fuel	189,117		244,621	
Generation	11,754		14,666	
Other	490,161	691,032	469,593	728,880
Maintenance				
Supervision and Engineering	118,808		110,130	
Structures	35,131		47,550	
Electric Plant	144,582		148,403	
Other	209,046	507,567	154,851	460,934
Total Diesel Generation		1,198,599		1,189,814
Purchased Power		6,247,593		5,381,319
Automation Control System		342,325		288,903
Total Generation		9,595,856		8,519,194
Transmission				
Operation				
Overhead and Underground Lines	\$2,899	2,899	\$580	580
Total Transmission		\$2,899		\$580

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Schedules of Operation and Maintenance Expenses (Cont'd)
For the Years Ended December 31, 2016 and 2015

	2016		2015	
	Amount	Total	Amount	Total
Distribution				
Operation				
Supervision & Engineering	\$943,678		\$921,752	
Station Equipment	8,278		4,796	
Overhead & Underground Lines	1,031		1,025	
Street Lighting	148,765		155,652	
Meter Expenses	563,700		558,465	
Customer Installations	465		2,322	
Other	24,738	\$1,690,655	47,085	\$1,691,097
Maintenance				
Station Equipment	42,445		24,225	
Overhead & Underground Lines	1,310,557		1,330,831	
Line Transformers	17,085		3,318	
Other	123,537	1,493,624	93,202	1,451,576
Total Distribution		3,184,279		3,142,673
Total Electric		12,783,034		11,662,447
Telecommunications Department				
Plant Specific Operations:				
Network Support	212,056		207,379	
General Support	120,152		99,301	
Central Office Switching	661,662		461,592	
Central Office Transmission	1,274,803		1,210,885	
Cable and Wire Facilities Expense	709,946	2,978,619	723,929	2,703,086
Plant Nonspecific Operations				
Network Operations Expense	2,557,999	2,557,999	2,512,650	2,512,650
Customer Operations				
Customer Operations-Services	121,319	121,319	107,807	107,807
Nonregulated Operations Expenses	\$4,984,369	4,984,369	\$4,777,891	4,777,891
Total Telecommunications		\$10,642,306		\$10,101,434

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Schedule of Operation and Maintenance Expenses (Cont'd)
For the Years Ended December 31, 2016 and 2015

	2016		2015	
	Amount	Total	Amount	Total
Water Department				
Source of Supply				
Operation and Maintenance	\$393,959	\$393,959	\$423,407	\$423,407
Chlorination				
Labor and Supplies	134,041		145,201	
Maintenance	131,465	265,506	110,197	255,398
Distribution				
Supervision & Operation of Mains	-		6,292	
Maps & Records	427,634		403,584	
Customer Service	1,341	428,975	-	409,876
Maintenance				
Mains & Equipment	417,652		682,304	
Hydrants	7,173		4,697	
Valves & Structures	18,249		23,608	
Pump Stations	102,723		104,875	
PH Adjustment Facility	402,860		331,947	
Reservoirs	\$21,110	969,767	\$26,840	1,174,271
Total Water		2,058,207		2,262,952
Total Operation and Maintenance		\$25,483,547		\$24,026,833

City of Ketchikan, Alaska
Ketchikan Public Utilities Fund
Comparative Schedules of Administrative and General Expenses
For the Years Ended December 31, 2016 and 2015

	2016	2015
Customer Service	\$2,012,355	\$1,992,754
General Accounting	811,377	799,213
Administrative Expenses	2,094,112	2,157,276
Engineering Services	104,100	99,069
Information Technology	574,805	630,572
Insurance & Claims	196,971	196,600
Total	\$5,793,720	\$5,875,484

City of Ketchikan, Alaska
Port Fund
Comparative Statements of Net Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and temporary investments	\$ 7,957,557	\$ 6,420,791
Restricted cash, cash equivalents and investments:		
Debt service	185,935	824,743
Accounts receivable	490,885	408,450
Prepaid expense	1,026,946	1,113,090
Total Current assets	<u>9,661,323</u>	<u>8,767,074</u>
Noncurrent assets		
Restricted investments:		
Repair and replacement investments	4,649,770	4,192,162
Bond reserve investments	2,240,000	2,560,597
Accrued interest on bond reserve investments		4,990
Total restricted assets	<u>6,889,770</u>	<u>6,757,749</u>
Internal Receivable	<u>2,700,000</u>	<u>2,700,000</u>
Capital assets		
Land	1,775,740	1,775,740
Other non-depreciable assets	169,361	169,361
Construction work in progress	374,566	439,032
Port facilities	67,387,096	66,612,660
Accumulated depreciation	<u>(17,087,457)</u>	<u>(15,623,409)</u>
Total capital assets (net of accumulated depreciation)	<u>52,619,306</u>	<u>53,373,384</u>
Total noncurrent assets	<u>62,209,076</u>	<u>62,831,133</u>
Deferred outflows of resources	<u>125,721</u>	<u>42,389</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 71,996,120</u>	<u>\$ 71,640,596</u>

City of Ketchikan, Alaska
Port Fund
Comparative Statements of Net Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 228,107	\$ 75,900
Accrued interest payable	113,555	139,674
Compensated absences payable	3,129	3,351
Unamortized premiums	202,584	28,561
Revenue bonds payable	895,000	930,000
Total current liabilities	<u>1,442,375</u>	<u>1,177,486</u>
Noncurrent liabilities		
Compensated absences payable	28,157	30,159
Net pension liability	620,884	449,932
Unamortized bond premium	3,629,634	540,278
Revenue bonds payable	26,130,000	30,845,000
Total noncurrent liabilities	<u>30,408,675</u>	<u>31,865,369</u>
Deferred inflows of resources	<u>535,958</u>	<u>7,966</u>
Total Liabilities and Deferred Inflows of Resources	<u>32,387,008</u>	<u>33,050,821</u>
Net position		
Net investment in capital assets	21,233,051	21,029,545
Restricted repair and replacement funds	4,649,770	4,192,162
Restricted for bond retirement	2,312,380	3,250,656
Unrestricted	11,413,911	10,117,412
Total net position	<u>39,609,112</u>	<u>38,589,775</u>
Total Liabilities and Net Postion	<u>\$ 71,996,120</u>	<u>\$ 71,640,596</u>



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City of Ketchikan, Alaska
Port Fund
Comparative Statements of Revenues, Expenses and
Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for services		
Docking	\$1,771,371	\$1,782,260
Passenger wharfage fee	6,482,367	6,504,788
Rental income	402,468	403,493
Water	206,300	212,200
Other	98,735	129,530
Total Operating Revenues	<u>8,961,241</u>	<u>9,032,271</u>
Operating Expenses		
Operation and maintenance		
Personnel services	1,134,984	1,080,838
Supplies and services	489,328	492,906
Financial service	183,243	167,018
Insurance	241,266	180,650
Utilities	219,186	277,294
Property Taxes	165,385	165,399
Lease payments	2,483,596	2,271,974
Depreciation	1,605,242	1,589,941
Total Operating Expenses	<u>6,522,230</u>	<u>6,226,020</u>
Operating Income	<u>2,439,011</u>	<u>2,806,251</u>
Non-Operating Revenues (Expenses)		
Operating grants	16,004	70,425
Interest earnings	186,539	87,016
Interest expense	(1,665,360)	(1,658,179)
Debt refunding costs	(234,304)	-
Loss on disposal of capital assets	(436,699)	(27,082)
Total Non-Operating Revenue (Expenses)	<u>(2,133,820)</u>	<u>(1,527,820)</u>
Net Income Before Capital Grants, Extraordinary Item and Transfers	305,191	1,278,431
Capital Grants	<u>654,642</u>	<u>277,647</u>
Net Income Before Extraordinary Item and Transfers	959,833	1,556,078
Extraordinary Item- Gain on Impairment of an Asset	<u>359,246</u>	<u>-</u>
Net Income Before Transfers	1,319,079	1,556,078
Transfers In and (Out)		
Transfer from general fund	19,258	
Payment in lieu of taxes to general fund	(319,000)	(319,000)
Transfer to commercial passenger vessel tax fund	-	(1,619,258)
Total Transfers In and (Out)	<u>(299,742)</u>	<u>(1,938,258)</u>
Total Grants and Transfers	<u>335,642</u>	<u>(41,353)</u>
Change in Net Position	1,019,337	(382,180)
Net Position Beginning of Year	<u>38,589,775</u>	<u>38,971,955</u>
Net Position End of Year	<u><u>\$39,609,112</u></u>	<u><u>\$38,589,775</u></u>

City of Ketchikan, Alaska
Port Fund
Comparative Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from customers and users	\$ 9,181,875	\$ 8,877,459
Cash payments to employees for services	(1,034,629)	(936,608)
Cash payments to suppliers for goods and services	<u>(3,726,053)</u>	<u>(3,700,936)</u>
Net Cash Provided by Operating Activities	<u>4,421,193</u>	<u>4,239,915</u>
Cash Flows from Noncapital Financing Activities		
Operating grant from other governments	16,004	70,425
Transfer in	19,258	-
Transfers out	-	(1,619,258)
Payment in lieu of taxes to the general fund	<u>(319,000)</u>	<u>(319,000)</u>
Net Cash Used by Noncapital Financing Activities	<u>(283,738)</u>	<u>(1,867,833)</u>
Cash Flows from Capital and Related Financing Activities		
Capital grant received from other governments	836,408	119,341
Principal paid on revenue bonds	(1,540,000)	(885,000)
Interest paid on revenue bonds	(1,780,067)	(1,691,087)
Payments for capital acquisitions and construction	<u>(810,356)</u>	<u>(335,447)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,294,015)</u>	<u>(2,792,193)</u>
Cash Flows from Investing Activities		
Investment earnings	191,529	191,710
Sale of investments	320,597	32,189
Purchase of investments	<u>(457,608)</u>	<u>(527,551)</u>
Net Cash Used by Investing Activities	<u>54,518</u>	<u>(303,652)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	897,958	(723,763)
Cash and Cash Equivalents Beginning of Year	<u>7,245,534</u>	<u>7,969,297</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 8,143,492</u></u>	<u><u>\$ 7,245,534</u></u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and temporary investments - current assets	7,957,557	6,420,791
Revenue bond redemption fund - restricted	<u>185,935</u>	<u>824,743</u>
	<u><u>\$ 8,143,492</u></u>	<u><u>\$ 7,245,534</u></u>

(continued)

City of Ketchikan, Alaska
Port Fund
Comparative Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

(continued)

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 2,439,011	\$ 2,806,251
Adjustments:		
Depreciation	1,605,242	1,589,941
Other		
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts receivable	220,635	(154,812)
Prepaid expenses	86,144	(91,744)
Deferred outflow	(83,332)	(27,818)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts payable	(14,189)	16,474
Compensated absences payable	(2,225)	2,207
Net pension liability	170,952	91,450
Deferred inflow	(1,045)	7,966
Net Cash Provided by Operating Activities	<u>\$ 4,421,193</u>	<u>\$ 4,239,915</u>
 Noncash investing, capital and financing activities		
Fair value of non-cash investments	\$ (45,543)	\$ 60,314

City of Ketchikan, Alaska
Wastewater Services Fund
Comparative Statements of Net Position
December 31, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and temporary investments	\$ 2,161,049	\$ 1,614,382
Restricted cash, cash equivalents and investments:		
Debt service	24,211	54,520
Accounts receivable		
Accounts	160,916	165,164
Unbilled revenue	152,258	133,612
Total current assets	<u>2,498,434</u>	<u>1,967,678</u>
Noncurrent assets		
Capital assets		
Construction work in progress	1,564,594	347,850
Wastewater facilities	24,670,332	24,659,337
Accumulated depreciation	(8,230,274)	(7,782,065)
Total capital assets (net of accumulated depreciation)	<u>18,004,652</u>	<u>17,225,122</u>
Total noncurrent assets	<u>18,004,652</u>	<u>17,225,122</u>
Deferred outflow of resources	<u>34,810</u>	<u>12,206</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 20,537,896</u></u>	<u><u>\$ 19,205,006</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,072,006	\$ 62,367
Accrued interest	5,418	36,107
Compensated absences payable	2,301	3,466
General obligation bonds payable	97,983	96,531
Revenue bonds payable	13,961	13,752
Total current liabilities	<u>1,191,669</u>	<u>212,223</u>
Noncurrent liabilities		
Compensated absences payable	20,712	31,196
Net pension liability	171,906	124,574
General obligation bonds payable	1,777,512	1,875,495
Revenue bonds payable	254,204	268,163
Total noncurrent liabilities	<u>2,224,334</u>	<u>2,299,428</u>
Deferred inflow of resources	<u>1,916</u>	<u>2,205</u>
Total Liabilities and Deferred Inflow of Resources	<u>3,417,919</u>	<u>2,513,856</u>
Net position		
Net investment in capital assets	15,860,992	14,971,181
Restricted for bond retirement	18,793	18,413
Unrestricted	1,240,192	1,701,556
Total net position	<u>17,119,977</u>	<u>16,691,150</u>
Total Liabilities and Net Position	<u><u>\$ 20,537,896</u></u>	<u><u>\$ 19,205,006</u></u>

City of Ketchikan, Alaska
Wastewater Services Fund
Comparative Statements of Revenues, Expenses and
Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Charges for services	\$ 2,971,896	\$ 2,757,661
Other	13,608	16,591
Total Operating Revenues	<u>2,985,504</u>	<u>2,774,252</u>
Operating Expenses		
Operation and maintenance		
Personnel services	864,871	822,256
Supplies and services	495,912	581,975
Engineering services	241,050	227,562
Financial service	187,844	199,215
Insurance	23,813	22,318
Utilities	186,919	185,427
Depreciation	448,211	452,045
Total Operating Expenses	<u>2,448,620</u>	<u>2,490,798</u>
Operating Income (Loss)	<u>536,884</u>	<u>283,454</u>
Non-Operating Revenues (Expenses)		
Operating grants	4,432	21,793
Interest earnings	500	170
Interest expense	(32,989)	(49,923)
Loss on disposal of capital asset	-	(142,395)
Total Non-Operating Revenues (Expenses)	<u>(28,057)</u>	<u>(170,355)</u>
Net Loss Before Grants and Transfers	508,827	113,099
Grants and Transfers		
Capital grants	-	170,771
Transfers out - payment in lieu of taxes	(80,000)	(80,000)
Total Grants and Transfers	<u>(80,000)</u>	<u>90,771</u>
Change in Net Position	428,827	203,870
Net Position Beginning of Year, Restated	<u>16,691,150</u>	<u>16,487,280</u>
Net Position End of Year	<u><u>\$17,119,977</u></u>	<u><u>\$16,691,150</u></u>

City of Ketchikan, Alaska
Wastewater Services Fund
Comparative Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Cash received from customers and users	\$ 2,971,107	\$ 2,745,647
Cash payments to employees for services	(852,081)	(803,212)
Cash payments to suppliers for goods and services	(1,175,781)	(1,194,160)
Net Cash Provided by Operating Activities	943,245	748,275
Cash Flows from Noncapital Financing Activities		
Operating grant from other governments	4,432	21,793
Payment in lieu of taxes to the general fund	(80,000)	(80,000)
Net Cash Used by Noncapital Financing Activities	(75,568)	(58,207)
Cash Flows from Capital and Related Financing Activities		
Capital grant received from other governments	-	810,011
Principal paid on general obligation bonds and equipment contracts	(96,529)	(739,944)
Interest paid on general obligation bonds and equipment contracts	(59,501)	(20,813)
Principal paid on revenue bonds	(13,752)	(13,548)
Interest paid on revenue bonds	(4,177)	(4,381)
Payments for capital acquisitions and construction	(177,860)	(69,095)
Net Cash Used by Capital and Related Financing Activities	(351,819)	(37,770)
Cash Flows from Investing Activities		
Investment earnings	500	170
Net Cash Provided by Investing Activities	500	170
Net Increase in Cash and Cash Equivalents	516,358	652,468
Cash and Cash Equivalents Beginning of Year	1,668,902	1,016,434
Cash and Cash Equivalents End of Year	\$ 2,185,260	\$ 1,668,902
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and temporary investments - current assets	2,161,049	1,614,382
Revenue bond redemption fund - restricted	24,211	54,520
	\$ 2,185,260	\$ 1,668,902

(continued)

City of Ketchikan, Alaska
Wastewater Services Fund
Comparative Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

(continued)

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 536,884	\$ 283,454
Adjustments:		
Depreciation	448,211	452,045
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts receivable	4,249	(17,878)
Unbilled revenue	(18,646)	(10,726)
Deferred outflow	(22,603)	(8,172)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts payable	(40,243)	22,336
Compensated absences payable	(11,649)	(309)
Net pension liability	47,331	25,320
Deferred inflow	(289)	2,205
Net Cash Provided by Operating Activities	<u>\$ 943,245</u>	<u>\$ 748,275</u>



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INTERNAL SERVICE FUNDS

Self-Insurance Fund - This fund accounts for claims not covered by the City's insurance policies.

Compensated Absences Fund – The fund accounts for the accumulation of resources used to pay for compensated absences of employees accounted for in governmental funds.

City of Ketchikan, Alaska
Combining Statement of Net Position
Internal Service Funds
December 31, 2016

	<u>Self-Insurance</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 616,454	\$ 1,425,619	\$ 2,042,073
Miscellaneous receivable	49,709	-	49,709
Prepaid insurance	618,050	-	618,050
Total Current Assets	<u>1,284,213</u>	<u>1,425,619</u>	<u>2,709,832</u>
Noncurrent Assets:			
Internal Receivable	600,000	-	600,000
Total Noncurrent Assets	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total Assets	<u><u>\$ 1,884,213</u></u>	<u><u>\$ 1,425,619</u></u>	<u><u>\$ 3,309,832</u></u>
Liabilities			
Current Liabilities:			
Accounts payable	365	-	365
Compensated absences payable	-	142,562	142,562
Claims payable	143,000	-	143,000
Total Current Liabilities	<u>143,365</u>	<u>142,562</u>	<u>285,927</u>
Noncurrent Liabilities:			
Compensated absences payable (net of current portion)	-	1,283,057	1,283,057
Total Liabilities	<u>143,365</u>	<u>1,425,619</u>	<u>1,568,984</u>
Net Position			
Unrestricted	<u><u>\$ 1,740,848</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,740,848</u></u>

City of Ketchikan, Alaska
Combining Statement of Revenues,
Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2016

	Self-Insurance	Compensated Absences	Total Internal Service Funds
Operating Revenues			
Charges for services	\$ 1,233,901	\$ 1,264,137	\$ 2,498,038
Miscellaneous income	106	-	106
Total Revenues	<u>1,234,007</u>	<u>1,264,137</u>	<u>2,498,144</u>
Operating Expenses			
Compensated absences	-	1,264,137	1,264,137
Insurance	1,188,420	-	1,188,420
Claims	45,481	-	45,481
Total Operating Expenses	<u>1,233,901</u>	<u>1,264,137</u>	<u>2,498,038</u>
Operating Income	<u>106</u>	<u>-</u>	<u>106</u>
Non-Operating Revenues			
Investment earnings	24,000	-	24,000
Change in Net Position	24,106	-	24,106
Net Position Beginning of Year	<u>1,716,742</u>	<u>-</u>	<u>1,716,742</u>
Net Position End of Year	<u><u>\$ 1,740,848</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,740,848</u></u>

City of Ketchikan, Alaska
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2016

	<u>Self-Insurance</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
Cash Flows from Operating Activities			
Cash received from customers and users	\$ 1,234,007	\$ 1,264,137	\$ 2,498,144
Cash payments for insurance and claims	(1,269,576)	-	(1,269,576)
Cash payments for compensated absences	-	(1,245,773)	(1,245,773)
Net Cash Provided (Used) by Operating Activities	<u>(35,569)</u>	<u>18,364</u>	<u>(17,205)</u>
Cash Flows from Investing Activities			
Interest on investments	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Net Cash Provided by Investing Activities	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,569)	18,364	6,795
Cash and Cash Equivalents Beginning of Year	<u>628,023</u>	<u>1,407,255</u>	<u>2,035,278</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 616,454</u></u>	<u><u>\$ 1,425,619</u></u>	<u><u>\$ 2,042,073</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income	\$ 106	\$ -	\$ 106
(Increase) in Assets:			
Accounts receivable	(16,539)	-	(16,539)
Prepaid expenses	(3,330)	-	(3,330)
Increase (Decrease) in Liabilities:			
Accounts payable	(15,806)	-	(15,806)
Compensated absences payable	<u>-</u>	<u>18,364</u>	<u>18,364</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (35,569)</u></u>	<u><u>\$ 18,364</u></u>	<u><u>\$ (17,205)</u></u>

CITY OF KETCHIKAN, ALASKA

(Page 1 of 2)

COMBINED SCHEDULE OF CASH BALANCES - ALL FUNDS

Year Ended December 31, 2016

Cash Balances

Cash in Revenue Bond Redemption Accounts	\$850,418
Cash in Petty Cash Funds	12,770
Cash in Other Accounts	<u>76,839,219</u>

Total Cash

77,702,407

Combined General Fund

General Fund		
Unrestricted Funds	\$7,397,538	
Investigation Funds	137,151	
Sales Tax Hospital Fund	4,792,653	
Sales Tax Public Works Fund	5,897,017	
Economic Development Parking Fund	924,369	
Shoreline Fund	117,403	
Community Grant Fund	<u>20,565</u>	\$19,286,696

Special Revenue Funds

Transient Tax Fund	533,360	
Solid Waste Services Fund	3,039,345	
Ketchikan Boat Harbor Fund	1,315,952	
Bayview Cemetery Fund	124,720	
CPV Fund	1,802,683	
US Marshall Property Seizure Fund	<u>174,097</u>	6,990,157

Capital Project Funds

Major Capital Improvement Fund		
Commercial Passenger Excise Tax Funds	155,881	
Community Facilities Development Fund		
Unrestricted Funds	2,894,708	
Harbor Improvements Fund		
Unrestricted Funds	439,835	
Bond Construction Funds	488,347	
Commercial Passenger Excise Tax Funds	933	
Hospital Construction Fund		
Unrestricted Funds	475,800	
Bond Construction Funds	<u>\$6,282,506</u>	\$10,738,010

CITY OF KETCHIKAN, ALASKA

(Page 2 of 2)

COMBINED SCHEDULE OF CASH AND INVESTMENTS BALANCES - ALL FUNDS (Cont'd)

Year Ended December 31, 2016

Enterprise Funds

Wastewater Service Fund		
Unrestricted Funds	\$2,161,049	
Revenue Bond Redemption Funds	24,211	
Ketchikan Port Fund:		
Unrestricted Funds	7,957,557	
Revenue Bond Redemption Funds	185,935	
Repair & Replacement Funds	4,649,770	
Revenue Bond Reserve Funds	2,240,000	
Ketchikan Public Utilities Fund:		
Unrestricted Funds	19,395,178	
Revenue Bond Redemption Funds	640,271	
Revenue Bond Reserve Funds	<u>1,391,500</u>	38,645,471

Internal Service Funds

Self-Insurance Fund	616,454	
Compensated Absences Fund	<u>\$1,425,619</u>	<u>2,042,073</u>

Total Cash and Investments		<u><u>\$77,702,407</u></u>
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STATISTICAL SECTION

This section of the City of Ketchikan’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<u>Contents</u>	<u>Page</u>
Government-wide Information These schedules contain information that help the reader understand how the City’s government-wide financial performance and well-being have changed over time.	161
Financial Trends These schedules contain trend information that help the reader understand how the City’s financial performance and well-being have changed over time.	169
Revenue Capacity These schedules present information to help the reader assess the city’s most significant local revenue source, property taxes.	175
Debt Capacity These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	191
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.	197
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the city provides and the activities it performs.	201

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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GOVERNMENT-WIDE INFORMATION

These schedules contain information to help the reader understand how the City's government-wide financial performance and well-being have changed over time.

Net Position by Component	Table 1
Changes in Net Position	Table 2

(Un-Audited)

City of Ketchikan, Alaska
Net Position by Component
Last Ten Fiscal Years

	<u>2007</u>	<u>Restated 2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Net investment in capital assets	\$ 100,387,358	\$ 102,795,408	\$ 105,240,716	\$ 109,138,701
Restricted	8,635,185	7,867,366	9,302,674	7,975,618
Unrestricted	<u>24,554,392</u>	<u>24,486,577</u>	<u>22,137,657</u>	<u>21,265,521</u>
Total governmental activities net position	<u>\$ 133,576,935</u>	<u>\$ 135,149,351</u>	<u>\$ 136,681,047</u>	<u>\$ 138,379,840</u>
Business-type activities				
Net investment in capital assets	\$ 65,421,421	\$ 68,944,529	\$ 75,194,012	\$ 78,533,777
Restricted	7,819,498	9,173,772	8,695,571	8,196,207
Unrestricted	<u>26,243,152</u>	<u>28,054,404</u>	<u>23,958,481</u>	<u>26,306,929</u>
Total business-type activities net position	<u>\$ 99,484,071</u>	<u>\$ 106,172,705</u>	<u>\$ 107,848,064</u>	<u>\$ 113,036,913</u>
Primary Government				
Net investment in capital assets	\$ 165,808,779	\$ 171,739,937	\$ 180,434,728	\$ 171,739,937
Restricted	16,454,683	17,041,138	17,998,245	16,171,825
Unrestricted	<u>50,797,544</u>	<u>52,540,981</u>	<u>46,096,138</u>	<u>47,572,450</u>
Total primary government net position	<u>\$ 233,061,006</u>	<u>\$ 241,322,056</u>	<u>\$ 244,529,111</u>	<u>\$ 235,484,212</u>

Table 1

2011	Restated 2012	2013	2014	2015	2016
\$ 118,331,373	\$ 124,187,486	\$ 123,952,440	\$ 143,909,094	\$ 154,659,112	\$ 162,340,844
8,010,280	7,668,494	8,148,212	8,922,032	12,933,820	10,730,407
22,791,652	20,015,992	19,781,991	19,246,474	7,410,053	8,276,866
<u>\$ 149,133,305</u>	<u>\$ 151,871,972</u>	<u>\$ 151,882,643</u>	<u>\$ 172,077,600</u>	<u>\$ 175,002,985</u>	<u>\$ 181,348,117</u>
\$ 88,231,320	\$ 101,715,542	\$ 118,874,119	\$ 124,479,056	\$ 124,231,729	\$ 125,126,654
8,431,062	8,624,752	9,098,473	11,494,674	10,116,562	8,939,769
27,164,343	27,346,998	30,740,061	28,552,851	26,735,278	27,122,581
<u>\$ 123,826,725</u>	<u>\$ 137,687,292</u>	<u>\$ 158,712,653</u>	<u>\$ 164,526,581</u>	<u>\$ 161,083,569</u>	<u>\$ 161,189,004</u>
\$ 180,434,728	\$ 225,903,028	\$ 242,826,559	\$ 268,388,150	\$ 278,890,841	\$ 287,467,498
17,998,245	16,293,246	17,246,685	20,416,706	23,050,382	19,670,176
49,955,995	47,362,990	50,522,052	47,799,325	34,145,331	35,399,447
<u>\$ 248,388,968</u>	<u>\$ 289,559,264</u>	<u>\$ 310,595,296</u>	<u>\$ 336,604,181</u>	<u>\$ 336,086,554</u>	<u>\$ 342,537,121</u>

(Un-Audited)

City of Ketchikan, Alaska
Changes in Net Position
Last Ten Fiscal Years

	<u>2007</u>	<u>Restated 2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses					
Governmental activities:					
General government	\$ 2,042,750	\$ 2,385,231	\$ 2,103,140	\$ 2,365,376	\$ 1,928,342
Public safety	7,288,610	8,004,100	7,803,886	7,751,934	8,368,059
Culture	2,551,355	3,336,986	2,896,827	2,822,040	2,862,064
Health and welfare	3,975,894	4,011,821	2,947,696	1,875,578	1,272,680
Public works	6,033,515	8,888,160	10,003,285	7,788,434	8,015,271
Harbor	1,642,466	1,639,600	2,066,607	2,057,164	2,169,152
Interest	321,854	296,709	278,749	256,909	478,822
Total governmental activities expenses	<u>23,856,444</u>	<u>28,562,607</u>	<u>28,100,190</u>	<u>24,917,435</u>	<u>25,094,390</u>
Business-type activities					
Ketchikan Public Utilities					
Electric	\$ 15,044,569	\$ 17,331,151	\$ 17,451,474	\$ 16,036,369	\$ 16,141,172
Telecommunications	12,512,416	11,901,997	13,447,338	12,321,547	13,172,392
Water	2,886,251	2,902,139	2,846,215	2,833,765	3,221,650
Ketchikan Port	4,723,553	7,176,395	9,026,767	8,929,902	7,452,615
Wastewater Service	2,013,615	2,297,544	2,583,454	2,228,373	2,401,671
Total business-type activities expenses	<u>37,180,404</u>	<u>41,609,226</u>	<u>45,355,248</u>	<u>42,349,956</u>	<u>42,389,500</u>
Total primary government expenses	<u>\$ 61,036,848</u>	<u>\$ 70,171,833</u>	<u>\$ 73,455,438</u>	<u>\$ 67,267,391</u>	<u>\$ 67,483,890</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Ambulance	\$ 389,500	\$ 434,934	\$ 385,373	\$ 516,049	\$ 521,621
Library services	435,876	436,601	421,585	351,494	381,162
Mental Health & Substance Abuse	472,351	381,844	596,067	140,862	
Solid Waste	2,821,632	2,881,079	2,776,619	2,816,287	2,940,490
Harbor	973,142	1,103,677	1,156,343	1,116,361	1,159,273
Other activities	1,296,568	1,634,340	1,610,935	1,252,815	1,573,835
Operating grants and contributions	1,846,610	2,169,658	1,220,785	963,699	1,173,178
Capital grants and contributions	170,663	375,443	4,125,310	2,840,226	10,529,822
Total governmental activities program revenues	<u>8,406,342</u>	<u>9,417,576</u>	<u>12,293,017</u>	<u>9,997,793</u>	<u>18,279,381</u>
Business-type activities					
Charges for services					
Electric	\$ 14,779,712	\$ 17,699,413	\$ 16,619,118	\$ 15,370,110	\$ 16,223,890
Telecommunications	13,431,826	12,958,489	13,727,676	14,390,486	14,444,541
Water	1,924,163	2,024,614	2,247,801	2,532,659	2,896,152
Port	7,895,063	8,839,267	8,922,228	8,000,492	7,986,404
Wastewater	2,038,361	2,038,287	2,029,614	2,009,767	2,117,793
Operating grants and contributions	126,032	257,948	149,270	111,337	221,076
Capital grants and contributions	3,563,444	4,304,943	2,991,174	5,361,548	9,908,854
Total business-type activities program revenues	<u>43,758,601</u>	<u>48,122,961</u>	<u>46,686,881</u>	<u>47,776,399</u>	<u>53,798,710</u>
Total primary government program revenues	<u>\$ 52,164,943</u>	<u>\$ 57,540,537</u>	<u>\$ 58,979,898</u>	<u>\$ 57,774,192</u>	<u>\$ 72,078,091</u>

Table 2

Restated 2012	2013	2014	2015	2016
\$ 2,290,233	\$ 2,472,898	\$ 2,683,962	\$ 3,212,276	\$ 2,893,754
8,964,646	8,807,683	9,723,428	10,784,857	10,143,345
3,097,918	3,445,959	3,300,295	3,351,076	3,925,120
2,541,686	747,893	1,099,588	1,165,884	116,178
9,423,324	10,840,175	10,373,365	9,341,130	9,152,222
2,154,270	1,851,082	2,192,468	2,297,660	2,047,341
757,879	655,947	1,519,245	2,303,764	2,238,887
29,229,956	28,821,637	30,892,351	32,456,647	30,516,847
\$ 16,790,404	\$ 19,705,332	\$ 17,352,078	\$ 17,074,535	\$ 17,993,703
14,500,244	14,405,757	15,649,634	17,577,826	18,102,186
3,595,668	4,029,711	3,905,078	4,128,011	3,983,398
7,194,938	9,133,140	11,012,311	7,911,281	8,858,593
2,735,348	2,642,018	2,477,247	2,683,116	2,481,609
44,816,602	49,915,958	50,396,348	49,374,769	51,419,489
\$ 74,046,558	\$ 78,737,595	\$ 81,288,699	\$ 81,831,416	\$ 81,936,336
\$ 470,682	\$ 515,158	\$ 606,369	\$ 571,134	\$ 589,985
471,662	666,621	641,607	580,749	588,293
2,948,507	2,851,958	2,907,531	2,809,864	3,142,540
1,250,292	1,191,053	1,247,810	1,329,984	1,475,000
1,431,758	1,204,043	1,236,754	1,454,647	1,297,770
1,153,337	1,562,913	2,444,297	4,124,392	2,704,413
6,878,384	2,736,373	18,050,935	11,913,259	7,692,835
14,604,622	10,728,119	27,135,303	22,784,029	17,490,836
\$ 16,746,615	\$ 18,898,966	\$ 16,300,445	\$ 16,063,847	\$ 16,741,926
14,530,914	15,185,977	16,097,808	17,439,673	18,400,623
2,932,254	3,078,704	3,171,300	3,449,639	3,643,991
8,592,255	9,145,920	8,578,059	9,032,271	8,961,241
2,215,314	2,451,800	2,575,541	2,757,661	2,971,896
2,225,280	2,280,470	2,973,832	630,204	155,750
12,327,627	20,670,211	12,261,064	1,397,000	803,254
59,570,259	71,712,048	61,958,049	50,770,295	51,678,681
\$ 74,174,881	\$ 82,440,167	\$ 89,093,352	\$ 73,554,324	\$ 69,169,517

(Un-Audited)

City of Ketchikan, Alaska
Changes in Net Position (continued)
Last Ten Fiscal Years

	<u>2007</u>	<u>Restated 2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expense)/Revenue					
Governmental activities	\$ (15,450,102)	\$ (19,145,031)	\$ (15,807,173)	\$ (14,919,642)	\$ (6,815,009)
Business-type activities	<u>6,578,197</u>	<u>6,513,735</u>	<u>1,331,633</u>	<u>5,426,443</u>	<u>11,409,210</u>
Total primary government net (expense) revenue	\$ (8,871,905)	\$ (12,631,296)	\$ (14,475,540)	\$ (9,493,199)	\$ 4,594,201
 Governmental Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 4,073,391	\$ 4,482,595	\$ 4,634,797	\$ 4,681,027	\$ 4,808,930
Sales taxes	9,663,743	10,441,027	9,568,759	9,477,890	9,883,856
Transient taxes	526,915	449,708	355,729	391,089	377,583
Intergovernmental - unrestricted	701,006	794,368	729,325	810,802	1,137,762
Investment earnings	1,425,411	1,175,583	469,839	157,012	101,754
Contributions of capital assets not restricted	-	-			
 Miscellaneous	1,209,209	1,316,542	615,419	77,615	161,589
Special Item	-	507,229			
Transfers	<u>6,324,169</u>	<u>1,550,395</u>	<u>965,000</u>	<u>1,023,000</u>	<u>1,097,000</u>
Total governmental activities	<u>\$ 23,923,844</u>	<u>\$ 20,717,447</u>	<u>\$ 17,338,868</u>	<u>\$ 16,618,435</u>	<u>\$ 17,568,474</u>
 Business-type activities:					
Investment earnings	\$ 1,873,235	\$ 1,214,525	\$ 671,967	\$ 182,542	\$ 132,196
Miscellaneous	442,269	408,670	636,759	602,864	345,406
Special Item	-	102,099			
Extraordinary Item	-	-			
Transfers	<u>(6,324,169)</u>	<u>(1,550,395)</u>	<u>(965,000)</u>	<u>(1,023,000)</u>	<u>(1,097,000)</u>
Total business-type activities	<u>(4,008,665)</u>	<u>174,899</u>	<u>343,726</u>	<u>(237,594)</u>	<u>(619,398)</u>
Total primary government	<u>\$ 19,915,179</u>	<u>\$ 20,892,346</u>	<u>\$ 17,682,594</u>	<u>\$ 16,380,841</u>	<u>\$ 16,949,076</u>
 Change in Net Position					
Governmental activities	\$ 8,473,742	\$ 1,572,416	\$ 1,531,695	\$ 1,698,793	\$ 10,753,465
Business-type activities	<u>2,569,532</u>	<u>6,688,634</u>	<u>1,675,359</u>	<u>5,188,849</u>	<u>10,789,812</u>
Total primary government	<u>\$ 11,043,274</u>	<u>\$ 8,261,050</u>	<u>\$ 3,207,054</u>	<u>\$ 6,887,642</u>	<u>\$ 21,543,277</u>

Table 2 - (Continued)

Restated 2012	2013	2014	2015	2016
\$ (14,625,334)	\$ (18,093,518)	\$ (3,757,048)	\$ (9,672,618)	\$ (13,026,011)
14,753,657	21,796,090	11,561,701	1,395,526	259,192
\$ 128,323	\$ 3,702,572	\$ 7,804,653	\$ (8,277,092)	\$ (12,766,819)
\$ 4,802,508	\$ 5,496,857	\$ 5,513,202	\$ 5,578,404	\$ 5,713,316
10,140,108	10,207,189	10,995,570	11,425,197	11,334,355
358,343	395,867	388,723	515,956	465,956
744,301	522,456	539,771	498,885	354,195
9,488	(2,470)	89,179	94,750	55,273
290,761	219,091	221,756	338,825	282,306
1,105,178	1,265,199	6,203,804	2,804,258	1,165,742
\$ 17,450,687	\$ 18,104,189	\$ 23,952,005	\$ 21,256,275	\$ 19,371,143
\$ 116,989	\$ 5,911	\$ 129,167	\$ 93,966	\$ 194,752
522,859	488,559	326,864	415,801	457,987
				359,246
(1,105,178)	(1,265,199)	(6,203,804)	(2,804,258)	(1,165,742)
(465,330)	(770,729)	(5,747,773)	(2,294,491)	(153,757)
\$ 16,985,357	\$ 17,333,460	\$ 18,204,232	\$ 18,961,784	\$ 19,217,386
\$ 2,825,353	\$ 10,671	\$ 20,194,957	\$ 11,583,657	\$ 6,345,132
14,288,327	21,025,361	5,813,928	(898,965)	\$ 105,435
\$ 17,113,680	\$ 21,036,032	\$ 26,008,885	\$ 10,684,692	\$ 6,450,567



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FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Fund Balances, Governmental Funds	Table 3
Changes in Fund Balances, Governmental Funds	Table 4
Tax Revenues by Source, Governmental Funds	Table 5

(Un-Audited)

City of Ketchikan, Alaska
Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2007	2008	2009	Restated 2010
General Fund				
Reserved	\$ 804,983	\$ 633,594	\$ 602,723	
Unreserved	4,523,852	4,436,748	4,046,686	
Nonspendable				\$ 391,593
Restricted				
Committed				
Assigned				14,025,344
Unassigned				3,298,478
Total general fund	<u>\$ 5,328,835</u>	<u>\$ 5,070,342</u>	<u>\$ 4,649,409</u>	<u>\$ 17,715,415</u>
All Other Governmental Funds				
Reserved	\$ 3,919,777	\$ 6,516,387	\$ 6,320,258	
Unreserved, reported in:				
Designated				
Special revenue funds	15,715,623	14,173,319	13,577,367	
Capital project funds	5,428,243	2,996,186	4,154,046	
Debt service funds				
Nonspendable				
Restricted				\$ 7,270,633
Committed				455,846
Assigned				7,962,654
Unassigned				
Total all other governmental funds	<u>\$ 25,063,643</u>	<u>\$ 23,685,892</u>	<u>\$ 24,051,671</u>	<u>\$ 15,689,133</u>

This schedule presents the reported fund balances with the implementation of GASB Statement 54 for calendar year 2011, and 2010, as restated. Prior years 2007 through 2009 have not been restated.

Table 3

2011	2012	2013	2014	2015	2016
\$ 382,742	\$ 376,517	\$ 391,977	\$ 418,618	\$ 364,591 137,151	\$ 384,704 137,151
15,834,417	14,323,611	13,347,874	12,696,062	12,706,723	13,406,493
3,271,596	2,606,320	3,350,096	3,723,002	4,187,530	4,129,424
<u>\$ 19,488,755</u>	<u>\$ 17,306,448</u>	<u>\$ 17,089,947</u>	<u>\$ 16,837,682</u>	<u>\$ 17,395,995</u>	<u>\$ 18,057,772</u>
\$ 4,368,168	\$ 2,992,632	\$ 10,857	\$ 46,297,419	\$ 20,843,307	\$ 8,904,447
1,107,501					
7,056,295	7,742,208	9,766,365	8,407,154	8,109,967 (101,672)	8,347,861
<u>\$ 12,531,964</u>	<u>\$ 10,734,840</u>	<u>\$ 9,777,222</u>	<u>\$ 54,704,573</u>	<u>\$ 28,851,602</u>	<u>\$ 17,252,308</u>

(Un-Audited)

City of Ketchikan, Alaska
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2007	2008	2009	2010
Revenues				
Taxes	\$ 14,199,771	\$ 15,325,083	\$ 14,525,068	\$ 14,343,068
Licenses and permits	122,275	104,742	90,922	119,522
Intergovernmental	3,109,206	3,704,389	5,553,375	4,515,036
Charges for services	6,083,444	6,494,421	6,520,335	6,050,968
Fines and forfeitures	169,049	284,085	237,599	136,681
Investments earnings	1,134,288	1,159,148	1,495,589	101,960
Contributions			913,284	86,054
Interdepartmental charges	2,663,164	3,001,060	3,029,714	3,048,226
Miscellaneous	1,211,136	1,561,193	592,694	223,768
Total revenues	28,692,333	31,634,121	32,958,580	28,625,283
Expenditures				
General government	\$ 4,158,340	\$ 4,700,644	\$ 4,636,560	\$ 4,635,116
Public safety	7,221,346	8,513,209	7,943,723	9,253,467
Culture	2,342,355	3,458,592	2,705,436	3,704,718
Health and welfare	4,260,761	3,863,755	3,325,151	1,504,139
Public works	7,076,021	9,506,008	11,453,823	9,943,954
Harbor	6,833,930	3,917,652	3,073,447	2,265,892
Debt service				
Interest and fiscal charges	324,357	301,170	283,669	264,280
Principal retirement	563,193	573,038	589,339	575,000
Total expenditures	32,780,303	34,834,068	34,011,148	32,146,566
Excess of revenues over (under) expenditures	(4,087,970)	(3,199,947)	(1,052,568)	(3,521,283)
Other Financing Sources (Uses)				
Sale of capital assets	\$ 114,311	\$ 13,308	\$ 32,414	-
Proceeds of refunded bonds	-	-	-	-
Proceeds from sale of bonds	-	-	-	\$ 7,200,000
Premiums from sale of bonds	-	-	-	1,751
Bond issuance costs	-	-	-	-
Payments to refunded bond agent	-	-	-	-
Capital lease	-	-	-	-
Transfers in	10,133,487	5,855,913	5,682,231	5,277,851
Transfers out	(3,809,318)	(4,305,518)	(4,717,231)	(4,254,851)
Total other financing sources (uses)	6,438,480	1,563,703	997,414	8,224,751
Net change in fund balances	\$ 2,350,510	\$ (1,636,244)	\$ (55,154)	\$ 4,703,468
Debt service as a percentage of noncapital expenditures	3.63%	3.00%	3.18%	3.35%

Table 4

2011	2012	2013	2014	2015	2016
\$ 15,128,079	\$ 15,311,798	\$ 16,085,582	\$ 16,704,419	\$ 17,496,802	17,543,636
276,275	114,480	91,516	97,998	117,705	193,514
12,834,694	8,694,716	4,550,899	20,400,912	14,971,874	6,887,976
6,082,885	6,208,863	6,191,082	6,290,591	6,196,528	6,733,218
159,574	167,553	182,562	266,098	190,911	141,578
208,321	9,488	(2,356)	65,179	70,682	31,167
1,598	74,656	105,505	453,522	1,509,991	509,247
3,175,838	3,395,081	3,149,075	3,150,268	3,180,765	3,141,701
196,281	291,613	407,870	464,539	518,971	292,479
38,063,545	34,268,248	30,761,735	47,893,526	44,254,229	35,474,516
\$ 4,694,767	\$ 5,029,536	\$ 4,914,708	\$ 5,159,975	\$ 5,070,762	4,641,273
15,794,570	11,613,580	8,460,223	9,977,972	9,205,059	8,425,641
4,256,978	11,487,388	3,067,307	3,401,183	3,095,457	3,171,091
1,553,869	2,334,980	457,254	11,745,136	794,591	48,188
9,862,985	10,456,004	11,040,657	15,462,846	8,185,155	7,951,366
3,136,954	2,148,053	3,423,048	7,075,954	1,129,429	1,129,112
454,029	598,624	1,140,000	1,444,671	2,482,562	2,424,300
800,000	930,000	697,856	1,180,000	3,625,000	1,355,000
40,554,152	44,598,165	33,201,053	55,447,737	33,588,015	29,145,971
(2,490,607)	(10,329,917)	(2,439,318)	(7,554,211)	10,666,214	6,328,545
\$ 9,778	\$ 10,795	-	\$ 17,772	\$ 66,691	45,000
-	-	-	-	2,280,000	-
-	4,820,003	-	44,040,000	-	1,765,000
-	414,510	-	2,134,131	101,300	252,887
-	-	-	(166,410)	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,750,515	3,975,430	\$ 3,334,665	\$ 9,009,820	\$ 10,266,639	5,170,750
(1,653,515)	(2,870,252)	(2,069,466)	(2,806,016)	(7,462,381)	(4,005,008)
1,106,778	6,350,486	1,265,199	52,229,297	5,252,249	3,228,629
\$ (1,383,829)	\$ (3,979,431)	\$ (1,174,119)	\$ 44,675,086	\$ 15,918,463	\$ 9,557,174
4.96%	5.20%	6.32%	8.56%	18.55%	15.20%

(Un-Audited)

Table 5

City of Ketchikan, Alaska
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years

Fiscal Year	Real & Personal Property Taxes	Automobile and Boat Taxes	Penalty & Interest	Senior Citizen Local Contribution	Sales Taxes	Transient Taxes	Payment In Lieu of Taxes	Total
2007	4,213,607	88,723	87,502	(290,436)	9,581,723	518,652	-	14,199,771
2008	4,710,269	61,766	82,978	(305,235)	10,330,443	444,862	-	15,325,083
2009	4,845,524	63,588	71,381	(321,800)	9,491,524	366,856	7,995	14,525,068
2010	4,881,901	63,593	120,099	(336,120)	9,217,763	385,286	10,546	14,343,068
2011	4,920,064	76,677	124,146	(346,141)	9,965,173	378,096	10,064	15,128,079
2012	5,005,267	77,964	79,216	(354,923)	10,131,203	362,739	10,332	15,311,798
2013	5,750,117	48,589	88,207	(400,242)	10,201,586	386,230	11,095	16,085,582
2014	5,801,986	48,747	83,689	(427,956)	10,796,715	389,342	11,896	16,704,419
2015	5,851,759	47,887	85,659	(436,336)	11,427,918	486,838	12,164	17,475,889
2016	6,002,812	47,749	38,704	(458,116)	11,349,608	497,374	35,789	17,513,920
Change								
2016-2007	42.46%	-46.18%	-55.77%	57.73%	18.45%	-4.10%		23.34%

REVENUE CAPACITY

These schedules contain information to help the reader assess the City's most significant local revenue sources, property taxes, sales taxes and charges for services.

Direct and Overlapping Property Tax Rates	Table 6
Assessed Value and Actual Value of Taxable Property	Table 7
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Property Tax Levies and Collections.....	Table 9
Direct and Overlapping Sales Tax Rates	Table 10
Major Governmental Activities Customer Base and Charges for Services Income	Table 11
Major Business Type Activities Customer Base and Charges for Services Income	Table 12
Gross Sales by Category	Table 13



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(Un-Audited)

Table 6

City of Ketchikan, Alaska
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	City of Ketchikan	Ketchikan Gateway Borough	Total Rate
2007	6.1	6.8	12.9
2008	6.1	6.8	12.9
2009	6.1	6.0	12.1
2010	6.1	5.8	11.9
2011	6.2	5.8	12.0
2012	6.2	5.0	11.2
2013	6.7	5.0	11.7
2014	6.7	5.0	11.7
2015	6.7	5.0	11.7
2016	6.7	5.0	11.7

Tax Rate Limit: The laws of the State of Alaska limit property taxes to 3 percent of the value of property, but this limitation is not applicable to taxes levied or pledged to pay or secure the payment of the principal and interest on any bonds of any incorporated town or municipality, which taxes may be levied without limitation as to rate and amount.

Source: Ketchikan Gateway Borough

(Un-Audited)

City of Ketchikan, Alaska
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Vacant Property ⁽¹⁾	Commercial Property	Industrial Property	Apartment & Condominium Property	Other Property
2007	310,491,700	30,939,400	202,440,800	46,898,700	54,040,200	3,608,700
2008	347,617,900	32,621,300	219,509,300	53,346,100	61,058,900	3,778,200
2009	356,923,300	32,800,300	229,937,400	60,541,600	56,939,700	10,052,600
2010	365,177,600	32,136,200	231,054,200	63,405,300	58,391,900	9,407,200
2011	273,882,800	11,108,100	200,555,000	113,607,400	152,983,800	1,667,100
2012	370,947,500	31,244,700	297,047,800	-	61,355,800	3,743,400
2013	261,110,500	40,812,100	325,506,900	-	166,449,600	3,281,100
2014	396,406,500	37,402,300	313,022,400	-	62,960,400	3,690,000
2015	384,722,200	36,480,100	229,589,100	99,821,000	62,824,230	3,684,100
2016	401,478,700	37,821,900	232,867,800	99,399,200	63,789,600	3,769,300

⁽¹⁾ The vacant property classification includes property parcels that do not have improvements on the land. These vacant parcels may be located in residential, commercial and industrial zones.

⁽²⁾ The Senior Citizen/Disabled Veteran Tax Emempt program provides up to \$150,000 of tax relief for qualified individuals.

Note: The property in the city is reassessed at least every four years in accordance with the Ketchikan Gateway Borough's assessment procedures to reappraise certain geographical areas located within the Borough. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Source: Ketchikan Gateway Borough, Assessment Department

Table 7

Personal Property	Total Assessed Value	Tax-Exempt Property ⁽²⁾	Total Taxable Assessed Value	Tax Rate
48,912,700	697,332,200	47,670,500	649,661,700	6.1
50,809,700	768,741,400	50,094,600	718,646,800	6.1
50,913,200	798,108,100	52,754,100	745,354,000	6.1
41,375,000	800,947,400	55,101,700	745,845,700	6.1
47,370,800	801,175,000	55,829,300	745,345,700	6.2
44,177,700	808,516,900	58,818,800	749,698,100	6.2
60,238,000	857,398,200	59,737,600	797,660,600	6.7
56,345,700	869,827,300	63,874,100	805,953,200	6.7
56,376,718	873,497,448	65,124,800	808,372,648	6.7
59,603,200	898,729,700	68,375,500	830,354,200	6.7

City of Ketchikan, Alaska
Principal Property Taxpayers
Current Year and Nine Years Ago

<u>Taxpayer</u>	2016			2007		
	Taxable	Rank	Percentage	Taxable	Rank	Percentage
	Assessed		of Total City	Assessed		of Total City
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
Cape Fox Corporation	\$ 16,447,000	1	1.83%	\$ 7,852,200	3	1.13%
Trident Seafoods Corporation	14,451,700	2	1.61%			
Ketchikan Dock Company, LLC	13,295,200	3	1.48%			
Harbor Enterprises/Petro Marine Services	11,113,300	4	1.24%	6,421,700	7	0.92%
Tongass Trading Company	10,616,300	5	1.18%	8,205,800	1	1.18%
Boyer Towing Inc.	9,168,900	6	1.02%			
Dock Street Building Corporation	8,714,700	7	0.97%			
Alaska General Seafood Processors	8,228,300	8	0.92%	4,718,900	10	0.68%
E C Phillips & Son Inc.	8,205,700	9	0.91%	6,114,500	8	0.88%
Landing LLC	8,144,500	10	0.91%	7,912,200	2	1.13%
Trident-Norquest				7,652,500	4	1.10%
Carr-Gottstein Foods Company				7,504,800	5	1.08%
Wal-Mart				6,874,800	6	0.99%
Ketchikan Plaza, Inc.				5,853,500	9	0.84%
Total	<u><u>\$ 108,385,600</u></u>		<u><u>12.07%</u></u>	<u><u>\$ 69,110,900</u></u>		<u><u>9.93%</u></u>

Source: Ketchikan Gateway Borough Department of Assessment

(Un-Audited)

Table 9

City of Ketchikan, Alaska
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for Municipal Purposes for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	3,962,936	3,881,477	97.94%	69,080	3,950,557	99.69%
2008	4,383,745	4,338,730	98.97%	36,496	4,375,226	99.81%
2009	4,546,659	4,472,274	98.36%	65,392	4,537,666	99.80%
2010	4,549,659	4,353,276	95.68%	167,052	4,520,328	99.36%
2011	4,621,143	4,565,367	98.79%	55,701	4,621,068	100.00%
2012	4,648,128	4,590,563	98.76%	57,565	4,648,128	100.00%
2013	5,344,326	5,276,616	98.73%	47,893	5,324,509	99.63%
2014	5,399,886	5,295,537	98.07%	90,984	5,386,521	99.75%
2015	5,416,097	5,372,688	99.20%	17,128	5,389,816	99.51%
2016	5,563,373	5,518,798	99.20%		5,518,798	99.20%

Source: Ketchikan Gateway Borough, Assessment Department



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(Un-Audited)

Table 10

City of Ketchikan, Alaska
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	City of Ketchikan ¹	Ketchikan Gateway Borough	Total Rate
2007	3.5%	2.5%	6.0%
2008	3.5%	2.5%	6.0%
2009	3.5%	2.5%	6.0%
2010	3.5%	2.5%	6.0%
2011	3.5%	2.5%	6.0%
2012	3.5%	2.5%	6.0%
2013	3.5%	2.5%	6.0%
2014	4.0%	2.5%	6.5%
2015	4.0%	2.5%	6.5%
2016	4.0%	2.5%	6.5%

¹ The City of Ketchikan 4.0% sales tax rate became effective April 1, 2014.

Source: Ketchikan Gateway Borough & City of Ketchikan

(Un-Audited)

City of Ketchikan, Alaska
Major Governmental Activities Customer Base and Charges for Services Income
Last Ten Fiscal Years

	2007	2008	2009	2010
<u>Collected Charges for Services Revenue</u>				
Solid Waste	\$ 2,821,632	\$ 2,881,079	\$ 2,776,619	\$ 2,816,287
Harbor	973,142	1,103,677	1,156,343	1,116,361
<u>Number of Customers/Services Provided</u>				
Solid Waste Collection				
Residential	2,516	2,479	2,454	2,402
Business	231	230	231	233
Solid Waste Disposal	5,403	5,405	5,446	5,419
Harbor				
Reserved Moorage Stalls Rented	765	759	786	763

Sources: City of Ketchikan Solid Waste and Small Boat Harbors financial and department records

Table 11

	2011		2012		2013		2014		2015		2016
\$	2,940,490	\$	2,948,507	\$	2,851,958	\$	2,907,531	\$	2,809,864	\$	3,142,540
	1,159,273		1,250,292		1,191,053		1,247,810		1,329,984		1,475,000
	2,524		2,558		2,559		2,599		2,628		2,673
	238		251		245		248		249		252
	5,485		5,537		5,571		5,528		5,500		5,548
	765		767		753		735		821		857

(Un-Audited)

City of Ketchikan, Alaska
Major Business Type Activities Customers and Charges for Services Income
Last Ten Fiscal Years

	2007	2008	2009	2010
Collected Charges for Services Revenue				
Electric				
Residential	\$ 6,184,106	\$ 6,691,810	\$ 6,743,435	\$ 6,557,170
Boats	290,847	289,017	275,352	268,981
Commercial	6,126,579	6,327,156	6,167,549	6,186,808
Industrial	1,614,368	1,615,798	1,622,961	1,758,452
Demand	411,557	426,839	429,295	427,292
Area Lighting	45,733	50,145	49,019	48,833
Street Lighting	122,122	123,012	123,499	124,526
Diesel Surcharge		2,205,971	1,228,808	18,848
Other	567,665	472,660	564,893	562,291
Telecommunications				
Local Network Services	2,854,206	2,644,869	2,442,452	2,274,624
Inter/Intrastate Network Access Services	7,745,095	7,449,484	8,163,920	8,644,023
Non-Regulated	2,271,838	2,361,103	2,560,799	2,967,362
Other	602,687	552,921	616,505	560,477
Water				
Residential	872,455	888,236	966,755	1,110,982
Apartments	166,001	174,022	188,158	214,427
Commercial	644,746	667,522	756,319	864,542
Industrial	77,977	79,714	68,793	64,890
Cannery	48,862	70,376	129,648	150,887
Fire Hydrant	9,029	9,210	19,170	30,378
Port	116,522	148,781	141,328	128,792
Other	14,156	27,337	51,879	10,569
Wastewater				
Residential Sewer Service	1,239,257	1,236,392	1,230,812	1,224,650
Business Sewer Service	799,104	801,895	798,802	785,117
Port				
Passenger Wharfage ¹	5,917,231	6,484,425	6,471,647	5,725,215
Docking	1,561,813	1,891,913	1,929,406	1,721,945
Customer Base				
Electric				
Residential	5,677	5,731	5,731	5,756
Commercial	1,091	1,105	1,127	1,153
Industrial	14	14	14	13
Other	523	496	493	496
Telecommunications				
Residential Access Lines	5,036	4,265	3,804	3,554
Commercial Access Lines	4,003	3,857	3,663	3,442
Water				
Residential	2,776	2,769	2,748	2,738
Apartments	16	18	18	17
Commercial	424	422	435	436
Industrial	7	7	6	5
Cannery	3	3	4	4
Fire Hydrant	4	4	6	7
Marine Vessels	25	31	29	26
Wastewater				
Residential ²	2,779	2,772	2,752	2,742
Business ³	431	429	441	441
Port				
Cruiseships	36	37	36	26
Stops	499	502	496	429
Passengers ⁴	894,216	930,958	926,051	820,914

¹ In 2004, the City Council adopted an ordinance to assess passenger wharfage fees for passengers arriving by passenger ship. The fee assessed to the passenger ships for passengers is dependent on whether the ship docks or lighters its passengers to City's owned berthing facilities.

² The number of residential customers reflected on this schedule includes the number of apartment buildings serviced for wastewater services.

³ Beginning in 2000, the industrial customers were lumped with all other commercial customers into the business category.

⁴ The number of passengers only include those that generate revenue.

Source: City of Ketchikan financial records & Ketchikan Visitors Bureau

Table 12

	2011	2012	2013	2014	2015	2016
\$	6,929,817	\$ 7,240,637	\$ 6,929,393	\$ 6,796,723	\$ 6,752,943	\$ 7,127,462
	293,654	318,564	299,465	298,227	279,072	318,082
	6,404,792	6,673,188	6,701,322	6,690,774	6,584,210	6,846,651
	1,767,912	1,862,015	1,915,505	1,750,002	1,784,436	1,795,059
	443,170	481,321	510,887	514,972	507,363	495,104
	48,890	48,974	48,995	49,172	50,076	53,056
	124,978	126,239	126,178	127,692	129,143	129,912
	231,477	16,477	2,388,021	96,283	4	
	442,410	464,797	426,644	293,569	350,271	370,497
	2,194,530	2,131,351	2,100,995	2,005,521	2,030,655	2,082,930
	8,591,786	8,399,849	8,660,056	9,259,709	9,413,321	8,927,300
	3,261,045	3,565,887	4,036,708	4,396,232	5,596,871	7,078,617
	453,180	489,827	444,218	499,346	461,826	374,776
	1,277,902	1,300,147	1,343,648	1,377,255	1,521,500	1,632,301
	250,519	258,792	269,394	294,082	327,663	351,241
	1,003,574	998,294	1,042,848	1,102,474	1,208,718	1,275,949
	85,894	87,840	91,425	79,182	83,648	89,868
	156,455	143,560	144,614	149,219	152,636	143,507
	34,922	27,199	22,864	23,539	25,887	27,951
	124,230	146,820	189,975	172,688	159,075	154,725
	51,804	20,970	24,160	10,256	23,051	45,931
	1,269,208	1,349,227	1,490,983	1,623,781	1,771,393	1,917,142
	848,585	866,087	960,818	951,760	986,268	1,054,754
	5,786,811	6,183,922	6,556,500	6,110,005	6,504,788	6,482,367
	1,702,405	1,741,242	1,877,195	1,770,044	1,782,260	1,771,371
	5,757	5,808	5,819	5,817	5,854	5,879
	1,165	1,173	1,171	1,201	1,221	1,228
	12	13	13	13	15	16
	509	524	511	518	543	555
	3,397	3,235	3,138	3,313	3,352	3,345
	3,225	3,078	2,909	2,550	2,371	2,266
	2,743	2,727	2,724	2,650	2,647	2,649
	17	20	21	25	27	28
	442	451	444	436	443	454
	5	4	4	3	3	3
	5	4	5	6	5	5
	7	8	8	8	8	8
	41	29	38	34	30	56
	2,748	2,731	2,729	2,656	2,698	2,712
	447	455	448	439	436	446
	28	34	31	37	38	38
	426	467	456	468	496	489
	830,547	885,799	938,124	877,589	934,772	935,928

(Un-Audited)

City of Ketchikan, Alaska
Gross Sales by Category
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Construction	\$ 73,062,316	\$ 75,078,082	\$ 46,323,608
Financial institutions	3,087,127	334,081	3,731,380
Hospitality/Lodging establishments	15,419,909	15,715,514	13,919,621
Manufacturing	26,108,290	33,618,523	46,073,219
Real estate	30,277,652	32,151,148	32,737,400
Retail trade	35,677,594	39,292,118	39,662,497
Food stores	60,456,104	64,756,544	64,343,841
Eating and drinking establishments	19,220,007	19,385,206	19,210,420
Auto dealers and supplies	30,555,537	30,341,112	23,803,042
Specialty retail	20,461,112	21,033,341	18,934,395
Curio and jewelry retail stores	109,424,735	108,453,547	96,271,467
Entertainment services	4,736,203	3,926,876	4,042,859
General services	10,603,864	11,424,040	11,496,906
Professional services	7,614,270	7,089,598	10,558,751
Transportation, communications and utilities	82,119,828	98,077,432	75,443,450
Wholesale Trade	<u>1,923,181</u>	<u>2,453,977</u>	<u>5,188,170</u>
Total	<u>\$ 530,747,729</u>	<u>\$ 563,131,139</u>	<u>\$ 511,741,026</u>
City direct sales tax rate	3.50%	3.50%	3.50%

Source: Ketchikan Gateway Borough

Note: The amounts reflected on this schedule are updated annually with current reported gross sales information provided by the Ketchikan Gateway Borough.

Table 13

2010	2011	2012	2013	2014	2015	2016
\$ 54,739,115	\$ 98,195,271	\$ 115,072,276	\$ 80,587,439	\$ 80,338,454	\$ 86,244,600	\$ 74,134,827
3,843,647	3,312,505	4,304,936	3,823,214	3,264,143	3,109,125	3,048,745
14,299,381	13,383,768	14,454,796	14,592,618	15,306,647	16,075,556	16,672,455
38,802,496	23,008,725	37,626,506	35,271,769	32,324,967	47,143,944	49,999,866
35,310,367	35,190,247	36,281,113	36,386,144	36,877,393	38,769,469	37,255,720
41,749,627	43,218,110	73,642,212	45,105,904	46,746,656	45,454,200	44,336,393
66,068,438	70,282,395	72,864,479	73,199,378	75,202,176	84,796,955	83,808,843
19,637,754	20,382,296	21,871,782	21,289,797	21,297,129	22,887,732	23,255,671
18,240,527	20,656,612	21,777,925	21,362,910	22,480,389	21,452,076	20,695,191
18,935,799	17,639,809	17,774,127	17,488,075	19,142,925	20,147,212	21,537,651
93,479,664	92,993,071	93,242,461	99,396,961	93,011,479	102,021,946	101,586,695
3,560,715	3,537,686	3,664,583	3,762,714	3,999,764	4,205,791	4,616,071
10,856,053	11,144,670	10,824,072	10,472,818	11,068,334	11,641,100	12,179,473
8,730,642	11,276,048	9,921,550	8,573,984	9,521,613	12,712,487	9,658,626
82,748,939	90,509,083	90,900,693	93,957,749	85,704,564	73,952,966	65,231,199
4,868,635	4,772,431	5,251,729	5,342,198	5,216,327	6,441,568	7,870,666
<u>\$ 515,871,799</u>	<u>\$ 559,502,727</u>	<u>\$ 629,475,240</u>	<u>\$ 570,613,672</u>	<u>\$ 561,502,960</u>	<u>\$ 597,056,727</u>	<u>\$ 575,888,092</u>
3.50%	3.50%	3.50%	3.50%	4.00%	4.00%	4.00%



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DEBT CAPACITY

These schedules contain information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.

Outstanding Debt by Type	Table 14
Ratio of General Bonded Debt Outstanding	Table 15
Pledged Revenue Coverage	Table 16
Direct and Overlapping Governmental Activities Debt	Table 17

City of Ketchikan, Alaska
Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities			
Fiscal Year	General Obligation Bonds	Capital Lease	Total Governmental Activities
2007	\$ 6,834,456	\$ 67,377	\$ 6,901,833
2008	6,266,010	34,339	6,300,349
2009	5,682,565	-	5,682,565
2010	12,280,863	-	12,280,863
2011	11,452,328	-	11,452,328
2012	15,726,032	-	15,726,032
2013	14,535,682	-	14,535,682
2014	59,441,445	-	59,441,445
2015	57,984,080	-	57,984,080
2016	58,506,411	-	58,506,411

Business-Type Activities										
	Wastewater General Obligation Bonds	Wastewater Revenue Bonds	Port General Obligation Bonds	Port Revenue Bonds	KPU Junior Lien Bonds	KPU Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income	Total Debt to Population (Table 18)
2007	\$ 803,278	-	1,480,000	38,672,327	\$ 1,609,266	18,901,840	61,466,711	68,368,544	17.86%	8,842
2008	847,507	-	1,265,000	37,988,766	2,877,106	17,960,579	60,938,958	67,239,307	16.77%	8,956
2009	900,458	-	1,035,000	37,280,205	4,587,223	15,543,926	59,346,812	65,029,377	16.07%	8,667
2010	4,147,967	-	795,000	36,541,644	7,298,232	13,155,673	61,938,516	74,219,379	17.14%	9,220
2011	4,560,222	-	540,000	35,773,083	8,429,282	10,626,271	59,928,858	71,381,186	15.77%	8,767
2012	4,736,445	\$ 363,210	270,000	34,969,522	8,673,259	8,022,070	57,034,506	72,760,538	15.21%	8,776
2013	2,763,776	308,811		34,130,961	8,804,413	20,938,869	66,946,830	81,482,512	17.20%	9,802
2014	2,711,970	295,463		33,257,400	10,154,554	17,595,000	64,014,387	123,455,832	24.49%	14,849
2015	1,972,026	281,916		31,775,000	9,798,191	16,428,839	60,255,972	118,240,052	22.70%	14,285
2016	1,875,495	268,163		27,025,000	8,474,239	13,915,000	51,557,897	110,064,308	21.33%	13,437

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Source: City of Ketchikan financial records

(Un-Audited)

Table 15

City of Ketchikan, Alaska
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Population (Table 18)	Taxable Assessed Value (Table 7)	General Obligation Bonds	Ratio of GO Debt to Assessed Value of Property	Net GO Debt Per Capita
2007	7,732	\$ 649,661,700	\$ 9,117,734	1.40%	\$ 1,179
2008	7,508	718,646,800	8,378,517	1.17%	1,116
2009	7,503	745,354,000	7,618,023	1.02%	1,015
2010	8,050	745,845,700	17,223,830	2.31%	2,140
2011	8,142	745,345,700	16,552,550	2.22%	2,033
2012	8,291	749,698,100	20,732,477	2.77%	2,501
2013	8,313	797,660,600	17,299,458	2.17%	2,081
2014	8,314	805,953,200	62,153,415	7.71%	7,476
2015	8,277	808,372,648	59,956,106	7.42%	7,244
2016	8,191	830,354,200	60,381,906	7.27%	7,372

Note: This schedule includes all general obligation bonds of the City of Ketchikan including both governmental activities and business-type activities.

Source: City of Ketchikan financial records

(Un-Audited)

City of Ketchikan, Alaska
Pledged-Revenue Coverage
Last Ten Fiscal Years

Utility Revenue Bonds						
Fiscal Year	Gross Revenues ¹	Expenses Excluding Depreciation	Net Available	Debt Service		Coverage
		Taxes & Debt	Revenue	Principal	Interest	
2007	32,007,842	22,872,723	9,135,119	1,975,000	875,733	3.20
2008	34,298,849	25,611,063	8,687,786	2,125,000	768,170	3.00
2009	33,750,681	26,912,879	6,837,802	2,285,000	694,976	2.29
2010	33,171,040	24,676,756	8,494,284	2,380,000	606,176	2.84
2011	34,436,817	26,109,799	8,327,018	2,480,000	447,061	2.84
2012	35,106,045	27,420,125	7,685,920	2,570,000	376,730	2.61
2013	37,991,740	31,130,999	6,860,741	1,750,000	300,818	3.35
2014	36,458,482	29,080,289	7,378,193	1,810,000	784,780	2.84
2015	37,987,135	29,920,251	8,066,884	1,735,000	709,980	3.30
2016	39,463,946	31,296,075	8,167,871	1,730,000	638,775	3.45

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Operating expenses do not include interest, depreciation, or amortization expenses.

¹ Revenues do not include financial assistance recognized as revenues pursuant to GASB Statement 33.

² Other represents lease payment and payment to repair and replacement fund.

Table 16

Port Revenue Bonds							
Gross Revenue	Expenses Excluding Depreciation and Lease	Net Available Revenue	Debt Service		Other ²	Coverage	
			Principal	Interest		Debt Service	Debt Service/ Lease
8,595,881	1,506,749	7,089,132	625,000	1,951,100	-	2.75	-
9,205,938	2,249,651	6,956,287	655,000	1,924,537	2,948,056	2.70	1.27
9,248,432	2,933,667	6,314,765	680,000	1,896,700	2,993,192	2.45	1.13
8,093,975	2,925,697	5,168,278	710,000	1,867,800	2,668,757	2.00	0.99
8,067,105	2,124,200	5,942,905	740,000	1,835,850	2,386,863	2.31	1.20
10,620,142	1,949,449	8,670,693	775,000	1,802,550	2,628,181	3.36	1.67
11,147,463	2,167,752	8,979,711	810,000	1,767,675	2,922,942	3.48	1.63
11,186,885	2,203,014	8,983,871	845,000	1,731,225	2,892,155	3.49	1.64
9,189,712	2,198,706	6,991,006	885,000	1,691,088	2,889,138	2.71	1.28
9,163,784	2,268,007	6,895,777	930,000	1,649,050	3,005,514	2.67	1.23

City of Ketchikan, Alaska
Direct and Overlapping Governmental Activities Debt
As of December 31, 2016

Name of Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Ketchikan Gateway Borough-Overlapping Debt	40,960,000	63.84%	26,149,547
City of Ketchikan-Direct Debt	58,506,411	100.00%	58,506,411
Total Direct and Overlapping Debt			<u>\$ 84,655,958</u>

Note: Overlapping governments are those that coincide with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Ketchikan. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying each debt of each overlapping government.

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of the Ketchikan Gateway Borough's assessed value and dividing it by each unit's total assessed value.

² The figures reported for the Ketchikan Gateway Borough reflect the amounts shown in their FY2016 Comprehensive Annual Financial Report for the year ended June 30, 2016.

Sources: Assessed value data used to estimate applicable percentages provided by the Ketchikan Gateway Borough Assessment Department. Debt outstanding data provided by the Ketchikan Gateway Borough & City of Ketchikan Finance Departments.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.

Demographic and Economic Statistics	Table 18
Principal Employers.....	Table 19

(Un-Audited)

City of Ketchikan, Alaska
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population		Personal Income ⁽¹⁾	Per Capita	School ⁽³⁾ Enrollment
	City	Ketchikan Gateway Borough		Personal Income ⁽²⁾	
2007	7,732	13,166	651,782,000	48,881	2,167
2008	7,508	12,993	693,918,000	52,100	2,115
2009	7,503	12,984	700,170,000	52,668	2,110
2010	8,050	13,477	724,879,000	53,595	2,116
2011	8,142	13,686	760,769,000	55,795	2,167
2012	8,291	13,750	793,156,000	57,899	2,201
2013	8,313	13,938	794,208,000	58,086	2,266
2014	8,314	13,856	840,043,000	60,957	2,360
2015	8,277	13,778	866,894,000	63,235	2,239
2016	8,191	13,758	866,894,000	63,235	2,392

Note: Except as specifically noted the demographic and economic statistical information reflected in this schedule represents data for the Ketchikan Gateway Borough (KGB) as the data for the specific areas within the KGB such as the City of Ketchikan are not available.

¹ The amount of personal income reflects the amount reflected on State of Alaska website, which provides the interface for U.S. Department of Commerce, Bureau of Economic Analysis data for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is not currently available. The information reflected in this schedule represents the most current data available and may differ from the amounts that have been reported in prior years. Information has not been released that shows this type of information for 2016 so an estimate has been provided.

² The amount of per capita personal income reflects the amount reflected on State of Alaska website, which provides the interface for U.S. Department of Commerce, Bureau of Economic Analysis data for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is not currently available. The information reflected in this schedule represents the most current data available and may differ from the amounts that have been reported in prior years. The amount reflected for 2016 is an estimate as data is not currently available.

³ The School Enrollment figures reflects kindergarten through grade 12 enrollment from the State of Alaska website for the Ketchikan Gateway Borough as of October 1. The link for 2016 information can be accessed at <http://www.eed.state.ak.us/stats/DistrictEnrollment/2016DistrictEnrollment.pdf>. Information reflected in this schedule reflects the amounts stated for each of the respective years and may differ from the amounts that have been reported in prior years.

⁴ A change in the way labor force statistics are calculated for sub-state areas makes data prior to 2010 not comparable with other data. The Civilian Labor Force figures are the amounts reflected on State of Alaska website for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is not currently available. The information reflected in this schedule represents the most current data available and may differ from the amounts that have been reported in prior years.

⁵ Registered motor vehicle information reflected in this schedule is representative of amounts reported by the State of Alaska, Department of Administration, Division of Motor Vehicles for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is unavailable at this time.

Sources: Personal income and unemployment rate information provided by the State of Alaska's website interface to the U.S. Department of Commerce, Bureau of Economic Analysis. The reported population counts reflect the levels stated by the State of Alaska, Department of Commerce, Division of Community and Regional Affairs. Motor vehicle information is provided by the State of Alaska, Department of Administration, Division of Motor Vehicles.

Table 18

Civilian Labor Force ⁽⁴⁾			Motor
		Unemployment	Vehicles
Employed	Unemployed	Rate	Registered ⁽⁵⁾
7,789	447	5.4%	16,522
7,821	471	5.7%	16,640
7,712	590	7.1%	16,670
6,474	622	8.8%	16,485
6,560	620	8.6%	16,530
6,596	581	8.1%	16,504
6,609	553	7.7%	16,517
6,557	554	7.8%	16,520
6,546	477	6.8%	16,578
6,589	439	6.2%	16,666

City of Ketchikan, Alaska
Principal Employment by NAICS Industry Category
This Year and Nine Years Ago

<u>Employer</u>	2016 ¹		2007	
	<u>Average Employment</u>	<u>Rank</u>	<u>Average Employment</u>	<u>Rank</u>
Federal Government	236	10	308	8
State Government	659	5	683	5
Local Government	1,158	2	1,090	2
Natural Resource and Mining	129	12	216	11
Construction	364	8	276	9
Manufacturing	531	6	509	6
Trade, Transportation & Utilities	1,649	1	1,802	1
Information	86	13	92	13
Financial Activities	366	7	367	7
Professional & Business Services	282	9	217	10
Educational & Health Services	937	3	702	4
Leisure & Hospitality	882	4	854	3
Other Services	175	11	187	12

Employment by NAICS Industry Category is reflected for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is not currently available.

¹ The average 2016 employment figures reflect preliminary results for calendar year 2015 by the State of Alaska, Department of Labor.

Source: State of Alaska, Department of Labor

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Property Value and Construction.....	Table 20
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Energy Demand, Peak Demand and Resources	
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Historical Telephone Access Lines and Operating Results	Table 28
Historical Water Customers and Operating Results	Table 29
Utility Rates and Charges	Table 30
Port Fund Operating Results	Table 31



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CITY OF KETCHIKAN, ALASKA
Property Value and Construction
Last Ten Fiscal Years

Year	Construction		Real & Personal Property Value (2)
	Number of Permits (1)	Value (1)	
2007	190	12,120,861	697,332,200
2008	180	24,505,040	768,741,400
2009	198	13,981,121	798,108,100
2010	156	11,084,859	800,947,400
2011	157	106,064,282	801,175,000
2012	139	22,381,845	808,516,900
2013	148	12,109,557	857,398,200
2014	146	52,184,617	869,827,300
2015	148	13,895,087	873,497,448
2016	171	16,138,800	898,729,700

Sources:

(1) - City of Ketchikan Building Inspection Division

(2) - Ketchikan Gateway Borough Department of Assessment

(Un-Audited)

CITY OF KETCHIKAN, ALASKA
Full-time Equivalent City Employees by Function/Program
Last Ten Years

	2007	2008	2009	2010
<u>Function/Program</u>				
General government				
Mayor and Council	8.00	8.00	8.00	8.00
Law	2.00	2.00	2.00	2.00
Clerk	2.00	2.00	2.00	2.00
City Manager	4.50	4.50	4.50	4.50
Finance	16.00	16.00	16.00	16.00
Information Technology	8.00	9.00	8.10	7.00
Public Safety				
Fire	18.50	19.50	20.00	20.00
Police	35.30	35.80	35.30	36.30
Culture				
Library	13.88	13.33	13.33	11.83
Museum	8.45	8.45	8.45	7.45
Civic Center	3.00	3.00	3.00	3.00
Health and Welfare				
Gateway Center for Human Services ¹	39.24	36.40	19.00	
Public Works				
Engineering	13.00	13.00	11.00	11.00
Streets	12.00	14.00	14.00	13.00
Solid Waste	10.00	11.00	11.00	11.00
Garage & Warehouse	4.00	4.00	4.00	4.00
Wastewater	8.00	8.00	8.00	8.00
Building Maintenance	2.00	2.00	2.00	2.00
Port and Harbors				
Small Boat Harbors	5.20	5.20	4.80	4.80
Port Development	3.80	3.80	4.20	4.20
Ketchikan Public Utilities				
Administration	1.50	1.50	1.50	1.50
Engineering ²	7.50	7.50	7.50	4.50
Sales, Marketing & Customer Service ³	12.50	12.50	16.50	16.00
Electric	42.00	42.00	42.00	42.00
Telephone	45.00	47.00	41.00	41.00
Water	7.50	7.50	7.50	8.50
Total	332.87	336.98	314.68	289.58

Source: City of Ketchikan Budget Records

¹ Effective May 1, 2010 the City ceased management of the operations associated with the Gateway Center for Human Services Division.

² Effective January 1, 2012, the former KPU Engineering Division was dissolved and staff members were reassigned to other divisions. The number of employees in the KPU Engineering Division for calendar years 2004 through 2011 reflect the former staffing plan.

³ Effective May 7, 2009 the former Customer Service Division was renamed Sales, Marketing and Customer Service Division and four Telecommunications staff members were reassigned to the newly established division. The number of employees reflected in Telecommunications and Sales, Marketing & Customer Service Divisions for calendar year 2007-2008 reflect the former staffing plan.

Table 21

2011	2012	2013	2014	2015	2016
8.00	8.00	8.00	8.00	8.00	8.00
2.00	1.00	1.00	1.00	1.25	1.00
2.00	2.00	2.00	2.00	2.00	2.00
4.50	4.50	4.50	4.50	4.50	4.50
16.00	16.00	16.00	15.00	16.00	16.00
7.00	7.00	7.00	7.00	7.00	6.42
19.00	19.00	19.00	19.00	19.00	19.00
36.30	36.30	36.30	35.30	35.30	35.30
11.83	12.31	12.31	12.41	12.79	12.79
7.20	7.20	7.20	7.20	7.20	7.70
3.00	3.00	3.00	3.00	3.00	3.00
11.50	13.00	12.00	12.00	12.00	12.00
13.00	13.00	13.00	13.00	13.00	13.00
11.00	11.00	11.00	11.00	11.00	11.00
4.00	4.00	4.00	4.00	4.00	4.00
8.00	8.00	8.00	8.00	8.00	8.00
2.00	2.00	2.00	2.00	2.00	2.00
5.40	5.40	5.40	5.40	5.20	5.20
4.60	4.60	4.60	4.60	4.80	4.80
1.50	2.50	2.50	2.50	2.50	2.50
4.50					
16.00	16.00	16.83	17.00	17.00	17.00
43.00	43.40	43.40	43.40	43.40	43.40
40.00	43.00	43.92	43.00	42.00	42.00
8.50	10.60	10.60	10.60	10.60	10.60
289.83	292.81	293.56	290.91	291.54	291.21

(Un-Audited)

CITY OF KETCHIKAN, ALASKA
Operating Indicators by Function/Program
Last Ten Years

	2007	2008	2009	2010
<u>Function/Program</u>				
City Manager				
Personnel Job Postings	111	130	81	85
Information Technology				
Workstations	281	287	291	318
Portables	39	42	45	52
Printers	96	103	107	91
Public Safety				
Fire				
EMS/Rescue Responses	1,175	1,242	1,256	1,158
Fire Responses	51	60	52	46
Volunteer Fire Persons	33	35	39	27
Police				
DUI Offenses	198	162	142	130
Domestic Violence	154	197	221	365
Larceny Offenses	408	367	395	400
Culture				
Library				
Volumes in collection	66,057	68,054	68,879	69,968
Annual Circulation	169,743	160,698	151,826	190,186
Offered Programs	254	282	243	262
Program Attendance	5,233	6,877	1,658	6,733
Museum				
Tongass Historical Museum Attendance	21,549	21,116	25,529	20,818
Tongass Historical Museum Exhibit Openings	3	4	4	4
Totem Heritage Center Attendance	36,659	45,228	45,721	43,088
THC Native Arts Studies Course Offerings	11	10	11	12
Civic Center				
Days Occupied	199	186	242	180
Events	158	148	156	154
Public Works				
Engineering				
Issued Building Permits	190	180	198	156
Solid Waste				
Municipal Solid Waste - tons per day	26.35	25.57	25.50	24.57
Trash - tons per day	11.73	12.15	12.41	12.90
Incineration - tons per day	0.09	0.03	0.03	0.04
Recycle - tons per day	8.82	6.02	6.25	6.25
Port and Harbors				
Reserved Moorage Stalls Rented	770	758	745	693
Transient Moorage Feet Sold	291,728	560,453	535,939	529,565
Cruise Ship Stops	499	502	496	429
Cruise Ship Passengers	899,638	941,910	937,419	828,929
Ketchikan Public Utilities				
Customer Service				
Utility Service Orders	5,394	5,538	5,828	5,798

Sources: Various City Departments

Table 22

2011	2012	2013	2014	2015	2016
137	130	106	100	105	102
318	327	339	351	347	338
52	48	52	66	70	72
91	87	83	89	100	100
1,196	1,404	1,287	1,429	1,439	1,551
434	198	232	225	244	250
27	25	21	17	17	25
122	62	40	55	68	81
181	72	79	75	55	63
415	316	272	263	265	266
74,228	84,049	77,181	95,427	99,311	70,323
177,454	158,364	178,856	181,105	187,916	169,185
243	245	324	572	561	341
6,230	6,076	8,397	13,151	13,790	12,801
21,451	20,534	25,656	25,593	24,552	23,914
4	4	4	3	2	1
33,603	25,905	30,949	31,266	33,218	36,799
10	11	11	12	10	10
174	203	179	143	149	159
132	147	139	90	84	105
157	139	148	146	148	171
24.53	23.02	23.22	23.54	24.10	24.57
14.14	14.96	12.94	14.64	12.51	12.90
0.02	0.02	0.02	0.03	0.02	0.04
7.13	5.49	18.40	16.53	6.08	6.75
726	715	753	735	821	857
524,316	501,467	343,312	314,517	271,454	312,543
426	462	453	468	496	489
830,547	885,799	938,124	846,636	934,772	935,928
5,417	4,720	4,937	4,120	3,132	2,892

(Un-Audited)

CITY OF KETCHIKAN, ALASKA
Capital Asset Statistics by Function/Program
Last Ten Years

	2007	2008	2009	2010
<u>Function/Program</u>				
Public Safety				
Fire				
Stations	3	3	3	3
Police				
Stations	1	1	1	1
Culture				
Number of Libraries	1	1	1	1
Number of Museums	2	2	2	2
Number of Civic Centers	1	1	1	1
Public Works				
Engineering				
Municipal Area in Square Miles	5	5	5	5
Streets				
Miles of Streets	24.84	25.07	25.07	27.89
Miles of Stairways	1	1	1	1
Municipal Parking Lots	37	37	37	37
Cemetery				
Acreage Size	9	9	9	9
Port and Harbors				
Harbors				
Harbor with Boat Launch Ramp	2	2	2	2
Harbor without Boat Launch Ramp	3	3	3	3
Boat Launch Ramp Facility	1	1	1	1
Port Berths	3	4	4	4

Sources: Various City Departments

Table 23

2011	2012	2013	2014	2015	2016
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
5	5	5	5	5	5
27.89	27.89	27.89	27.89	29.37	37.09
1	1	1	1	2	2
37	37	37	37	38	38
9	9	9	9	9	9
2	2	2	2	2	2
3	3	3	3	3	3
1	1	1	1	1	1
4	4	4	4	4	4

CITY OF KETCHIKAN, ALASKA
INSURANCE COVERAGES
as of December 31, 2016

Condensed Description of Coverage	Coverage per Occurrence and Deductible Amounts	Condensed Description of Coverage	Coverage per Occurrence and Deductible Amounts
Property Insurance (includes Boiler & Machinery)		Police Professional Liability	
Coverage Amounts	Per Schedule	Coverage Limits	\$15,250,000
Deductible	\$25,000	Deductible	75,000
Commercial Comprehensive General Liability		Public Officials/Employment Practices Liability	
Coverage Limits	15,250,000	Coverage Limits	15,250,000
Deductible	75,000	Deductible	75,000
Employee Benefits Liability		Fidelity/Crime Insurance	
Coverage Limits	15,250,000	Notary Errors and Omissions	
Deductible	75,000	Coverage Limits	25,000
Commercial Comprehensive Auto Liability		Public Employees Blanket Bond	
Coverage Limits	15,250,000	Coverage Limits	2,500,000
Deductible	75,000	Deductible	50,000
Marine Insurance		Public Officials Bond	
Hull Coverage Limits	Per Schedule	City Manager - Coverage Limits	10,000
Hull War Risk		Finance Director - Coverage Limits	100,000
Coverage Limits	Per Schedule	Deductible	none
Primary Protection & Indemnity		Marina and Wharfingers	
Coverage Limits	1,000,000	Wharfingers/Terminal Operator's/	
Deductible	1,000	Marina Operators/Charterers Liability	
Primary War Risk		Coverage Limits	3,000,000
Coverage Limits	1,000,000	Deductible	10,000
Deductible	none	Sudden and Accidental Pollution Liability	
Excess Protection & Indemnity and		Coverage Limits	3,000,000
Excess P&I War Risk		Deductible	25,000
Coverage Limits	9,000,000	Excess Wharfingers/Terminal Operators/	
Deductible	none	Marina Operators/Charterers/Sudden	
Ambulance Malpractice		and Accidental Pollution Liability	
Coverage Limits	15,250,000	Coverage Limits	17,000,000
Deductible	75,000	Deductible	none
Broadcast Errors and Omissions		XS Marine Liability - Port	27,000,000
Coverage Limits	2,000,000	Worker's Compensation Insurance	
Deductible	10,000	Coverage Limits	Legal Limits
		Pollution Liability	
		Coverage Limits	1,000,000
		Deductible	25,000

CITY OF KETCHIKAN, ALASKA
Utility Statistical Operating Information
Last Ten Fiscal Years

Year	Number of Customers			K.W.H. Sold	Per K.W.H. Sold		Average Residential K.W.H. Used December
	Electric	Water	Telephone *		Operating Revenue	Cost	
2007	7,305	3,230	9,039	154,802,805	0.0992	0.0995	1,111
2008	7,346	3,223	8,122	159,340,267	0.1142	0.1049	1,187
2009	7,365	3,217	7,558	158,146,666	0.1088	0.1068	1,196
2010	7,418	3,207	7,103	156,985,441	0.1016	0.0991	1,087
2011	7,443	3,219	7,057	164,713,929	0.1013	0.0953	1,218
2012	7,518	3,214	6,434	172,190,266	0.1001	0.0955	1,222
2013	7,514	3,206	6,083	170,281,664	0.1136	0.1119	1,220
2014	7,606	3,128	5,863	167,939,155	0.0989	0.0992	1,212
2015	7,694	3,133	5,723	163,896,254	0.1003	0.1005	1,178
2016	7,741	3,147	5,611	165,107,129	0.1038	0.1056	1,127

* Average number of revenue access lines.

(Un-Audited)

CITY OF KETCHIKAN, ALASKA

Energy Demand, Peak Demand and Resources

Gross Generation (kWh)

Last Ten Fiscal Years

	2007	2008	2009	2010	2011
Energy Demand					
Total Sales	154,802,805	159,340,267	158,146,666	156,985,441	164,713,929
System losses	10,001,995	10,641,933	13,668,534	13,514,059	14,009,987
Total	164,804,800	169,982,200	171,815,200	170,499,500	178,723,916
Peak Demand	29,000	30,200	30,300	28,800	30,300
Energy Resources					
KPU Hydroelectric	79,994,900	83,912,500	78,895,500	76,062,100	82,594,936
Southeast Alaska Power Agency ¹	82,195,200	68,294,400	79,027,200	92,908,800	91,584,000
Diesel Generation	2,614,700	17,775,300	13,892,500	1,528,600	4,544,980
Total	164,804,800	169,982,200	171,815,200	170,499,500	178,723,916
Energy Costs (kWh) ²					
Hydroelectric Generation	\$ 0.0185	\$ 0.0170	\$ 0.0176	\$ 0.0222	\$ 0.0231
Diesel Generation	0.7305	0.2908	0.3027	1.0902	0.4867
Purchased Power ³	0.0655	0.0656	0.0659	0.0610	0.0556
Total Cost of Production (kWh)	0.0533	0.0652	0.0629	0.0529	0.0515

¹ Prior to December 2008, the Southeast Alaska Power Agency was known as the Four Dam Pool Power Agency, Inc. The Four Dam Pool was divested and the two hydroelectric projects that service Southeast Alaska were transferred to the Southeast Alaska Power Agency.

² Cost per kWh include operations and maintenance and depreciation.

³ Purchased power cost per kWh represents includes rebates, but not line losses.

Table 26

2012	2013	2014	2015	2016
172,190,266	170,281,664	167,939,155	163,896,254	165,107,129
13,701,858	8,474,536	8,504,552	11,298,142	11,068,552
<u>185,892,124</u>	<u>178,756,200</u>	<u>176,443,707</u>	<u>175,194,396</u>	<u>176,175,681</u>
27,150	25,900	30,500	25,700	25,400
85,816,264	74,703,000	86,755,268	91,893,718	84,863,454
97,804,800	91,856,000	87,923,000	82,277,072	90,444,864
<u>2,271,060</u>	<u>12,197,200</u>	<u>1,765,439</u>	<u>1,023,606</u>	<u>867,363</u>
<u>185,892,124</u>	<u>178,756,200</u>	<u>176,443,707</u>	<u>175,194,396</u>	<u>176,175,681</u>
\$ 0.0228	\$ 0.0262	\$ 0.0275	\$ 0.0302	\$ 0.0345
0.8622	0.3857	0.8715	1.3645	1.6067
0.0611	0.0630	0.0645	0.0654	0.0691
0.0532	0.0696	0.0544	0.0545	0.0600

(Un-Audited)

CITY OF KETCHIKAN, ALASKA
Historical Electric Customers, Energy Sales and Operating Results
Last Ten Fiscal Years

	2007	2008	2009	2010	2011
Customers (Average)					
Residential	5,677	5,731	5,731	5,756	5,757
Commercial	1,091	1,105	1,127	1,153	1,165
Industrial	14	14	14	13	12
Other	523	496	493	496	509
Total	7,305	7,346	7,365	7,418	7,443
Energy Sales (KWH)					
Residential	62,275,248	65,977,138	66,565,425	64,938,484	68,484,718
Commercial	67,669,664	68,148,711	66,601,484	66,351,381	69,021,595
Industrial	20,865,150	21,275,072	21,215,194	21,981,458	23,242,166
Other	3,992,743	3,939,346	3,764,563	3,714,118	3,965,450
Total	154,802,805	159,340,267	158,146,666	156,985,441	164,713,929
Operating Results					
Operating Revenues					
Revenues from Energy Sales	\$14,795,312	\$17,729,748	\$16,639,918	\$15,390,910	\$16,244,690
Other Operating Revenues	567,665	472,660	564,893	562,291	442,410
Total Operating Revenues	15,362,977	18,202,408	17,204,811	15,953,201	16,687,100
Operating Expenses					
Hydroelectric Generation	1,064,215	1,008,647	949,398	1,225,358	1,442,543
Diesel Generation	1,230,036	4,504,445	3,536,432	1,093,997	1,856,120
Purchased Power	5,383,696	4,477,324	5,205,128	5,663,664	5,093,489
Transmission and Distribution	1,885,281	1,704,557	2,121,534	2,648,485	2,766,478
Administration and General	1,969,007	2,281,082	2,262,656	1,976,837	2,032,081
Total Operating Expenses	11,532,235	13,976,055	14,075,148	12,608,341	13,190,711
Payment In Lieu of Taxes	335,830	335,400	323,730	351,478	353,954
Total Expenses	11,868,065	14,311,455	14,398,878	12,959,819	13,544,665
Net Revenue	\$3,494,912	\$3,890,953	\$2,805,933	\$2,993,382	\$3,142,435

Table 27

2012	2013	2014	2015	2016
5,808	5,819	5,817	5,854	5,879
1,173	1,171	1,201	1,221	1,228
13	13	13	15	16
524	511	575	604	618
7,518	7,514	7,606	7,694	7,741
71,794,062	68,668,600	67,665,456	66,410,470	67,731,286
71,815,802	72,269,920	72,777,304	70,736,227	71,007,166
24,452,654	25,306,208	23,408,642	22,935,650	22,306,193
4,127,748	4,036,936	4,087,753	3,813,907	4,062,484
172,190,266	170,281,664	167,939,155	163,896,254	165,107,129
\$16,767,415	\$18,919,766	\$16,323,845	\$16,087,247	\$16,765,326
464,797	426,644	293,569	350,271	370,497
17,232,212	19,346,410	16,617,414	16,437,518	17,135,823
1,494,523	1,489,541	1,599,911	1,659,158	1,807,339
1,500,999	4,317,797	1,302,115	1,189,814	1,198,599
5,976,876	5,784,566	5,674,201	5,381,319	6,247,593
3,043,918	3,312,784	3,627,608	3,432,156	3,529,503
1,549,445	1,644,964	1,693,482	1,644,771	1,626,940
13,565,761	16,549,652	13,897,317	13,307,218	14,409,974
343,266	381,993	381,993	381,993	381,993
13,909,027	16,931,645	14,279,310	13,689,211	14,791,967
\$3,323,185	\$2,414,765	\$2,338,104	\$2,748,307	2,343,856

(Un-Audited)

CITY OF KETCHIKAN, ALASKA
Historical Telephone Access Lines and Operating Results
Last Ten Fiscal Years

	2007	2008	2009	2010
Access Lines				
Residential	5,036	4,265	4,099	3,836
Commercial	4,003	3,857	3,459	3,267
Total	9,039	8,122	7,558	7,103
Operating Results				
Operating Revenues				
Local	\$2,854,206	\$2,644,869	\$2,442,452	\$2,274,624
Long Distance	7,745,095	7,449,484	8,163,920	8,644,023
Other	2,874,525	2,914,024	3,177,304	3,527,839
Total Operating Revenues	13,473,826	13,008,377	13,783,676	14,446,486
Operating Expenses				
Operation and Maintenance	6,818,792	6,828,519	7,627,836	6,910,034
Administration and General	2,747,917	2,928,878	3,342,355	3,281,326
Total Operating Expenses	9,566,709	9,757,397	10,970,191	10,191,360
Payment In Lieu of Taxes	148,643	149,770	175,837	194,376
Total Expenses	9,715,352	9,907,167	11,146,028	10,385,736
Net Revenue	\$3,758,474	\$3,101,210	\$2,637,648	\$4,060,750

Table 28

2011	2012	2013	2014	2015	2016
3,653	3,497	3,326	3,313	3,352	3,345
3,404	2,937	2,757	2,550	2,371	2,266
7,057	6,434	6,083	5,863	5,723	5,611
\$2,194,530	\$2,131,351	\$2,100,995	\$2,005,521	\$2,030,655	\$2,082,930
8,591,786	8,399,849	8,660,056	9,259,709	9,413,321	8,927,300
3,714,225	4,055,714	4,480,926	4,895,578	6,058,697	7,453,393
14,500,541	14,586,914	15,241,977	16,160,808	17,502,673	18,463,623
7,077,698	8,070,658	8,556,970	9,043,964	10,101,434	10,642,306
3,594,593	3,483,492	3,369,942	3,630,057	3,806,866	3,740,714
10,672,291	11,554,150	11,926,912	12,674,021	13,908,300	14,383,020
191,027	192,065	206,358	206,358	206,358	206,358
10,863,318	11,746,215	12,133,270	12,880,379	14,114,658	14,589,378
\$3,637,223	\$2,840,699	\$3,108,707	\$3,280,429	\$3,388,015	3,874,245.00

(Un-Audited)

CITY OF KETCHIKAN, ALASKA
Historical Water Customers and Operating Results
Last Ten Fiscal Years

	2007	2008	2009	2010	2011
Customers (Average)					
Residential	2,776	2,769	2,748	2,738	2,743
Apartments	16	18	18	17	17
Commercial	424	422	435	436	442
Industrial	7	7	6	5	5
Cannery	3	3	4	4	5
Fire Hydrant	4	4	6	7	7
Marine Vessels	25	31	29	26	28
Total	3,255	3,254	3,246	3,233	3,247
Operating Results					
Operating Revenues					
Revenues from Water Sales	\$1,926,563	\$2,028,651	\$2,251,001	\$2,535,859	\$2,899,352
Other Operating Revenues	23,185	36,547	71,049	39,608	85,948
Total Operating Revenues	1,949,748	2,065,198	2,322,050	2,575,467	2,985,300
Operating Expenses					
Source of Supply	252,829	261,141	265,409	330,625	232,238
Chlorination/Disinfection	203,440	231,838	247,069	228,238	217,441
Distribution	246,039	255,369	268,791	241,667	238,281
Maintenance	693,646	640,274	639,739	718,571	1,073,567
Administration and General	359,460	447,091	429,465	345,242	470,753
Total Operating Expenses	1,755,414	1,835,713	1,850,473	1,864,343	2,232,280
Payment In Lieu of Taxes	165,527	164,830	175,433	182,146	183,019
Total Expenses	1,920,941	2,000,543	2,025,906	2,046,489	2,415,299
Net Revenue	\$28,807	\$64,655	\$296,144	\$528,978	\$570,001

Table 29

2012	2013	2014	2015	2016
2,727	2,724	2,650	2,647	2,649
20	21	25	27	28
451	444	436	443	454
4	4	3	3	3
4	5	6	5	5
8	8	8	8	8
29	38	34	30	56
3,243	3,244	3,162	3,163	3,203
\$2,935,454	\$3,081,904	\$3,174,900	\$3,453,239	\$3,647,591
48,168	47,024	33,795	48,939	73,882
2,983,622	3,128,928	3,208,695	3,502,178	3,721,473
259,083	450,456	393,529	423,407	393,959
233,871	301,718	311,254	255,398	265,506
413,547	362,562	397,994	409,876	428,975
999,167	1,110,737	957,414	1,174,271	969,767
378,671	411,626	431,446	423,847	426,066
2,284,339	2,637,099	2,491,637	2,686,799	2,484,273
192,669	197,649	197,649	197,649	197,649
2,477,008	2,834,748	2,689,286	2,884,448	2,681,922
\$506,614	\$294,180	\$519,409	\$617,730	1,039,551



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CITY OF KETCHIKAN, ALASKA
Utility Rates and Charges
For the Year Ending December 31, 2016

Electric			
Residential	\$6.70	plus \$0.1006 per kWh	
Harbor service	12.35	plus \$0.1006 per kWh	
Commercial	38.10	plus \$0.0942 per kWh plus a demand charge of \$3.06 per kW in excess of 25 kW this flat fee in effect April through September	
Industrial	56.00	plus \$0.0873 per kWh plus a demand charge of \$3.06 per kW in excess of 25 kW	
Telecommunications			
Residential	16.45	line charge plus \$6.50 for FCC subscriber line charge	
	49.95	DSL Basic (Download Speed 3M and Upload Speed 1M)	
	59.95	DSL Regular (Download Speed 5M and Upload Speed 1M)	
	39.99	IPTV Basic (Does not include \$9.95 for High Definition Service)	
Business	18.95	per single or multi-business line plus \$9.20 for FCC subscriber line charge	
	59.95	DSL Basic (Download Speed 3M and Upload Speed 1.5M)	
	69.95	DSL Regular (Download Speed 5M and Upload Speed 1.5M)	
	49.99	IPTV Basic (Does not include \$9.95 for High Definition Service)	
Customer Premise Visit	35.00	On site visit to customer's premises	
Water			
Residential			
Homes & Trailers	52.05	per unit	
1-4 apartments	52.05	per unit	
5-24 apartments	47.43	per unit	
25+ apartments	40.69	per unit	
Business			
	54.26	plus size of line charges as follows	
1 inch	36.16		
1-1/4 inch	108.50		
1-1/2 inch	207.98		
2 inch	377.87		
2-1/2 inch	585.50		
3 inch	886.09		
4 inch	1,505.47		
Industrial			
	<u>Line Charges</u>	Canneries	
5/8 and 3/4 inch	72.33	Per Season	
1 inch	108.50	5/8 and 1 inch	\$805.24
1-1/4 inch	180.85	1 1/4 inch	1,445.95
1-1/2 inch	282.53	1-1/2 inch	1,930.81
2 inch	431.75	2 inch	5,775.09
2-1/2 inch	655.79		
3 inch	991.17		
4 inch	1,620.70		
6 inch	2,701.22		
8 inch	2,995.07		
Over 8 inch	by special contract		

(Un-Audited)

City of Ketchikan, Alaska
Port Fund Operating Results
Last Ten Fiscal Years

	2007	2008	2009	2010	2011
Assets					
Cash	\$ 8,471,112	\$ 4,939,650	\$ 4,827,125	\$ 4,364,226	\$ 2,373,808
Port Facilities (net)	41,226,714	46,312,527	44,947,620	43,642,947	42,121,390
Construction Work in Progress	3,493,927	832,620	963,018	1,116,782	5,531,746
Restricted Assets	4,743,690	4,215,908	4,819,708	5,307,521	5,623,924
Prepaid Expense		1,002,572	1,019,538	752,856	782,959
Other Assets	560,772	1,100,476	710,905	528,456	2,786,483
Total assets	58,496,215	58,403,753	57,287,914	55,712,788	59,220,310
Liabilities and Net Position					
General Obligation Bonds Payable	1,480,000	1,265,000	1,035,000	795,000	540,000
Revenue Bonds Payable	37,875,000	37,220,000	36,540,000	35,830,000	35,090,000
Other Liabilities	5,130,176	4,191,404	3,147,957	3,134,814	2,847,180
Total liabilities	44,485,176	42,676,404	40,722,957	39,759,814	38,477,180
Net Position	<u>\$ 14,011,039</u>	<u>\$ 15,727,349</u>	<u>\$ 16,564,957</u>	<u>\$ 15,952,974</u>	<u>\$ 20,743,130</u>
Operating Revenues	<u>\$ 7,895,063</u>	<u>\$ 8,839,267</u>	<u>\$ 8,922,228</u>	<u>\$ 8,000,492</u>	<u>\$ 7,986,404</u>
Operating Expenses					
Operation and Maintenance	\$ 1,506,749	\$ 3,653,251	\$ 5,522,050	\$ 5,486,471	\$ 4,110,674
Depreciation	985,775	1,390,850	1,460,265	1,446,527	1,401,754
Payment in Lieu of Taxes/Taxes	102,100	282,770	290,000	295,000	295,000
Total operating expenses	2,594,624	5,326,871	7,272,315	7,227,998	5,807,428
Operating Income	<u>5,300,439</u>	<u>3,512,396</u>	<u>1,649,913</u>	<u>772,494</u>	<u>2,178,976</u>
Non-Operating Revenue (Expense)	<u>(1,697,827)</u>	<u>(1,933,922)</u>	<u>(1,738,365)</u>	<u>(1,917,727)</u>	<u>(1,889,022)</u>
Income Before Contributions, Extraordinary Item & Transfers	3,602,612	1,578,474	(88,452)	(1,145,233)	289,954
Contributions	1,864,611	740,672	366,424	14,306	29,536
Capital Grants			559,636	518,944	4,654,981
Extraordinary Item					
Special Item		14,789			
Transfers	(5,572,069)	(617,625)			
Loss on sale of capital assets					(184,315)
Change in Net Position	<u>\$ (104,846)</u>	<u>\$ 1,716,310</u>	<u>\$ 837,608</u>	<u>\$ (611,983)</u>	<u>\$ 4,790,156</u>
Revenue Bond Debt Coverage:					
1.25 x Annual Debt Service	2.75	2.70	2.45	2.00	2.31
1.0 x Annual Debt Service/Reserves					
Account/Repair and Replacement					
Fund/SPH Lease Payments	2.39	1.26	1.13	0.99	1.20
# of Ships	36	37	36	26	28
# of Calls/Stops	499	502	496	429	426
# of Water Passengers	894,216	930,958	926,051	820,914	830,547

Table 31

2012	Restated ¹ 2013	2014	2015	2016
\$ 2,285,517	\$ 2,900,167	\$ 5,504,277	\$ 6,420,791	\$ 7,957,557
47,867,526	53,659,903	54,481,904	52,934,352	52,244,740
5,066,048	5,449,151	200,947	439,032	374,566
6,082,097	6,595,730	8,724,101	7,582,492	7,075,705
1,055,740	1,124,342	1,021,346	1,113,090	1,026,946
3,080,061	5,546,430	2,903,333	3,150,839	3,316,606
65,436,989	75,275,723	72,835,908	71,640,596	71,996,120
270,000	-	-	-	-
34,315,000	33,505,000	32,660,000	31,775,000	27,025,000
1,072,313	1,699,380	860,042	1,275,821	5,362,008
35,657,313	35,204,380	33,520,042	33,050,821	32,387,008
\$ 29,779,676	\$ 40,071,343	\$ 39,315,866	\$ 38,589,775	\$ 39,609,112
\$ 8,592,255	\$ 9,145,920	\$ 8,578,059	\$ 9,032,271	\$ 8,961,241
\$ 4,031,100	\$ 4,582,100	\$ 4,726,515	\$ 4,636,079	\$ 4,916,988
1,359,513	1,636,863	1,587,253	1,589,941	1,605,242
295,000	319,000	319,000	319,000	319,000
5,685,613	6,537,963	6,632,768	6,545,020	6,841,230
2,906,642	2,607,957	1,945,291	2,487,251	2,120,011
(1,794,603)	(1,740,642)	(1,581,717)	(1,571,163)	(1,713,125)
1,112,039	867,315	363,574	916,088	406,886
2,018,165	1,993,212	2,491,297	70,425	16,004
6,214,416	8,676,543	4,407,753	277,647	654,642
				359,246
(8,178)	(80,199)	(5,018,804)	(1,619,258)	19,258
	(1,165,204)	(2,999,297)	(27,082)	(436,699)
\$ 9,336,442	\$ 10,291,667	\$ (755,477)	\$ (382,180)	\$ 1,019,337
3.36	3.48	3.49	2.71	2.67
1.67	1.63	1.64	1.28	1.23
34	31	37	38	38
467	456	468	496	489
885,799	938,124	877,589	934,772	935,928



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