

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City and Borough of Juneau (CBJ) Management's Discussion and Analysis (MD&A) provides the narrative overview and analysis of the financial activities of the CBJ for the fiscal year ended June 30, 2016. Readers should consider the information presented here in conjunction with additional information in the letter of transmittal, which can be found on pages vii-xi of this report.

FINANCIAL HIGHLIGHTS

- CBJ net position increased by \$15.8 million (1.7%). The governmental net position increased by \$10.2 million (2.8%) and the business-type net position increased by \$5.5 million (1.0%).
- Total assets and deferred outflows of resources of CBJ increased \$32.4 million (2.6%).
- Total liabilities and deferred inflows of resources of CBJ increased \$16.6 million (5.3%).

These variances are discussed on pages 5 through 6.

- The governmental activity revenue decreased \$11.2 million (7.4%). Business-type activity revenue decreased \$44.3 million (25.0%).
- The total cost of all CBJ programs increased by \$4.0 million (1.6%).
- The most significant governmental activity is public safety, which represents 20.5% of governmental expenses and 9.9% of total expenses. The most significant business-type activity is the hospital, which represents 72.8% of business-type expenses and 37.6% of total expenses.

These variances are discussed on pages 6 through 9.

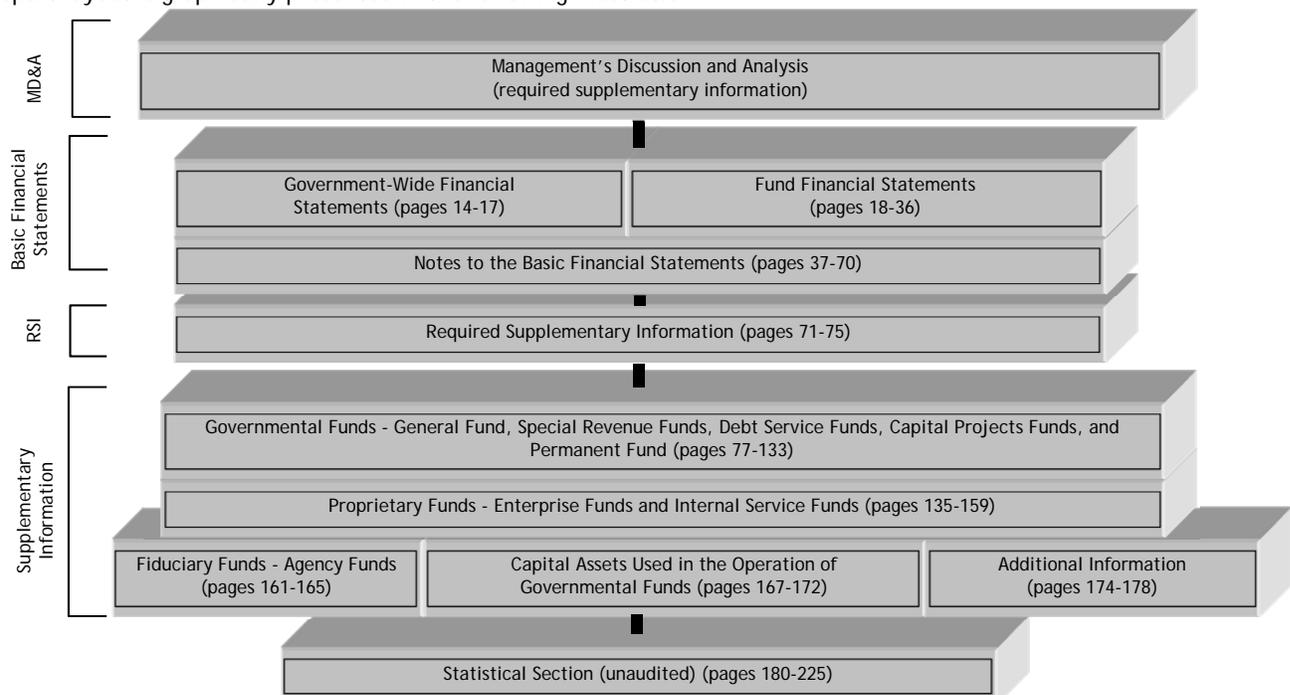
- The General Fund (the primary operating fund), on the current resources basis, reported an increase in fund balance of \$3.4 million (12.4%).

The General Fund is discussed in greater detail beginning on pages 8 through 9.

REPORT FORMAT

The comprehensive annual financial report is presented with the Management's Discussion and Analysis (MD&A). The report consists of government-wide statements, fund financial statements, notes to the financial statements, required supplementary information, combining statements of major and non-major funds, and supplementary information.

The report layout is graphically presented in the following illustration:



MANAGEMENT'S DISCUSSION and ANALYSIS

For the year ended June 30, 2016

The first statements are highly condensed and present a government-wide view of the CBJ's finances. Within this view all operations are reported as either governmental or business-type activities. Governmental activities include basic services such as public safety, public transportation, public works, parks and recreation, community development and lands management, and general government administration. Business-type activities include airport, hospital, water, wastewater, harbors, dock, and waste management. The government-wide statements include the Statement of Net Position (Deficit) and the Statement of Activities.

The focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives allow the user to focus on the more relevant financial issues and broaden their basis for year to year or government to government comparisons.

OVERVIEW OF FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the CBJ's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the CBJ's finances, in a manner similar to a private-sector business.

The Statement of Net Position (Deficit) presents information on all of the CBJ's assets and liabilities, with the difference reported as net position (deficit). Over time, increases or decreases in net position (deficit) may serve as an indicator of whether the City's financial position is improving or declining.

The Statement of Activities demonstrates how the net position (deficit) changed during the fiscal year. All changes in net position (deficit) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused personal leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

These statements discretely present the financial position and activities of the school district, which is a component unit.

The government-wide financial statements can be found on pages 14-17 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The CBJ, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the CBJ can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. Governmental fund financial statements help identify the financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the governmental fund balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. A reconciliation is presented to facilitate this comparison between *governmental funds* and *governmental activities*.

The CBJ maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major governmental funds. The major governmental funds are the general fund, the sales tax special revenue fund, and the general debt service fund. Data from the remaining special revenue funds, capital projects funds, and permanent fund is presented in aggregate. Detail by fund type is presented in the combining statements.

MANAGEMENT'S DISCUSSION and ANALYSIS

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The CBJ adopts an annual budget for all operating funds. A budgetary comparison statement has been provided for each major governmental fund.

The basic governmental fund financial statements can be found on pages 18-25 of this report.

Proprietary Funds - The CBJ maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Internal service funds are used to accumulate and allocate costs among the CBJ's various functions. *Internal service funds* account for central equipment and risk management services. Central equipment services predominately benefit governmental rather than business-type functions and have been included within governmental activities in the government-wide financial statements. Risk management services predominately benefit business-type functions and have been included within business-type activities.

The proprietary fund financial statements provide separate information for the airport, hospital, water, wastewater, harbors, dock, and waste management; and they are all considered major funds. The internal service funds are risk and fleet, which are presented in the aggregate with the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 26-35 of this report.

Fiduciary Funds - *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the CBJ's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 36 of this report.

Notes to the Financial Statements - The notes provide additional information to support and clarify the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-70 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as an indicator of a government's financial position. In the case of the CBJ, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$926 million as of June 30, 2016.

The largest portion of the CBJ's net position (89.4%) reflects its investment in capital assets (e.g. land, buildings, and machinery and equipment) less any related debt that is still outstanding. CBJ uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although CBJ's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this outstanding debt must be provided from other sources, as the capital assets themselves cannot be used as a source of funds to liquidate these liabilities. The amount of debt related to the investment in capital assets is \$145.4 million as of June 30, 2016.

CITY AND BOROUGH OF JUNEAU'S NET POSITION (DEFICIT)

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 98,416,833	96,921,240	170,936,473	196,160,230	269,353,306	293,081,470
Capital assets	469,891,611	470,029,000	498,776,318	453,912,290	968,667,929	923,941,290
Deferred outflows of resources	10,579,048	3,923,362	9,340,368	4,588,321	19,919,416	8,511,683
Total assets & def. outflows	578,887,492	570,873,602	679,053,159	654,660,841	1,257,940,651	1,225,534,443
Current & other liabilities	9,992,584	10,235,188	33,546,118	23,626,552	43,538,702	33,861,740
Long-term liabilities	183,748,773	186,788,504	97,565,570	85,794,187	281,314,343	272,582,691
Deferred inflows of resources	4,795,463	3,738,818	1,844,839	4,678,812	6,640,302	8,417,630
Total liabilities & def. inflows	198,536,820	200,762,510	132,956,527	114,099,551	331,493,347	314,862,061
Net position (deficit):						
Investment in capital assets	366,047,060	344,714,712	462,249,780	415,945,310	828,296,840	760,660,022
Restricted	37,282,651	16,458,179	46,359,045	73,798,632	83,641,696	90,256,811
Unrestricted (deficit)	(22,979,039)	8,938,201	37,487,807	50,817,348	14,508,768	59,755,549
Total net position	\$ 380,350,672	370,111,092	546,096,632	540,561,290	926,447,304	910,672,382

MANAGEMENT'S DISCUSSION and ANALYSIS
For the year ended June 30, 2016

Total assets and deferred outflows of resources for governmental activities increased \$8.0 million, while total liabilities and deferred inflows of resources decreased \$2.2 million, resulting in an overall increase of \$10.2 million in net position. Likewise, total assets and deferred outflows of resources for business-type activities increased \$24.4 million, while total liabilities and deferred inflows of resources increased \$18.9 million resulting in an overall increase of total net position of \$5.5 million.

Overall, the government's net position increased by \$15.8 million during the current fiscal year compared to an increase of \$1.0 million in the prior fiscal year. This increase occurred even as revenues decreased (\$55.5 million or 16.9%) and expenses increased (\$4.0 million or 1.6%). The increase in expenses was restrained to counteract the decrease in revenue.

A portion of the CBJ's net position (\$83.7 million or 9.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$14.5 million or 1.6%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the CBJ was able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

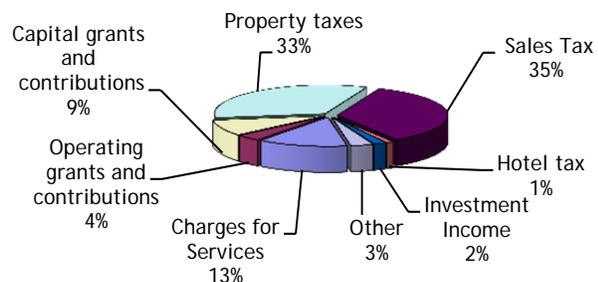
CITY AND BOROUGH OF JUNEAU'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
REVENUES:						
Program revenues:						
Charges for services	\$ 18,376,913	17,661,465	117,216,403	117,794,232	135,593,316	135,455,697
Operating grants & contributions	4,958,173	14,902,689	3,748,315	18,153,542	8,706,488	33,056,231
Capital grants & contributions	12,559,941	19,969,146	10,788,059	40,701,665	23,348,000	60,670,811
General revenues:						
Property taxes	46,969,301	45,839,741	-	-	46,969,301	45,839,741
Other taxes	50,502,608	47,727,114	-	-	50,502,608	47,727,114
Grants and contributions not restricted to specific programs	4,327,964	4,081,193	-	-	4,327,964	4,081,193
Other	2,868,690	1,581,175	1,206,003	621,959	4,074,693	2,203,134
Total revenues	\$ 140,563,590	151,762,523	132,958,780	177,271,398	273,522,370	329,033,921

Governmental Activities - Governmental activities net position increased \$10.2 million. Key elements of the change for governmental activities are as follows:

- Operating grants and contributions decreased \$9.9 million (66.7%) principally due to CBJ's share of the \$1 billion payment made by the state to the defined benefit plan on-behalf of all participating employers, received in the prior year.
- Capital grants and contributions decreased \$7.4 million (37.1%) due to completion of the valley branch of the library reducing state grant funds.

**Revenues - Governmental Activities
 Fiscal Year Ended June 30, 2016**



MANAGEMENT'S DISCUSSION and ANALYSIS

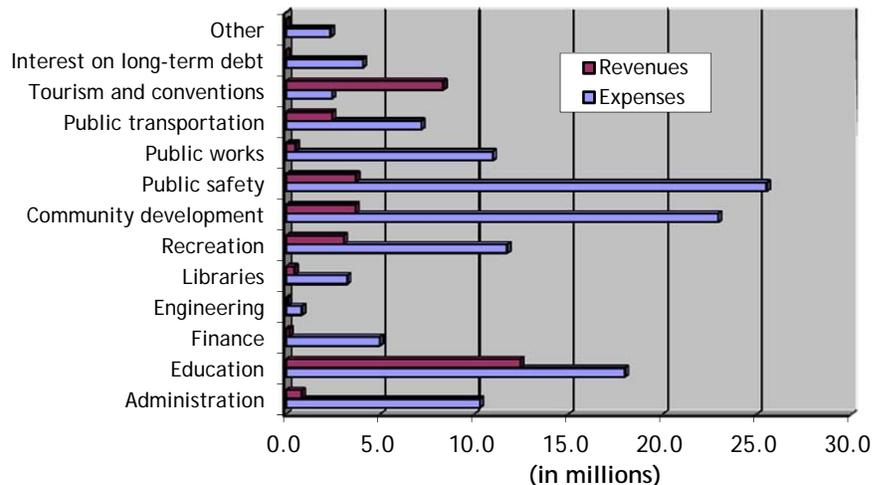
For the year ended June 30, 2016

CITY AND BOROUGH OF JUNEAU'S CHANGES IN NET POSITION (continued)

EXPENSES:	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Administration	\$ 10,301,167	10,601,941	-	-	10,301,167	10,601,941
Education	17,998,647	30,644,340	-	-	17,998,647	30,644,340
Finance	4,982,832	4,702,927	-	-	4,982,832	4,702,927
Engineering	854,175	917,558	-	-	854,175	917,558
Libraries	3,264,478	3,555,597	-	-	3,264,478	3,555,597
Recreation	11,748,236	10,863,398	-	-	11,748,236	10,863,398
Community development	22,944,555	5,267,279	-	-	22,944,555	5,267,279
Public safety	25,520,984	25,356,157	-	-	25,520,984	25,356,157
Public works	10,989,194	10,854,785	-	-	10,989,194	10,854,785
Public transportation	7,189,069	7,923,077	-	-	7,189,069	7,923,077
Tourism and conventions	2,447,657	2,406,074	-	-	2,447,657	2,406,074
Interest on long-term debt	4,082,394	3,995,945	-	-	4,082,394	3,995,945
Other	2,380,737	1,630,703	-	-	2,380,737	1,630,703
Airport	-	-	9,172,571	9,078,539	9,172,571	9,078,539
Harbors	-	-	4,954,263	4,844,725	4,954,263	4,844,725
Docks	-	-	2,705,397	2,417,339	2,705,397	2,417,339
Hospital	-	-	96,897,228	99,844,666	96,897,228	99,844,666
Water	-	-	5,732,274	5,697,779	5,732,274	5,697,779
Wastewater	-	-	12,384,091	12,089,697	12,384,091	12,089,697
Waste Management	-	-	1,197,499	1,080,016	1,197,499	1,080,016
Total expenses	124,704,125	118,719,781	133,043,323	135,052,761	257,747,448	253,772,542
Change in net position						
before transfers	15,859,465	33,042,742	(84,543)	42,218,637	15,774,922	75,261,379
Transfers	(5,619,885)	(30,498,125)	5,619,885	30,498,125	-	-
Increase in net position	10,239,580	2,544,617	5,535,342	72,716,762	15,774,922	75,261,379
Net position beginning of year	370,111,092	399,903,860	540,561,290	509,742,645	910,672,382	909,646,505
Restatement	-	(32,337,385)	-	(41,898,117)	-	(74,235,502)
Net position end of year	\$ 380,350,672	370,111,092	546,096,632	540,561,290	926,447,304	910,672,382

Expenses and Program Revenues - Governmental Activities
Fiscal Year Ended June 30, 2016

- Community development expenses increased \$17.7 million (335.6%) and Education expenses decreased \$12.6 million (41.3%) due to reclassifications to more correctly report expenses by function.
- Recreation expenses increased \$0.9 million (8.1%) due to park and playground improvements made.

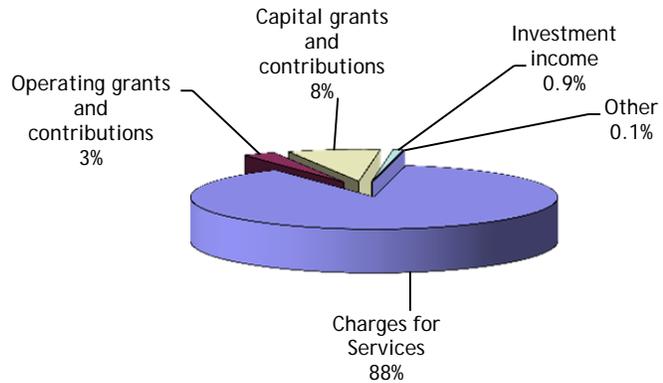


MANAGEMENT'S DISCUSSION and ANALYSIS
 For the year ended June 30, 2016

Business-type Activities - Business-type activities increased the CBJ's net position by \$5.5 million. Key elements of this increase are as follows:

- Capital grants and contributions decreased \$29.9 million (73.5%) due to no additional funds transferred to the cruise ship terminal project and reduced capital contributions at the airport.
- Bartlett Regional Hospital expenses decreased \$2.9 million (3.0%) principally due to CBJ's share of the \$1 billion payment made by the state to the defined benefit plan on-behalf of all participating employers received in the prior year.

Revenues - Business-type Activities
 Fiscal Year Ended June 30, 2016



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the CBJ uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

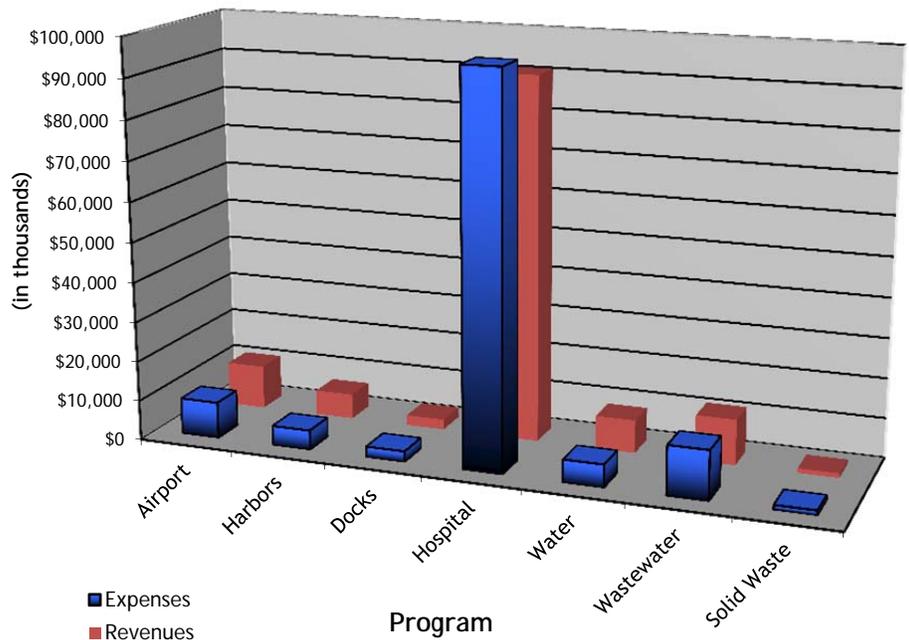
Governmental Funds - The focus of the CBJ's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the CBJ's financing requirements. In particular, unassigned fund balance may serve as a measure of a government's net resources available for spending at the end of the fiscal year.

CBJ's governmental funds reported combined ending fund balances of \$78.9 million, an increase of \$1.9 million (2.4%) over the prior year due to decreased expenditures.

Fund balances have been classified as follows (see page 43):

- \$ 5.7 million as non-spendable,
- \$33.7 million as restricted,
- \$ 7.5 million as committed,
- \$21.7 million as assigned, and
- \$10.3 million as unassigned.

Expenses and Revenues - Business-type Activities
 Fiscal Year Ended June 30, 2016



Of the assigned amount, \$4.2 million is set aside for FY17 budgetary spending, \$4.0 million to meet the liability for earned but unused leave, and \$0.1 million for other assigned purposes. The remaining \$13.4 million in assigned fund balance for budget reserve purposes. This amount is secured by the assigned fund balance in the general fund.

The General Fund is the primary operating fund of the CBJ. At the end of the current fiscal year unassigned fund balance was \$10.3 million, while total fund balance reached \$30.9 million. In October 2012, the Assembly passed a resolution establishing the Budget Reserve (previously called the emergency budget reserve) which requires Assembly action to expend the reserve.

MANAGEMENT'S DISCUSSION and ANALYSIS

For the year ended June 30, 2016

Significant changes are as follows:

- Investment and interest income increased \$1.1 million (79.9%) due to an improved market.
- State revenues decreased \$10.2 million (62.6%) due to CBJ's share of the \$1 billion payment made by the state to the defined benefit plan on-behalf of all participating employers being received in the prior year.
- Public safety expenditures decreased \$3.3 million (13.6%) due to CBJ's share of the \$1 billion payment made by the state to the defined benefit plan on-behalf of all participating employers being expensed in the prior year.

The Sales Tax Special Revenue Fund makes up about 33.4% of total governmental fund revenue. It is largely composed of 5.0% sales tax and 3.0% liquor tax.

Significant changes are as follows:

- Sales tax revenue increased \$2.2 million (5.0%). This can be attributed to the increase in cruise ship passengers and changes in the sales tax ordinance.
- Sales tax transfers to other funds increased by \$1.7 million (3.8%). Sales tax is used for general governmental operations, debt service, and capital projects. Liquor tax is primarily used to fund Rainforest Recovery at Bartlett Regional Hospital. In FY16 transfers to Enterprise Capital Projects increased \$2.2 million (288.3%) principally to support Water and Harbor projects; transfers to Capital Projects Fund increased \$1.1 million (9.4%); and transfers to the General Fund decreased \$1.3 million (4.8%).

The General Debt Service Fund accounts for all principal and interest payments on outstanding general governmental bond debt. At the end of the current fiscal year, the restricted fund balance was \$3.6 million.

Significant changes are as follows:

- Principal expenditures decreased \$0.6 million (3.3%) with no significant new debt entering repayment status.
- Transfers from other funds increased \$1.6 million (50.2%) reflecting the increased funds received from sales tax.

Enterprise Funds - The CBJ's enterprise funds encompass the business-type activities presented in the government-wide financial statements, which include the airport, hospital, water, wastewater, harbors, dock, and waste management; excluding internal service fund activity.

At the end of the current fiscal year, total combined enterprise fund net position was \$539.0 million; an increase of \$6.0 million (1.1%) over the prior year, excluding internal service funds. Of this amount, \$30.4 million represented unrestricted net position. This amount is equal to 26.9% of operating expenses exclusive of depreciation.

Individually, the water utility experienced the largest increase in net position, \$4.3 million (7.9%).

Significant changes are as follows:

- Overall, operating revenues were fairly flat with a \$0.6 million (0.5%) decrease. The hospital experienced the largest dollar decrease of \$2.1 million (2.3%) over the prior year. The wastewater utility experienced the largest dollar increase of \$1.2 million (12.1%).
- Overall, salaries and fringe benefits decreased \$3.9 million (4.9%). This was principally due to a \$4.3 million (6.4%) decrease at the hospital.
- Overall, commodities and services were virtually unchanged from the prior year with a decrease of \$70 thousand (0.2%). Decreases at harbors and the wastewater utility of \$0.2 million (11.6%) and \$0.3 million (0.5%), respectively, were offset by increases at the hospital and dock of \$0.2 million (0.7%) and \$0.1 million (20.9%), respectively.

GENERAL FUND BUDGETARY HIGHLIGHT

The difference in the change in fund balance between the original budget and final amended budget was \$2.8 million and can be briefly summarized as follows:

- Revenue from state sources increased \$2.7 million due to additional grants being obtained.

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For the year ended June 30, 2016

- Legislative expenditure budget increased \$2.4 million (72.5%). This reflects additional support budgeted for Housing First during the fiscal year.

Actual revenues were \$0.6 million (0.9%) more than budget, while actual expenditures were \$5.5 million (5.8%) less than budget, resulting in an actual net increase in fund balance of \$2.4 million; the original budget had anticipated a decrease. The revenue increase occurred due to the excess of \$0.6 million (1.5%) in taxes and \$0.2 million (11.1%) in investment income. The expenditure decrease was primarily due to legislative expenditures being under budget by \$1.4 million (25.1%) due to the additional support budgeted for Housing First not being expended during the fiscal year. Other decreases were spread over many functions and are a result of a reduction in spending in anticipation of projected budget shortfalls in the upcoming fiscal years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The CBJ's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$968.7 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the CBJ's investment in capital assets for the current fiscal year was \$44.7 million (4.8%). Governmental capital assets decreased \$0.1 million (0.03%), while business-type capital assets increased \$44.9 million (9.9%).

Major capital asset events during the current fiscal year included the following:

- Depreciation expense for the fiscal year was \$35.4 million, which was an increase of \$2.6 million (8.0%) from the \$32.8 million in FY15.
- Construction in progress decreased \$78.2 million (14.6%).
- Major asset additions included capital projects such as Glacier Valley and Harborview Renovations and infrastructure improvement to streets, water utility and wastewater utility.

CITY AND BOROUGH OF JUNEAU'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 35,117,870	35,117,870	18,025,499	18,025,499	53,143,369	53,143,369
Buildings and improvements	198,731,749	94,388,135	167,072,376	159,344,113	365,804,125	253,732,248
Equipment	18,283,435	18,940,184	18,710,380	13,419,250	36,993,815	32,359,434
Infrastructure	55,122,450	48,944,981	-	-	55,122,450	48,944,981
Construction in progress	162,636,107	272,637,830	294,968,063	263,123,428	457,604,170	535,761,258
Totals	\$ 469,891,611	470,029,000	498,776,318	453,912,290	968,667,929	923,941,290

Additional information on the CBJ's capital assets can be found in Note 7 on page 52 of this report.

Debt Administration - As of June 30, 2016, the CBJ had a total of \$154.4 million in bond debt, which consisted of eighteen general obligation and six revenue bond issues. The general obligation issues accounted for \$98.9 million and the revenue bonds accounted for \$55.5 million.

CITY AND BOROUGH OF JUNEAU'S OUTSTANDING DEBT

Bonds and Notes Payable

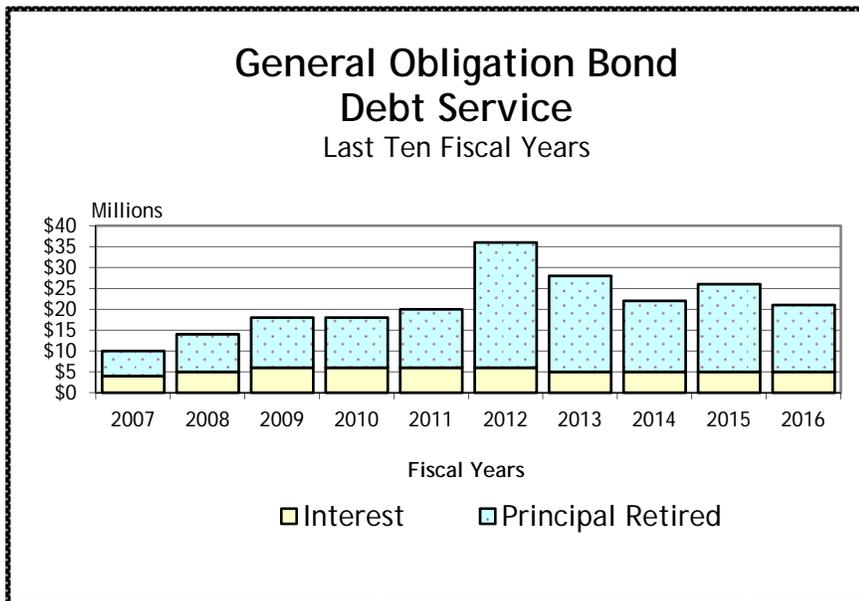
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 98,879,000	115,314,000	-	-	98,879,000	115,314,000
Revenue bonds	25,405,000	26,515,000	30,095,000	31,290,000	55,500,000	57,805,000
Notes payable	-	-	6,548,222	7,146,443	6,548,222	7,146,443
Totals	\$ 124,284,000	141,829,000	36,643,222	38,436,443	160,927,222	180,265,443

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The last Moody's Investor's Services rating on the CBJ's bonds was Aa2. The government's general obligation bonded indebtedness is not subject to a legal debt ceiling. CBJ's general obligation bond debt per capita is \$2,971. A more detailed analysis of bonded debt is contained in the Statistical Section, page 209.

Approximately 67.0% or \$66.3 million of CBJ's \$98.9 million in outstanding general obligation bond debt as of June 30, 2016 represents school debt issued for school construction, repairs, or technology. All of the outstanding school debt qualifies for the State of Alaska's School Construction Bond Debt Reimbursement program. Under this program, the State financially assists local communities with the financing of construction and major repair of school facilities. The amount reimbursed varies depending on the year of issuance, the amount of the issuance qualifying, and the State appropriation levels. State aid received by the CBJ is based on reimbursement rates varying between 60% and 70% of the qualifying debt service.



The general obligation debt decreased \$16.4 million (14.3%) in the current year. This net decrease is principally due to principal payments made during the year.

The revenue bond debt decreased \$2.3 million (4.0%) principally due to principal payments made during the year.

Voters of the CBJ approved a \$25 million ballot measure in October 2012, authorizing the issuance of bonds for the renovation, construction, and capital improvements to the facilities of the CBJ. The facilities included are the Airport Terminal, Aurora Harbor, Capital Transit Maintenance Shop, Eaglecrest Learning Center, Centennial Hall, and other Parks and Recreation facilities. In March 2013 \$2.6 million was issued and the remaining \$22 million was issued in October 2014. No new bonded debt was issued during the current year.

Additional information on the CBJ's long-term debt can be found in Note 9 on pages 53-58 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic diversity is very important to the future of the CBJ. The dominance of state government employment, coupled with the state's continued reliance on revenues from oil production makes diversification a key factor in CBJ's long-term economic stability. However, the CBJ is blessed with abundant resources; scenery for tourism, minerals for mining, fish for fishery development, and a prime location to provide regional merchandising to other communities. These resources, combined with our strongly reaffirmed role as Alaska's capital city, indicate that Juneau has a stable future.

Total employment for the past six years, 2010 through 2015, has remained steady at about 17,900 with the decrease in government jobs being offset by an increase in private sector jobs. However, the private sector jobs were lower paying and most likely seasonal. In 2015 the largest employer was state government followed by local government, retail trade, and leisure and hospitality industry (Juneau Economic Development Council, Juneau and Southeast Economic Indicators 2016).

The State of Alaska depends heavily on oil production as its primary source of operating revenues. With the current low oil prices, the State's financial situation is not as strong as in prior years. The State's employment and financial activity is a very influential component of Juneau's economy. The State's employment represents approximately 26% of total local employment. This stability is significant as it is a key factor in helping to keep Juneau's unemployment rate below the state average (4.4% average for 2016 January through October, Alaska Department of Labor, not seasonally adjusted). However, as the state addresses budget issues, CBJ most likely will see decreasing state employment which will be reflected in the local economy.

Cruise passenger visitation increased in 2015 and is expected to top 1 million visitors in 2016 and 2017. The CBJ sales tax revenue increased \$2.2 million (5%) in FY16, most likely resulting from this increase. Property values have trended up over the past six years allowing the mill rate to remain flat without putting pressure on the CBJ's ability to maintain service levels.

MANAGEMENT'S DISCUSSION and ANALYSIS

For the year ended June 30, 2016

The CBJ divides its annual mill levies between operations and debt service. There is a 12 mill cap applied to the operating mill levy with no local limitation being applied to the debt service mill levy. The stable economy has allowed the CBJ to maintain a flat "operating" property tax mill levy (excluding debt service) of 9.26 mills since FY07. This is well below the operating mill levy cap (Charter provision) of 12 mills. The debt service mill levy of 1.5 mills (specific to voter approved general obligation debt) had no change from FY15 to FY16. The mill levy (operational & debt service) is 10.76 for FY16.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the CBJ's finances and to demonstrate the CBJ's accountability for the money it receives. If you have any questions about this report or need additional financial information, a request should be addressed to the City and Borough of Juneau, Controllers Division, Finance Department, 155 S. Seward, Juneau, AK 99801 or please call (907) 586-5216. This financial report is also available on the internet at http://www.juneau.org/financeftp/controller_CAFR.php. Prior year reports are posted at this internet address back to 1999.

Bartlett Regional Hospital has issued its own separate audited financial statements for FY16. These statements may be obtained by calling (907) 796-8900.

The CBJ component unit issues its own separate audited financial statements. These statements may be obtained by either directly contacting the City and Borough of Juneau School District offices at (907) 523-1700 or on their website at <http://www.juneauschools.org/administrative-services-c9bc0d24>.