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The City and Borough of Juneau, Alaska (CBJ) has an estimated population of 33,026 living within an area of 3,248 square miles making it the largest area capital city in the country. The population grows significantly during the summer when cruise ships frequent our port. Approximately one million people visit CBJ annually. Juneau is the capital of Alaska and located in the panhandle of Alaska along the British Columbia coast. The CBJ was formed as a unified government by a Home Rule Charter on July 1, 1970 under the provisions of Alaska Statutes, Title 29, as amended.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CBJ have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

A. REPORTING ENTITY

The CBJ operates under an assembly-manager form of government and provides the following services; general administrative, education, planning and zoning, port, boat harbors, airport, wastewater and water utilities, hospital, ski resort, parking and library and, as approved by the citizens, road services, fire service, police, recreation, capital transit, land management, tourism and conventions, gravel pits, hazardous waste disposal, and recycling.

The financial statements of the reporting entity include those of the CBJ (the primary government) and its component unit the City and Borough of Juneau School District (School District). The component unit is discussed below and is included in the reporting entity because of its financial dependence on the CBJ even though the voters elect the School Board.

The Assembly appoints the members of the Airport Board, Docks and Harbors Board and the Bartlett Regional Hospital Board to oversee routine operating activities. The entities are not legally separate from the CBJ and they are considered part of the primary government for financial reporting purposes.

Discretely Presented Component Unit
The financial data of the component unit included in the financial reporting entity meets the criteria for discrete presentation and is presented in the component unit column in the financial statements. It is reported in a separate column to emphasize that it is legally separate from the CBJ. The School District, which has a June 30 year-end, issues separate financial statements. Complete financial statements of the School District can be obtained from their administrative office at 10014 Crazy Horse Drive, Juneau, AK 99801.

The CBJ Assembly (Assembly) approves the total annual budget of the School District and, during the year, may increase or decrease the total appropriation. The Assembly approves the borrowing of monies and issuance of bonds for the School District to finance the acquisition and construction of the school facilities. CBJ retains ownership of the educationally related capital assets and has delegated the operational responsibility for public education to the School District.

Joint Ventures
CBJ participates in two joint ventures with a private corporation to lease property for the development of certain mineral rights. The joint venture agreement gives CBJ the authority to appoint one-half of the board members, but no authority to direct action by itself. The private sector partner maintains the operation and fiscal control of joint venture activities. CBJ, as a partner, has access to the joint venture's resources with the concurrence of the other partner. A substantial portion of the benefits generated by the joint ventures is retained by the private sector partner and not available to the general public. CBJ has not provided special support or financing arrangements for joint venture operations.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements with the exception of the internal service funds, that are reported as governmental or business type as determined by their primary services. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from legally separate *component units* for which the primary government is financially accountable.

The statement of net position (deficit) presents the financial condition of the governmental and business-type activities of the CBJ at year-end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the CBJ are included on the statement of net position (deficit). The statement of activities reports revenues and expenses.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the CBJ finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the CBJ, the phrase “soon enough thereafter” means expected to be received within sixty days of year-end.

Revenues - Non-exchange Transactions – Non-exchange transactions, in which the CBJ receives value without directly giving equal value in return, include sales taxes, property taxes, grants, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the CBJ must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the CBJ on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within sixty days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as unearned revenue (i.e., they are measurable but not available) rather than as revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Financial Statement Presentation
The CBJ reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. In prior years the Roaded Service Area and Fire Service Area were accounted for as Special Revenue Funds. In FY15 management determined that all three taxing areas should be combined for financial reporting purposes.

The *Sales Tax Fund* accounts for the revenues received from tax on the sale of goods and services. Funds are committed for use in specific areas and/or for specific purposes as advised by the ballot initiatives for each of the components of the CBJ's permanent and temporary sales tax.

The *General Debt Service Fund* accounts for the principal, interest and fiscal charges on all general obligation debt and property purchase agreements, except for the debt and property purchase agreements attributable to the proprietary fund types. Revenues are from bond proceeds, interest earned on unspent bond proceeds, property tax, State of Alaska school debt reimbursement and interfund transfers.

The CBJ reports the following major enterprise funds:

The *Juneau International Airport Fund* accounts for operations, maintenance, capital improvements and expansion of the Juneau International Airport. Its major revenues consist of property leases, airport user fees, fuel flowage fees, service charges, concessions and short-term rental agreements.

The *Bartlett Regional Hospital Fund* accounts for the health care and other services provided by the CBJ-owned and operated hospital.

The *Areawide Water Utility Fund* accounts for the provision of water treatment and distribution to the residents and commercial users of the CBJ.

The *Areawide Wastewater Utility Fund* accounts for provision of collection and treatment of wastewater to the residents and commercial users of the CBJ.

The *Boat Harbors Fund* accounts for the operations, maintenance and capital improvements to the four CBJ-owned boat harbors and numerous launch ramps.

The *Dock Fund* accounts for operations, maintenance and capital improvements to the CBJ-owned docks which are heavily used by over 500 cruise ships during the summer months.

The *Waste Management Fund* accounts for hazardous waste disposal and recycling programs provided to the residents of the CBJ.

Additionally, the CBJ reports the following fund types:

Governmental Fund Types:

Special Revenue Funds account for operating activities financed by specific revenue sources that are restricted for specified purposes. Examples include transportation and taxes.

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds account for financing resources to be used for acquisition or construction of major capital facilities (other than those financed by Proprietary Fund Types).

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the CBJ programs.

Proprietary Fund Types:

Internal Service Funds account for goods or services provided primarily to other agencies or funds of the CBJ, rather than to the general public. These goods and services include risk management, health-related fringe benefits, fleet, and fleet management. In the government-wide statements, internal service funds are allocated based on the history of its primary customers. Central equipment services are allocated to the governmental activities while risk management services are allocated to business-type activities.

Fiduciary Fund Types:

Agency Funds report assets and liabilities for deposits and investments entrusted to the CBJ as an agent for others. Activities include maintenance of commodities for individuals deemed incapable of managing these monies, promotion of the relationship between Juneau and her sister cities, historical projects, and the local library infrastructure.

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Equity in Central Treasury

This account represents a fund's equity in cash and investments of the central treasury of CBJ. All investments are stated at fair value. For funds with a negative equity in the central treasury, the amount is shown as an interfund payable to the General Fund.

Cash and Cash Equivalents

On the statement of cash flows for the proprietary funds, the CBJ has defined cash and cash equivalents as deposits maintained in the central treasury.

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles.

Inventories

Inventories, principally supplies, for all proprietary funds and certain government funds with material inventories, are valued at either cost or first-in, first-out (FIFO) using the consumption method. The remaining governmental fund inventories are accounted for as expenditures at the time of purchase.

Investments

Generally, investments are reported at fair value. Additional disclosures describing investments are provided in Note 3.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 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 general appropriation.

Restricted Assets

All resources related to the construction of new capital assets and other expenses are recorded as restricted assets in the respective enterprise and capital projects funds. Any reimbursements from outside sources for these projects are restricted accordingly.

Liabilities payable from these restricted assets include accounts payable, unearned revenue, and interfund payables to the general fund.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. The threshold for capitalization of assets is individual cost of $5,000 or more and an estimated useful life in excess of three years. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method (half-year convention the year the asset is placed in service) over the following estimated useful lives:

Assets	Years
Buildings	5-40
Building improvements	5-40
Public domain infrastructure	15-40
Parking areas and garages	30-40
Water and wastewater systems	
Treatment, distribution and reservoir systems	20-50
Lift stations, interceptors and laterals	20-40
Motor vehicles and motorized equipment	3-12
Furniture, machinery and equipment	5-28

Compensated Absences

CBJ employees earn personal leave rather than separate vacation and sick leave. Unpaid personal leave is accrued and reported as a liability in the period earned. In governmental fund types, leave is recorded as an expenditure when it is due. In proprietary fund types, leave is recorded as an expense when it is earned.

Unearned Revenue

Property taxes receivable but not collected within 60 days of year-end have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as unearned revenue.

Retirement Plans

All full-time employees of CBJ and the School District participate in either the State of Alaska Public Employees' Retirement System (PERS) or the State of Alaska Teachers' Retirement System (TRS). CBJ and the School District accrue and fund pension costs as incurred.

Long-term Note Receivable

CBJ has received various grants from the State to stimulate low-income housing and small business development. No-interest loans were made for construction of low-income housing and small business development. As the loans are repaid the funds are used to make additional loans or grants for similar purposes. Other interest bearing loans are related to the purchase of land from the CBJ.

The activities relating to these loans are recorded in the Affordable Housing, Community Development Block Grant and Lands Special Revenue Funds.

General Obligation Bonds

General obligation bonds are reported on the government-wide statements or in the respective Enterprise Funds. The debt is recorded in the funds responsible for retiring the debt.

Revenue Bonds

Revenue bonds are interest-bearing bonds that are issued by a government in anticipation of revenues to be received at a later date. The bonds are paid from the revenue to which it is related.

Debt Premiums, Discounts, Issuance costs and Debt Refunding Gains and Losses

On the government-wide and proprietary funds statements of net position (deficit), debt premiums and discounts are netted against the debt payable. On the government-wide statement of activities and the proprietary funds statement of revenues, expenses, and changes in net position, debt premiums and discounts, are deferred and amortized over the life of the bond using the effective interest method.

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

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

At the government 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.

Net Pension Liability

CBJ reports its proportionate share of the Net Pension Liability of PERS. For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS in the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Fund Balances
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 (deficit)."

Governmental funds report fund balance in classifications based primarily on the extent to which the CBJ is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance
The portion of a fund balance that cannot be spent because it is either: (a) not in a spendable form, such as prepaid items, inventories of supplies, or loans receivable; or (b) legally or contractually required to be maintained intact, such as the principal portion of an endowment.

Restricted Fund Balance
The portion of a fund balance that has constraints placed on the use of resources that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance
The portion of a fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action, such as an ordinance, of the Assembly. Commitments may be changed or lifted only by the Assembly taking formal action.

Assigned Fund Balance
The portion of a fund balance that is constrained by the government's intent to be used for specific purposes but are neither Restricted nor Committed. Through the Home Rule Charter Section 4.5 and Rules of Construction (CBJ Code 01.15.020), the Assembly has given the manager or the manager's designee, the Finance Director, authority to assign unrestricted fund balance amounts through the budgetary process where the CBJ's intent is for those amounts to be used for specific purposes.

Unassigned Fund Balance
The portion of a fund balance that does not fall into one of the above four categories. The General Fund is the only fund that should report a positive fund balance in this category.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

Net Position (Deficit)
Net position (deficit) represents the difference between assets and deferred outflows less liabilities and deferred inflows.

Net Investment in Capital Assets
Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the expended and outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Restricted Net Position
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.

Unrestricted Net Position (Deficit)
This amount is all net position (deficit) that does not meet the definition of "net investment in capital assets" or "restricted net position."

E. REVENUES AND EXPENDITURES/EXPENSES

In the government-wide statement of activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g. administration, education, public transportation, etc.). Additionally, revenues are classified between program and general revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Bartlett Regional Hospital's charges for services as reported in the statement of revenues, expenses, and changes in net position, include net patient service revenue, which is reported net of contractual allowances and charity care of $49,396,716 for the year ended June 30, 2016 and bad debt expense of $6,306,425 for June 30, 2016.

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.

Reimbursements
Reimbursement transactions occur when an expenditure is initially made from one fund but which is more appropriately applicable to another fund. These items are recorded as expenditures and expenses in the fund initially charged.

Interfund Services Provided and Used
Because governmental units operate with a number of funds, with each individual fund performing its specific functions, there are instances where funds are required to do business with each other. This business can be categorized as either an interfund transaction or an interfund transfer.

Interfund transactions are divided into two categories: exchange type activity and reimbursement transactions. Exchange type activities are those transactions that would be treated as revenues, expenditures or expenses if they involved parties external to CBJ. These types of transactions are accounted for as ordinary revenues, expenditures or expenses of the funds involved. An example of this type of transaction is when the Parks and Recreation Department buys water from the Water Department. This transaction is treated as an expenditure to the Parks and Recreation Department and as a revenue to the Water Department.

Interfund transfers are transfers between funds or the component unit that are required when revenue is generated in one fund and expenditures are paid from another fund. The majority of the transfers occur with respect to capital projects where General Fund and Special Revenue Fund monies are transferred to finance various capital projects.

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.

Comparative data/reclassifications
Comparative total data for the prior two years have been presented for all statements, schedules and presentations except for budget to actual statements and partial fund type combining schedules. This three-year presentation is consistent with prior year presentations. Certain prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

CBJ prepares, reviews, approves, and appropriates a biennial operating budget on a July 1 to June 30 fiscal year. Future appropriation will continue to be on an annual basis to comply with Charter provisions.

CBJ follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- The manager must submit to the Assembly, by April 5, the proposed operating budget for the fiscal year commencing July 1. The budget is a complete financial plan for all CBJ operations, including the education function. The budget is required to show reserves, estimated revenues from all sources, and proposed expenditures for all purposes.
- Public hearings are conducted between the submission and adoption dates to obtain taxpayer comments.
- The Assembly, by ordinance, must adopt by June 15, an operating budget for the following fiscal year.

The manager may transfer part or all of any unencumbered balance between classifications of expenditures within a department, excluding the education function. The Assembly must approve revisions to the total budget of any fund or department. Expenditures may not legally exceed budgeted appropriations. If during the fiscal year it is necessary to amend the originally adopted budget, the Assembly by ordinance may increase or decrease the original appropriation.

Formal budgetary integration is employed as a management control device during the year for all funds with adopted budgets. CBJ budgets on the modified-accrual basis plus encumbrances and compensated absences excluding capital leases for all governmental fund types. Proprietary fund types are budgeted on a modified-accrual basis plus encumbrances, compensated absences and replacement reserve.

CBJ adopts annual budgets for all government fund types (except for Community Development Block Grant (CDBG) Special Revenue Fund and Capital Projects Funds) and proprietary fund types. The budget for CDBG is budgeted when grants or transfers are appropriated and budgets for capital improvement projects are budgeted on a project-length basis. Budgeted amounts are as originally adopted or as amended by the Assembly during the fiscal year ended June 30, 2016. Amendments are due to new or amended grant awards from the State of Alaska or federal government and to revenues exceeding original estimates if intended to be spent during the current fiscal year.

The Assembly, as the oversight authority, approves the total annual budget of the School District. After adoption of the School District budget, the School District cannot exceed the total budget (legal level of control) without Assembly approval.

Appropriations lapse at year-end to the extent that they have not been expended or encumbered for all funds except Capital Project Funds, which lapse at project completion.

In October 2012, the Assembly adopted a new policy to maintain a general governmental budget reserve of not less than two months (16.7%) general operating revenue. General governmental operating revenue is comprised of the General Fund and the Sales Tax Special Revenue Fund. The budget reserve is intended to ensure adequate resources in the event of an emergency or significant unanticipated reduction in revenues. The CBJ budget reserve will be adjusted annually based on the most recently-audited annual financial statements. Appropriations from the budget reserve (use) requires Assembly action and will be limited to providing temporary funding for unforeseen needs on an emergency or nonrecurring basis; or to permit orderly budget reductions and/or tax adjustments, for a period not to exceed two fiscal years, when funding sources are lost or substantially reduced. If the budget reserve falls below the target (two months general governmental operating revenue or 16.7%) a plan for replenishment will be developed by the City Manager and presented to the Assembly for action. Reserve replenishment takes priority over tax reductions and/or mill rate reductions.

The budget reserve calculation for June 30, 2016 (using the most recently audited financial information) is as follows:

General Fund	$	58,029,593
Special Revenue Funds - Sales Tax		47,048,842
Total General Govenmental Revenues	$	105,078,435
Two month reserve amount	$	17,513,073

The amount available to fund the budget reserve for June 30, 2016 is as follows:

General Fund	$	22,579,913
Special Revenue Funds - Sales Tax		2,869,526
Total Available to fund reserve	$	25,449,439

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

		Final Appropriation	Actual expenditures, expenses and other financing uses on budget basis	Excess
Excess of expenditures, expenses and other financing uses over appropriations in individual funds by department level for the year ended June 30, 2016				
General Fund:				
Legal	$	2,023,268	2,203,318	(180,050)
Special Revenue Funds:				
Community Development Block Grant Fund		111,600	111,640	(40)
Tobacco Excise Tax Fund		16,400	16,808	(408)
Enterprise Funds:				
Bartlett Regional Hospital Fund		88,806,200	89,419,635	(613,435)
Dock Fund		1,493,081	1,740,583	(247,502)
Boat Harbors Fund		3,320,299	3,412,065	(91,766)

NOTE 3 – CENTRAL TREASURY

CBJ uses a central treasury concept to account for cash and investments for all funds and the component unit. The financial activity of the central treasury is accounted for in the General Fund. In some instances funds may overdraft their available cash balance in the central treasury. Specific fund overdrafts are treated as short-term loans and are reported on the balance sheets as liabilities, "interfund payable to the General Fund." The corresponding receivable is reported as an asset on the balance sheet "interfund receivables from other funds." Specific fund overdrafts are not reported as part of central treasury investments included in the general fund balance sheet. The cash and investment total of $214,722,720 reported as "equity in central treasury" represents the total actual central treasury balances as of June 30, 2016.

Investment income is allocated to funds when required by ordinance, regulation or bond covenant based on each fund's average monthly cash balance.

Demand Deposits
CBJ had the following demand deposits at June 30, 2016:

	Carrying Amount	Bank Balance
Demand deposits	$ 11,923,075	$ 12,696,827

Custodial Credit Risk - Deposits
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. As of June 30, 2016 CBJ maintains a collateral agreement with a depository financial institution, First National Bank of Alaska (FNBA). All collateral consists of obligations issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation, with market value not less than the collateralized deposit balances.

Investments

Fair Value of Investments
CBJ measures and records its investments using fair value measurements guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

At June 30, 2016, CBJ had the following recurring fair value measurements:

Investment Type		Fair Value	Fair Value Measurements Using Level 1	Level 2	Level 3
U.S. Treasury	$	93,860,322	93,860,322		
Federal Agency		4,025,270		4,025,270	
Asset-backed		915,296		915,296	
Corporate		72,765,043		72,765,043	
Commercial Paper		7,500,000		7,500,000	
Managed pool accounts		11,877,637		11,877,637	
Investment pool (AMLIP)[1]		7,380,627		7,380,627	
Total Fair Value	$	198,324,195	93,860,322	104,463,873	-

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using a market-based model which considers yield, price of comparable securities, coupon rate, maturity, credit-quality, and dealer-provided prices. CBJ does not have any debt and equity securities classified in Level 3.

A summary of CBJ's fixed income investments at June 30, 2016 is displayed below by type of instrument.

Investment Type		Investment Maturities (in years) Less Than 1	1-5	6-10	Greater Than 10	June 30, 2016
U.S. Treasury	$	25,563,494	68,296,828	-	-	93,860,322
Federal Agency		1,000,200	3,025,070	-	-	4,025,270
Asset-backed		-	915,296	-	-	915,296
Corporate		29,338,849	42,435,624	990,570	-	72,765,043
Commercial Paper		7,500,000	-	-	-	7,500,000
Managed pool accounts		11,877,637	-	-	-	11,877,637
Investment pool (AMLIP)[1]		7,380,627	-	-	-	7,380,627
Total Fair Value	$	82,660,807	114,672,818	990,570	-	198,324,195

[1] The Alaska Municipal League Investment Pool (AMLIP) is considered to be an external investment pool. Regulatory oversight of AMLIP is established by Alaska State Statute 37.23, which sets forth the requirements regarding authorized investments and reporting. The CBJ's share of the fair value in AMLIP is determined by the fair value per share of AMLIP's underlying portfolio. As of June 30, 2016, the fair value of CBJ's position in the pool approximates the value of CBJ's pool shares.

Equity Investments

A summary of CBJ's Mutual Fund investments at June 30, 2016 is displayed below:

Investment Type		Cost	Fair Value	Unrealized Gain
Total Bond Market Index	$	1,333,000	2,289,089	956,089
S&P 500 Index Fund		1,167,000	1,606,535	439,535
Developed Markets Index		500,000	579,827	79,827
Total	$	3,000,000	4,475,451	1,475,451

Investment Policies

CBJ's Finance Ordinance Code 57.25.020 authorizes CBJ to invest in the following securities:

Under internal portfolio management:

1. Obligations of, or obligations insured or guaranteed by, the United States or agencies or instrumentalities of the United States;
2. Commercial paper issued by corporations or businesses and rated at least A2/P2 by a nationally recognized rating service, and collateralized commercial paper with no time limit;
3. Bankers acceptances drawn on and accepted by a rated bank and eligible for rediscount with or purchase by Federal Reserve System banks;
4. Negotiable certificates of deposit issued by rated banks;

5. Nonnegotiable certificates of deposit secured as provided in Section 57.25.030;
6. Repurchase and reverse repurchase agreements secured by obligations insured or guaranteed by the United States or agencies or instrumentalities of the United States;
7. Bank obligations secured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Association;
8. U.S. dollar denominated corporate bonds and rated investment grade or higher by a nationally recognized rating agency at the time of purchase;
9. Mortgage-backed securities issued by an agency of the United States Government;
10. Custodial money market funds;
11. Loans to specified funds of the City and Borough for the purpose of capital acquisition, made as provided in Section 57.05.045;
12. An investment pool for public entities authorized by AS 37.23

Under external portfolio management:

In addition to the first nine items listed under internal portfolio management, the external manager may invest in the following:

1. Money market funds and other mutual funds;
2. Mortgage-backed securities, collateralized mortgage obligations, and asset backed securities rated A or higher by a nationally recognized rating agency at the time of purchase;
3. Futures and options subject to certain limitations.

Under long portfolio management:

1. *Domestic fixed income*: Securities issued in the United States matching security types, quality and maturity ranges contained in the Barclays US Aggregate Float Adjusted Index;
2. *Domestic equity*: Common and preferred stock issued by companies domiciled in the United States, and traded on a domestic stock exchange, or traded through the National Association of Securities Dealers Automated Quotation (NASDAQ) system;
3. *International equity*: Common and preferred stock issued by companies domiciled outside the United States, primarily in developed countries, as defined by the FTSE Developed ex North America Index.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. CBJ limits its exposure to credit risk by limiting investments to the quality permitted in its investment policies and by requiring each portfolio be diversified with regard to specific issuer, industry and sector.

The credit quality ratings of CBJ's investments as of June 30, 2016, as described by the nationally recognized statistical rating organization Standard & Poor's, are shown below:

	S&P Rating	Investment Fair Value	% of Total
U.S. Treasury		$ 93,860,322	47.33
Federal Agency	AA+	4,025,270	2.03
Asset-backed*	AAA	447,498	0.22
Asset-backed	AA+	467,798	0.24
Corporate	A1/P1	7,500,000	3.78
Corporate**	AAA	756,803	0.38
Corporate	AA	10,302,131	5.19
Corporate	A	34,262,349	17.28
Corporate	BBB	27,443,760	13.84
Managed pool accounts	not rated	11,877,637	5.99
External investment pool (AMLIP)	not rated	7,380,627	3.72
		$ 198,324,195	100.00

* Two securities not rated by S&P but are rated by Fitch and Moody's AAA/Aaa, respectively.

** Cusip 90349CAA2 not rated by S&P but is rated by Fitch and Moody's AAA/Aaa, respectively.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. CBJ's investment policy limits this risk by limiting investments from one issuer to no greater than ten percent of the portfolio with the exception of securities of the U.S. government or agencies, the Alaska Municipal League Investment Pool (AMLIP) or collateralized investments.

As of June 30, 2016, CBJ had no concentrations exceeding five percent from any issuer.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. To mitigate custodial credit risk for its investments, CBJ maintains an independent custody bank (US Bank) to hold all investments registered in CBJ's name and requires delivery versus payment (DVP), in which the securities are provided at the same time or before payment is made.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from increasing interest rates, CBJ's investment policy limits the maturity and duration of its portfolio segments as follows:

Short-term investments, set up to meet current cash requirements, are restricted to maturities of less than twenty-four months, a duration of less than one year, and held to maturity.

Short-Intermediate investments, set up to meet cash requirements over the next two to five years, are restricted to maturities of less than sixty-six months, a duration of less than three years, and are usually held to maturity.

Intermediate investments, consisting of funds not needed within the next five years, have no specific maturity restriction but are controlled by the duration limits of Barclay's Capital Intermediate Government/Credit Index. The Barclay's Capital Intermediate Government/Credit Index modified duration at June 30, 2016 was 4.08 with an annual performance of 4.32%.

Long Portfolio investments, consisting of funds to be invested in perpetuity, include fixed income investments in a mutual fund. The fund is designed to track the performance of the Barclays Capital U.S. Aggregate Bond Index which had a modified duration of 5.47 and annual performance of 5.98% at June 30, 2016.

Modified Duration

Duration is a measure of a debt investments' exposure to fair value changes arising from changing interest rates. For example, if interest rates fell by 1 percent, the value of a security or portfolio having a modified duration of 3.0 generally would increase in price by 3 percent.

The modified duration for CBJ's investments as of June 30, 2016 is as follows:

Investment Type	Investment Fair Value	Modified Duration
U.S. Treasury	$ 93,860,322	1.563
Federal Agency coupon	4,025,270	1.044
Corporate commercial paper	7,500,000	0.000
Corporate coupon	72,765,043	1.379
Corporate asset-backed	915,296	0.070
Managed pool accounts	11,877,637	0.000
External investment pool (AMLIP)	7,380,627	0.000
	$ 198,324,195	
Portfolio modified duration		1.266

Demand Deposits and Investments - Reconciliation to Equity in Central Treasury

Demand Deposits and Investments:

Demand deposits (carrying amount)	$ 11,923,075
Investments	198,324,195
Equity investments	4,475,450
Demand Deposits and Investments	$ 214,722,720

Equity in Central Treasury:

Equity in central treasury	$ 120,235,539
Restricted assets: Equity in central treasury	88,128,249
School District component unit	5,505,323
Agency funds	853,609
Equity in central treasury	$ 214,722,720

NOTE 4 - RECEIVABLES DETAIL

Receivables at June 30, 2016 are as follows:

		Governmental Activities		Business-type Activities		
		Receivables	Allowance for Uncollectibles	Receivables	Allowance for Uncollectibles	Total
Customers	$	3,980,023	(327,373)	26,360,803	(492,245)	29,521,208
Taxes		8,995,189	(91,844)	-	-	8,903,345
Long-term notes		759,901	-	-	-	759,901
Special assessments		148,135	-	-	-	148,135
Other		1,988	-	20,878	(2,366)	20,500
Totals	$	13,885,236	(419,217)	26,381,681	(494,611)	39,353,089

NOTE 5 - PROPERTY TAXES

Property tax is considered an enforceable lien at the January 1 assessment date. Mill levies are set prior to June 15 to finance the period July 1 through June 30 of the following year as required by ordinance. Receivables are recognized and revenues are recorded when taxpayer liability is calculated and billed on July 1. Property tax bills are due September 30.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Each fund participates in the central treasury as described in Note 1. Deficits in central treasury are accounted for as interfund payables to the General Fund and represent payable balances in addition to the amounts described above. Interfund payables at June 30, 2016 amounted to $5,369,508 to the General Fund. General Fund balance has been reserved for that portion of deficits in central treasury that are considered long-term. A balance is considered long-term if budgeted revenues over expenditures for fiscal year 2016 do not exceed the current year deficit cash balance.

		Fund Level				
Interfund payables/receivables:		Interfund Payable	Interfund Payable - Restricted Assets	Interfund Receivable General Fund	Additions (Eliminations)	Government-wide Internal Balances
Governmental Funds:						
Sales Tax	$	4,394,188	-	4,394,188	(4,394,188)	-
Non-major governmental funds		918,416	-	918,416	(918,416)	-
Enterprise Funds:						
Juneau International Airport		-	56,904	56,904	-	56,904
Internal service reallocation		-	-	-	1,092,045	1,092,045
		5,312,604	56,904	5,369,508	(4,220,559)	1,148,949
Less:						
Payable from governmental funds		5,312,604	-	5,312,604	(5,312,604)	-
Net short-term government-wide internal balances	$	-	56,904	56,904	1,092,045	1,148,949

		Fund Level				
Advances:		Interfund Payable	Interfund Payable - Restricted Assets	Interfund Receivable General Fund	Additions (Eliminations)	Government-wide Internal Balances
Governmental Funds:						
Non-major governmental funds	$	90,221	-	90,221	(90,221)	-
Less:						
Payable to General Fund from govermental funds		90,221	-	90,221	(90,221)	-
Net long-term government-wide internal balances	$	-	-	-	-	-

Interfund transfers for the year ended June 30, 2016, were as follows:

Fund or Component Unit	Transfer Fund Level	Reclassification/ Elimination	Transfer Government-wide Governmental	Transfer Government-wide Proprietary
Transfers in:				
Primary government:				
Governmental funds:				
General Fund	$ 33,339,633	(33,209,633)	130,000	-
General Debt Service	4,781,520	(4,748,259)	33,261	-
Non-major governmental	21,991,776	(19,734,546)	2,257,230	-
Governmental funds subtotal	60,112,929	(57,692,438)	2,420,491	-
Proprietary funds:				
Enterprise funds:				
Juneau International Airport	85,000	-	-	85,000
Bartlett Regional Hospital	1,549,000	-	-	1,549,000
Areawide Water Utility	1,638,576	-	-	1,638,576
Boat Harbors	1,300,000	-	-	1,300,000
Dock	3,467,800	-	-	3,467,800
Enterprise funds subtotal	8,040,376	-	-	8,040,376
Total transfers in	$ 68,153,305	(57,692,438)	2,420,491	8,040,376
Transfers out:				
Primary government:				
Governmental funds:				
General Fund	$ 1,126,977	(1,126,977)	-	-
Sales Tax	45,831,500	(41,974,500)	3,857,000	-
Non-major governmental	18,774,337	(14,590,961)	4,183,376	-
Governmental funds subtotal	65,732,814	(57,692,438)	8,040,376	-
Proprietary funds:				
Enterprise funds:				
Juneau International Airport	3,531	-	-	3,531
Bartlett Regional Hospital	130,000	-	-	130,000
Areawide Wastewater Utility	2,257,230	-	-	2,257,230
Boat Harbors	20,141	-	-	20,141
Dock	9,589	-	-	9,589
Enterprise funds subtotal	2,420,491	-	-	2,420,491
Total transfers out	$ 68,153,305	(57,692,438)	8,040,376	2,420,491
Net transfers government-wide level			$ (5,619,885)	5,619,885

Transfers are used to 1) move revenues from funds with collection authorization, including Sales Tax, Hotel Tax, Tobacco Excise Tax and Marine Passenger Fees, to the various recipient funds including the General Fund, debt service funds and various capital projects funds, 2) move funds to the debt service fund to create mandatory reserve accounts established by bond resolution(s), 3) move unrestricted funds to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amount provided as subsidies or matching funds for various grant programs.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Non-depreciable assets:				
Land	$ 35,117,870	-	-	35,117,870
Infrastructure in progress	43,599,141	5,706,494	(10,217,685)	39,087,950
Construction in progress	229,038,689	11,141,470	(116,632,002)	123,548,157
Depreciable assets:				
Buildings and improvements	244,128,838	114,473,392	-	358,602,230
Equipment	58,803,256	2,322,972	(233,024)	60,893,204
Infrastructure	220,024,404	10,424,042	-	230,448,446
Totals at historical cost	830,712,198	144,068,370	(127,082,711)	847,697,857
Less accumulated depreciation for:				
Buildings and improvements	149,740,703	10,129,778	-	159,870,481
Equipment	39,863,072	2,971,336	(224,639)	42,609,769
Infrastructure	171,079,423	4,246,573	-	175,325,996
Total accumulated depreciation	360,683,198	17,347,687	(224,639)	377,806,246
Governmental activities capital assets, net	$ 470,029,000	126,720,683	(126,858,072)	469,891,611
Business-type activities:				
Non-depreciable assets:				
Land and land rights	$ 18,025,499	-	-	18,025,499
Construction in progress	263,123,428	59,954,996	(28,110,361)	294,968,063
Depreciable assets:				
Buildings and improvements	405,409,783	22,690,360	(1,712,994)	426,387,149
Equipment	54,955,539	13,159,477	(6,073,311)	62,041,705
Totals at historical cost	741,514,249	95,804,833	(35,896,666)	801,422,416
Less accumulated depreciation for:				
Buildings and improvements	246,065,670	14,197,823	(948,720)	259,314,773
Equipment	41,536,289	3,848,413	(2,053,377)	43,331,325
Total accumulated depreciation	287,601,959	18,046,236	(3,002,097)	302,646,098
Business-type activities capital assets, net	$ 453,912,290	77,758,597	(32,894,569)	498,776,318

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Legislative	$ 121,517
Legal	2,637
Administration	29,795
Education	7,728,877
Finance	3,978
Libraries	361,778
Recreation	1,435,414
Community development & lands management	272,974
Public safety	1,208,277
Public works	4,278,415
Public transportation	98,950
Tourism and conventions	131,919
Central equipment	1,673,156
Total depreciation expense governmental activities	$ 17,347,687
Business-type activities:	
Airport	$ 2,816,889
Harbors	1,248,502
Docks	969,591
Hospital	7,211,054
Water	2,627,272
Wastewater	3,128,271
Waste management	39,057
Self-insurance	5,600
Total depreciation expense business-type activities	$ 18,046,236

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position (deficit) reports a separate financial statement element, *deferred outflows of resources*, which represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (deficit) reports a separate financial statement element, *deferred inflows of resources*, which represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. CBJ reports, *unavailable revenue*, only in the governmental funds balance sheet. The governmental funds report unavailable revenues from delinquent property taxes ($214,140), notes receivable from sale of land ($461,777), sales tax ($448,561), special assessments ($145,833), unearned grant revenue ($55,000) and payment in lieu of property tax ($2,121,216) totaling $3,446,527. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 9 – DEBT

The majority of the debt service of CBJ is paid through the General Debt Service Fund, Juneau International Airport, Bartlett Regional Hospital and Areawide Water and Wastewater Utilities Enterprise Funds. The General Debt Service Fund pays the general obligation debt and property purchase agreements debt for CBJ not accounted for in the proprietary fund types with bond proceeds, earnings on bond proceeds, property taxes, State of Alaska school debt reimbursements and interfund transfers. Installment contract payments are paid by the benefiting fund with general tax revenues or other applicable revenue sources. The proprietary fund types pay their general obligation bonds, revenue bonds and other long-term debt obligations with user fees or special assessment revenues. Finally, compensated absences are paid by the benefiting fund with general tax revenues or other applicable revenue sources.

A summary of long-term debt at June 30, 2016, by fund or function follows:

	Governmental activities		
	General Government	School Facilities & Equipment	Subtotal
General obligation bonds	$ 32,587,000	66,292,000	98,879,000
Revenue bonds	25,405,000	-	25,405,000
State of Alaska extention loans	-	-	-
Equipment purchase agreements	160,329	-	160,329
Subtotal	58,152,329	66,292,000	124,444,329
Unamortized bond premium	4,156,566	2,701,961	6,858,527
	$ 62,308,895	68,993,961	131,302,856

	Business-type activities					
	Harbor	Bartlett Regional Hospital	Areawide Water Utility	Areawide Wastewater Utility	Subtotal	Total
General obligation bonds	$ -	-	-	-	-	98,879,000
Revenue bonds	8,600,000	21,350,000	94,250	50,750	30,095,000	55,500,000
State of Alaska extention loans	-	-	539,897	6,008,325	6,548,222	6,548,222
Equipment purchase agreements	-	-	-	-	-	160,329
Subtotal	8,600,000	21,350,000	634,147	6,059,075	36,643,222	161,087,551
Unamortized bond premium	782,900	2,028,054	-	-	2,810,954	9,669,481
	$ 9,382,900	23,378,054	634,147	6,059,075	39,454,176	170,757,032

A summary of long-term debt excluding compensated absences and net pension liability at June 30, 2016 follows:

Description	Interest Rates (%)	Interest Dates	Issue dates	Date of maturity	Date callable
General obligation bonds:					
2003 CIP Bonds	2.15-5.45	Feb.1/Aug.1	Feb. 11, 2003	2023	Noncallable
2006A TMHS (OTC) Bonds	3.85-4.65	May 1/Nov.1	May 1, 2006	2021	Noncallable
2006B Thunder Mountain Sch Bonds	4.0-4.25	Mar.1/Sep.1	Sep. 27, 2006	2021	Sep. 1, 2017
2006C Glacier Valley Reno Bonds	4.0-4.25	Mar.1/Sep.1	Sep. 27, 2006	2016	Noncallable
2008A THMS/HBRVW/GV Bonds	4.0-4.6	Jun.1/Dec.1	Jul. 9, 2008	2024	Noncallable
2008B Thunder Mountain Sch Bonds	5.875	Jun.1/Dec.1	Jul. 9, 2008	2023	Noncallable
2008C Pool (OTC) Bonds	2.5-4.55	Apr.1/Oct.1	Oct. 1, 2008	2023	Noncallable
2009 III Pool & DZ Covered Play Area Bonds	2.0-4.0	Feb.1/Aug.1	Oct. 1, 2009	2019	Noncallable
2010 II Pool & Gastineau Elementary Bonds	2.0-4.757	Feb.1/Aug.1	Jun. 1, 2010	2025	Noncallable
2011 II Gastineau Elementary Bonds	2.0-4.0	Apr.1/Oct.1	May 10, 2011	2021	Noncallable
2012 I GO Refund (00B & 02) Sch Bonds	2.0-5.0	Jun.1/Dec.1	Mar. 6, 2012	2016	Noncallable
2012 II GO Sch (Refund 03A)	2.0-5.0	Mar.1/Sep.1	May 24, 2012	2019	Noncallable
2012 III Auke Bay Reno & Adair/Kennedy Turf	2.0-5.0	Jan.1/Jul.1	Oct. 18, 2012	2023	Noncallable
2012 III GO (Refund 03B)	2.0-5.0	Jan.1/Jul.1	Oct. 18, 2012	2023	Noncallable
2013 I GO CIP Projects Bonds	2.0-5.0	Feb.1/Aug.1	Mar. 12, 2013	2033	Noncallable
2013 III GO Auke Bay Sch Bonds	1.5-5.0	Feb.1/Aug.1	Nov. 14, 2013	2023	Noncallable
2014 III CIP GO Projects Bonds	1.25-5.0	Oct.1/Apr.1	Oct. 30, 2014	2033	Oct.1, 2024
2015 II GO Refund ('05A TMHS Sch Bonds)	2.0-5.0	Sep.1/Mar.1	June 4, 2015	2020	Noncallable
Total general obligation bonds					
Revenue bonds:					
2002 W&S Rev and Refunding Bonds	4.0-4.75	Feb.1/Aug.1	Mar. 13, 2002	2017	Feb.1, 2012
2007 Harbor Revenue Bond	4.25-5.5	Mar.1/Sep.1	Jul. 10, 2007	2032	Sept. 1, 2017
2013 I Hospital Refunding	2.0-5.0	Feb.1/Aug.1	Mar.12, 2013	2035	Noncallable
2014 I Seawalk CIP	2.0-5.0	Mar.1/Sep.1	Feb. 20, 2014	2039	Feb.1, 2024
2015II Harbor Refund (2007)	2.0-5.0	Sep.1/Mar.1	June 4, 2015	2033	Mar.1, 2026
2015 II Port Expansion Bonds	2.0-5.0	Sep.1/Mar.1	June 4, 2015	2034	Mar.1, 2022/2025
Total revenue bonds					
State of Alaska extension loans:					
DEC ABTP Loan #445061	3.83/2.5/1.5	Dec. 1	Mar. 15, 1999	2019	-
DEC Wastewater Loan #445071	2.5/1.5	Dec. 1	Dec. 28, 2001	2022	-
DEC JDTP Loan #445091	2.5/1.5	Dec. 1	Nov. 16, 1999	2022	-
DEC MTP Loan #445101	2.5/1.5	Dec. 1	Feb. 07, 2000	2024	-
DEC WastewaterLoan #445131	2.5/1.5	Dec. 1	Nov. 22, 2002	2023	-
DEC Wastewater Loan #445141	2.5/1.5	Dec. 1	Jul. 23, 2003	2024	-
DEC Water Loan #445151	2.5/1.5	Dec. 1	Mar. 12, 2003	2023	-
DEC Wastewater Loan #445171	1.5	Dec. 1	May 27, 2008	2028	-
DEC Wastewater Loan #445181	1.5	Dec. 1	Mar. 16, 2010	2030	-
DEC Wastewater Loan #445291	1.5	Dec. 1	Oct. 10, 2009	2029	-
DEC Wastewater Loan #445241	1.5	Dec. 1	May 17, 2011	2031	-
Total DEC Loans					
Other long-term debt:					
Equipment purchase agreements	2.59-4.49	Qtrly/Annually	Various	Various	-
Total long-term debt					

The annual requirements to retire all outstanding long-term debt as of June 30, 2016 are as follows:

Year ending	General obligation bonds			Revenue bonds		
June 30	Principal	Interest	Total	Principal	Interest	Total
2017	$ 16,823,000	4,087,959	20,910,959	2,120,000	2,500,763	4,620,763
2018	15,644,000	3,495,821	19,139,821	2,045,000	2,425,325	4,470,325
2019	12,798,000	2,852,930	15,650,930	2,150,000	2,355,000	4,505,000
2020	11,358,000	2,342,340	13,700,340	2,230,000	2,264,750	4,494,750
2021	11,133,000	1,831,427	12,964,427	2,320,000	2,175,250	4,495,250
2022-2026	23,943,000	3,726,974	27,669,974	13,310,000	9,193,987	22,503,987
2027-2031	4,260,000	1,292,300	5,552,300	16,815,000	5,722,225	22,537,225
2032-2036	2,920,000	218,820	3,138,820	13,385,000	1,567,163	14,952,163
2037-2041	-	-	-	1,125,000	91,200	1,216,200
	$ 98,879,000	19,848,571	118,727,571	55,500,000	28,295,663	83,795,663

Amount authorized	Prior Years Issued	Prior Years Retired	Balance at June 30, 2015	Current Year Issued	Current Year Retired	Balance at June 30, 2016	interest paid
1,000,000	1,000,000	843,000	157,000	-	10,000	147,000	8,115
2,000,000	1,940,000	1,235,000	705,000	-	303,000	402,000	32,270
44,060,000	44,060,000	19,440,000	24,620,000	-	2,810,000	21,810,000	951,908
5,995,000	5,995,000	4,570,000	1,425,000	-	695,000	730,000	44,925
36,695,000	36,695,000	21,515,000	15,180,000	-	3,625,000	11,555,000	684,715
2,805,000	2,805,000	1,010,000	1,795,000	-	185,000	1,610,000	105,456
662,000	662,000	105,000	557,000	-	7,000	550,000	24,124
12,415,000	12,415,000	5,685,000	6,730,000	-	1,270,000	5,460,000	230,650
13,893,000	13,580,000	2,195,000	11,385,000	-	590,000	10,795,000	549,319
5,623,000	5,623,000	2,108,000	3,515,000	-	550,000	2,965,000	108,831
6,300,000	5,685,000	3,385,000	2,300,000	-	1,235,000	1,065,000	84,125
19,000,000	9,080,000	1,815,000	7,265,000	-	1,720,000	5,545,000	182,150
11,415,000	11,415,000	2,085,000	9,330,000	-	1,070,000	8,260,000	385,375
7,415,000	7,415,000	585,000	6,830,000	-	615,000	6,215,000	294,050
2,600,000	2,600,000	185,000	2,415,000	-	90,000	2,325,000	111,010
7,345,000	7,345,000	585,000	6,760,000	-	655,000	6,105,000	247,325
22,400,000	11,210,000	-	11,210,000	-	390,000	10,820,000	521,838
3,135,000	3,135,000	-	3,135,000	-	615,000	2,520,000	89,260
204,758,000	182,660,000	67,346,000	115,314,000	-	16,435,000	98,879,000	4,655,446
2,685,000	2,685,000	2,400,000	285,000	-	140,000	145,000	13,363
10,620,000	10,620,000	9,635,000	985,000	-	310,000	675,000	43,925
23,660,000	23,660,000	1,565,000	22,095,000	-	745,000	21,350,000	907,113
6,055,000	6,055,000	135,000	5,920,000	-	145,000	5,775,000	258,188
7,925,000	7,925,000	-	7,925,000	-	-	7,925,000	268,558
22,945,000	20,595,000	-	20,595,000	-	965,000	19,630,000	725,869
73,890,000	71,540,000	13,735,000	57,805,000	-	2,305,000	55,500,000	2,217,016
656,000	656,000	492,055	163,945	-	32,789	131,156	2,459
400,000	400,000	240,000	160,000	-	20,000	140,000	2,400
1,680,000	1,680,000	1,008,000	672,000	-	84,000	588,000	10,080
1,527,500	1,527,500	763,750	763,750	-	76,375	687,375	11,456
2,203,000	2,065,684	1,136,125	929,559	-	103,284	826,275	13,943
1,300,000	1,294,482	647,240	647,242	-	64,724	582,518	9,709
1,510,000	1,399,997	792,612	607,385	-	67,487	539,898	9,111
1,200,000	900,512	89,982	810,530	-	45,029	765,501	12,155
825,000	825,000	82,500	742,500	-	41,250	701,250	11,138
2,000,000	1,104,876	-	1,104,876	23,400	56,414	1,071,862	93,128
825,000	605,162	60,516	544,646	-	30,259	514,387	8,170
14,126,500	12,459,213	5,312,780	7,146,433	23,400	621,611	6,548,222	183,749
8,148,149	13,752,031	13,294,711	457,320	-	296,991	160,329	10,150
300,922,649	280,411,244	99,688,491	180,722,753	23,400	19,658,602	161,087,551	7,066,361

State of Alaska extension loans			Other long-term debt			Totals		
Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
621,611	98,224	719,835	52,064	4,209	56,273	19,616,675	6,691,155	26,307,830
621,611	88,900	710,511	53,431	2,842	56,273	18,364,042	6,012,888	24,376,930
621,611	79,574	701,185	54,834	1,439	56,273	15,624,445	5,288,943	20,913,388
621,611	70,251	691,862	-	-	-	14,209,611	4,677,341	18,886,952
588,822	60,927	649,749	-	-	-	14,041,822	4,067,604	18,109,426
2,149,468	179,390	2,328,858	-	-	-	39,402,468	13,100,351	52,502,819
864,756	73,328	938,084	-	-	-	21,939,756	7,087,853	29,027,609
458,732	13,707	472,439	-	-	-	16,763,732	1,799,690	18,563,422
-	-	-	-	-	-	1,125,000	91,200	1,216,200
6,548,222	664,301	7,212,523	160,329	8,490	168,819	161,087,551	48,817,025	209,904,576

Other long-term debt includes equipment, property and miscellaneous purchase agreements (including capital leases), and compensated absences. Future obligations include principal and interest due over the life of the commitments. Compensated absences are retired by the General Fund (96%) and the Special Revenue Funds - Lands (1%), Visitor Services (1%), and Eaglecrest (2%).

Changes in long-term debt:	Balance at July 1, 2015	Current Year Issued	Current Year Retired	Balance at June 30, 2016	Current Portion	Long-term balance at June 30, 2016
Governmental activities:						
General obligation bonds	$ 115,314,000	-	16,435,000	98,879,000	16,823,000	82,056,000
Revenue bonds	26,515,000	-	1,110,000	25,405,000	880,000	24,525,000
Purchase agreements	457,320	-	296,991	160,329	52,064	108,265
Unamortized bond premium	8,169,100	-	1,310,573	6,858,527	1,222,806	5,635,721
	150,455,420	-	19,152,564	131,302,856	18,977,870	112,324,986
Compensated absences	3,995,613	3,738,739	3,566,243	4,168,109	1,758,069	2,410,040
Total governmental activities	154,451,033	3,738,739	22,718,807	135,470,965	20,735,939	114,735,026
Business-type activities:						
Revenue bonds	31,290,000	-	1,195,000	30,095,000	1,240,000	28,855,000
State of Alaska extension loans	7,146,433	23,400	621,611	6,548,222	621,611	5,926,611
Unamortized bond premium	3,100,585	-	290,086	2,810,499	307,056	2,503,443
	41,537,018	23,400	2,106,697	39,453,721	2,168,667	37,285,054
Compensated absences	3,759,894	6,029,631	5,864,875	3,924,650	2,093,330	1,831,320
Total business-type activities	45,296,912	6,053,031	7,971,572	43,378,371	4,261,997	39,116,374
Total long-term debt	$ 199,747,945	9,791,770	30,690,379	178,849,336	24,997,936	153,851,400

Bonds
Fund balance in the General Debt Service Fund available to service the general obligation bonds and property purchase agreements as of June 30, 2016 is $5,696,959. The large fund balance in the debt service fund includes sinking funds originating from sales tax contributions to help fund 30% of $12.5 million JDHS Renovation bond debt service, 30% of the $7.717 million various School Capital Projects bond debt service and 27% of the $12.1 million TMHS Auditorium and Furniture bond debt service.

No new bonds were issued between July 1, 2015 and June 30, 2016.

The State of Alaska has a program in place that annually reimburses local governments for qualifying general obligation bond debt service (principal and interest) on bonds issued to fund school capital improvements. The State School Construction Bond Debt Reimbursement Program was created by Statute in 1970 (AS 14.11.100) and provides for a program under which the State reimburses municipalities. The State reimbursement is subject to annual appropriation by the legislature. The reimbursement applies to general obligation debt issued for qualified school capital projects approved by the State Commissioner of Education and Early Development. Levels of reimbursement vary from 60% to 70%, depending upon the State's authorization and date of issue. The outstanding general obligating debt of the CBJ as of June 30, 2016, includes $66,292,000 in school bond principal that qualifies for State reimbursement. If the State fully funds the reimbursement program over the term of these bonds, the CBJ would be reimbursed a total of $49,777,435 in bond principal plus the interest paid.

Description of Leasing Arrangements

Capital Leases
CBJ has entered into four lease agreements. One lease is for snow-grooming vehicles with a five year term that terminated at the end of fiscal year 2016. One lease is for the core financial system that will terminate in fiscal year 2016. The final two leases are for firefighting gear and for a police car video system; both have five year terms and will terminate in fiscal year 2019.

The following is an analysis of equipment leased under capital leases as of June 30, 2016:

	Internal Service Funds	Governmental Funds
Machinery & equipment	$ 283,661	4,665,576
Less: accumulated depreciation	(184,379)	-
Carrying Value	$ 99,282	4,665,576

Amortization of leased equipment under capital assets is included with depreciation expense.

The following is a schedule by years of the future minimum lease payments under these capital leases together with the present value of the net minimum lease payments as of June 30, 2016:

Fiscal year ending June 30:	Governmental Funds
2017	$ 56,273
2018	56,273
2019	56,275
Later years	-
Total minimum lease payments	168,821
Less: Amount representing interest	(8,493)
Present value of future minimum lease payments	$ 160,328

Operating Leases
In addition, CBJ leases land, buildings and copier equipment under leases classified as operating leases. All land lease terms range from ten to fifty-five years, building leases range from two to five years and copier leases range from two to three years. In most cases of the land and buildings leases, leases will likely be renewed. In most cases of the copier equipment leases, other leases will likely replace them.

Rental expense for city-wide operating leases was $763,569 for the year ended June 30, 2016.

The following is a schedule by years of future minimum rental payments required under operating leases as of June 30, 2016:

Fiscal year ending June 30:	Amount
2017	$ 707,418
2018	428,327
2019	398,993
Later years	-
Total minimum payments required	$ 1,534,738

Compensated Absences
Employees earn accrued leave based on their length of service; the accrued leave vests as it is earned and is payable to the employee on termination. The current portion of compensated absences is the portion that is estimated to be utilized in the following fiscal year based upon prior usage patterns.

NOTE 10 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 are as follows:

		Governmental Activities	Business-type Activities	Totals
Accrued salaries, payroll taxes and withholdings	$	1,990,571	2,401,971	4,392,542
Permit and other deposits		1,412,637	-	1,412,637
Reserve for claims liabilities		-	5,917,000	5,917,000
Totals	$	3,403,208	8,318,971	11,722,179

NOTE 11 - PENSION PLANS

State of Alaska Public Employees' Retirement System

Plan Description

The General Government, School District component unit and Bartlett Regional Hospital contribute to the State of Alaska Public Employee's Retirement System (PERS). PERS was originally designed as an agent multiple-employer defined benefit plan. However, as a result of Senate Bill 125 (SB125), effective July 1, 2008, PERS was converted to a cost-sharing multiple employer plan. The cost-sharing plan arrangement does not require the State of Alaska Division of Retirement and Benefits to track individual employer assets and liabilities. Under the new plan, all costs and past service liabilities will be shared among all participating employers.

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 Retirement and Benefits, P. O. Box 110203, Juneau, Alaska 99811-0203 or online at http://doa.alaska.gov/drb/pers/employee/resources/cafr.html.

Defined Benefit Pension Plan

Plan Benefits

Pension Benefits – Members with five years of service are eligible for normal lifetime benefits at age 55 or early retirement benefits at age 50 if they were hired before July 1, 1986 (Tier 1), and 60 or early retirement age 55 if they were hired on or after July 1, 1986 (Tiers 2 & 3). The benefit is calculated by multiplying the average monthly compensation times credited PERS service times the percentage multiplier. The percentage multipliers for peace officer/firefighter members are 2% for the first ten years of service and 2.5% for all service over ten years. The percentage multipliers of all others are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. Service before that date is calculated at 2%. This plan is closed to new members first hired on or after July 1, 2006.

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

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

> Occupational Disability – Members are not required to satisfy age or service requirements. Monthly benefits are equal to 40% of their gross monthly compensation on the date of their disability.
> Non-occupational Disability – Members must have at least five years of service. Monthly benefits are calculated based on the member's average monthly compensation and PERS services on the date of termination from employment due to disability.

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 workers 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 before July 1, 1986 (Tier 1) if the CPI increases and the funding ratio is at least 105%.

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
Alaska Statue 39.35.255 established a statutory employer contribution rate of 22% of covered payroll. Alaska Statute 39.35.280 requires the State to contribute an amount that will make up the difference between the 22% and the actuarially determined fiscal year 2016 contribution rate of 27.19%. Of the 22%, 13.25% funded pension benefits and 8.75% funded other post-employment benefits.

Employee contribution rates are 7.5% for peace officers and fire fighters and 6.75% for other employees, as required by State Statue. Additionally, certain non-certified employees of the School District may elect to contribute 9.6% of their annual covered payroll.

Terminated members may receive refunds of their member contribution accounts which include their mandatory and voluntary contributions, indebtedness payments, and interest earned. Terminated members' accounts may be attached to satisfy claims under Alaska Statute 09.38.065, federal income tax levies, and valid Qualified Domestic Relations Orders.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2016, CBJ reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to CBJ. The amount recognized by CBJ as it proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with CBJ were as follows:

	CBJ	School District	Bartlett Regional Hospital
Entity's proportionate share of the net pension liability	$ 59,868,277	$ 24,715,875	$ 42,778,267
State's proportionate share of the net pension liability associated with the entity	16,034,494	6,620,791	11,458,414
Totals	$ 75,902,771	$ 31,336,666	$ 54,236,681

This presentation is based on current law (AS 39.35.280) which may be amended at the discretion of the Alaska State Legislature. A change in the law could result in the CBJ having to record some, or all, of the State's proportionate share of the liability.

The net pension liability was measured as of June 30, 2015, and the total pension liability used for the calculation was determined by an actuarial valuation as of that date. Each entity's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the proportions and changes were as follows:

	CBJ	School District	Bartlett Regional Hospital
June 30, 2015 proportion	1.2344%	0.5096%	0.8820%
Increase from June 30, 2014	0.3766	0.2376	0.1782

For the year ended June 30, 2016, the School District, Bartlett Regional Hospital, and CBJ recognized revenue of $914,310, $1,802,195, and $2,084,013 respectively, for support provided by the State. At June 30, 2016, the following deferred outflows or resources and deferred inflows of resources related to pensions were reported:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between contributions and proportionate share of contributions		
CBJ	$ 4,324,851	$ -
School District	3,799,397	39,037
Bartlett Regional Hospital	778,268	-
Changes in assumptions		
CBJ	3,500,559	-
School District	1,445,162	-
Bartlett Regional Hospital	2,501,289	-
Difference between expected and actual experience		
CBJ	69,783	-
School District	28,809	-
Bartlett Regional Hospital	49,863	-
Net difference between projected and actual earnings on pension plan investments		
CBJ	-	1,059,916
School District	-	437,573
Bartlett Regional Hospital	-	757,352
Contributions subsequent to measurement date		
CBJ	4,612,656	-
School District	1,190,292	-
Bartlett Regional Hospital	2,878,335	-
Totals	$ 25,179,264	$ 2,293,878

The deferred outflows of resources related to pensions of $4,612,656, $1,190,292, and $2,878,335 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	CBJ	School District	Bartlett Regional Hospital
2017	$ 6,508,350	$ 4,473,910	$ 2,542,484
2018	25,418	198,373	(185,858)
2019	(680,713)	(281,024)	(486,396)
2020	982,222	405,498	701,837

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2015:

Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for peace officer/firefighters Graded by age and service, from 8.55% to 4.34% for all others
Investment rate of return	8.00%, compounded annually, net of expenses

Mortality rates (pre-termination) were based upon 2010-2013 actual mortality experience, 60% of male rates and 65% of female rates of post-termination mortality rates. Deaths were assumed to be occupational 70% of the time for peace officer/firefighters and 50% of the time for others. Mortality rates (post-termination) 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, 2014 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by 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 pension plan's current and expected asset allocation are summarized in the following table (note that the rates shown below exclude the inflation component):

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

Discount Rate
The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate
The following presents the proportionate share of net pension liability for CBJ, School District, and Bartlett Regional Hospital, calculated using the discount rate of 8.00%, as well as what their proportionate shares of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
CBJ's proportionate share of the net pension liability	$ 79,589,805	$ 59,686,277	$ 43,264,790
School District's proportionate share of the net pension liability	32,857,664	24,715,875	17,861,332
Bartlett Regional Hospital's proportionate share of the net pension liability	56,870,084	42,778,267	30,914,415

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued AKPERS financial report.

Defined Benefit Other Postemployment Benefit Funding Status
The annual other post-employment benefit contributions for the years ended June 30, 2016, 2015 and 2014 are listed below:

	Year Ended June 30	Annual Contribution	Percentage of Required Contribution Contributed
General Government:			
Post-employment health care	2016	1,813,757	100%
	2015	1,988,209	100%
	2014	2,538,176	100%
School District:			
Post-employment health care	2016	825,840	100%
	2015	836,147	100%
	2014	1,058,985	100%
Bartlett Regional Hospital:			
Post-employment health care	2016	1,144,792	100%
	2015	1,284,913	100%
	2014	1,604,019	100%

Defined Contribution Pension Plan
Effective July 1, 2006, all new CBJ employees who are first time members of PERS, were enrolled in PERS Tier IV. This is a defined contribution plan and benefits depend solely on the amount contributed to the plan and investment earnings.

Annual contributions by CBJ, Bartlett Regional Hospital, and the School District to PERS for the year ended June 30, 2016 were 22% of annual covered payroll. This rate consisted of 5% pension, 0.22% occupational death and disability, 1.68% retiree medical, and 3% Health Reimbursement Arrangement with the rest of the rate funding PERS defined benefit unfunded liability. Qualified employees are required to contribute 8% of covered employee wages.

Bartlett Regional Hospital made PERS pension and other post-employment benefits contributions of $906,092 and $884,168, respectively, for the year ended June 30, 2016. Bartlett Regional Hospital employees contributed $1,248,570 toward PERS pension for the same period.

Effective January 1, 2012, Bartlett Regional Hospital adopted a defined contribution retirement plan, i.e., the Bartlett Regional Hospital 401(a) Plan, for the benefit of its key personnel who are excluded from participation in PERS. Contributions to this plan are wholly employer funded and are made each year at the discretion of Bartlett Regional Hospital. Maximum contribution limits are annually determined and defined by the Internal Revenue Service. As a defined contribution plan, the Bartlett Regional Hospital 401(a) Plan provides participant benefits which are dependent solely on the amount contributed by the employer to the plan and investment earnings. Bartlett Regional Hospital made contributions of $148,225 on behalf of the 4 employees currently eligible for the plan for the year ended June 30, 2016. Bartlett Regional Hospital employees did not contribute to this plan during the year.

CBJ made PERS pension and other post-employment benefits contributions of $771,212 and $755,605, respectively, for the year ended June 30, 2016. CBJ employees contributed $1,233,785 toward PERS pension for the same period.

The School District recognized PERS pension expense of $732,566 for the year ended June 30, 2016. School District employees contributed $482,450 toward PERS pension for the same period.

State of Alaska Teachers' Retirement System
Plan Description
The School District component unit also contributes to the Teachers' Retirement System (TRS) which is a cost sharing, multiple-employer defined benefit plan covering teachers and other eligible participants.

Each fiscal year, TRS issues a publicly available financial report which includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, PO Box 110203, Juneau, Alaska 99811-0203 or online at http://doa.alaska.gov/drb/trs/employee/resources/cafr.html.

Defined Benefit Pension Plan

Plan Benefits
Pension Benefits – Members with five years of service are eligible for normal lifetime benefits at age 55 or early retirement benefits at age 50 if they were hired before July 1, 1990 (Tier 1), and 60 or early retirement age 55 if they were hired on or after July 1, 1990 (Tier 2). The benefit is based on years of service and average base salary. The average base salary is based upon the members' three highest contract years' salaries. The benefit related to all years of credited service prior to July 1, 1990 and for years of service through a total of 20 years is equal to 2% of the employee's average base salary. The benefit for each year over 20 years of service subsequent to June 30, 1990 is equal to 2.5% of the employee's base salary. This plan is closed to new members first hired on or after July 1, 2006.

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

Disability Benefits – Monthly benefits are paid to permanently disabled members until they die, recover or become eligible for normal retirement. To be eligible, members must have at least five years of service. Disability benefits are equal to 50% of the member's base salary at the time of disability. The benefit is increased by 10% of the base salary for each minor child, up to a maximum of 40%.

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 workers 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 before July 1, 1990 (Tier 1) if the CPI increases and the funding ratio is at least 105%.

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.

Contributions
Alaska Statue 14.25.070 established a statutory employer contribution rate of 12.56% of covered payroll. Alaska Statute 14.25.085 requires the State to contribute an amount that will make up the difference between the 12.56% and the actuarially determined fiscal year 2016 contribution rate of 29.27%. Of the 12.56%, 7.01% funded pension benefits and 5.55% funded other post-employment benefits.

Employees contribute 8.65% of their base salary as required by State Statute. Eligible TRS plan members contribute an additional 1% of their salary under the supplemental contribution provision.

Terminated members may receive refunds of their member contribution accounts which include their mandatory contributions, indebtedness payments, and interest earned. Terminated members' accounts may be attached to satisfy claims under Alaska Statute 09.38.065, federal income tax levies, and valid Qualified Domestic Relations Orders.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2016, the School District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the School District. The amount recognized by the School District as it 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 School District were as follows:

School District's proportionate share of the net pension liability	$ 26,523,928
State's proportionate share of the net pension liability associated with the School District	42,394,643
Totals	$ 68,918,571

This presentation is based on current law which may be amended at the discretion of the Alaska State Legislature. A change in the law could result in the School District having to record some, or all, of the State's proportionate share of the liability.

The net pension liability was measured as of June 30, 2015, and the total pension liability used for the calculation was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the School District's proportion was 1.42567% which was an increase of 0.85967 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the School District recognized pension expense of $11,046,605 and revenue of $5,488,906 for support provided by the State. At June 30, 2016, the following deferred outflows or resources and deferred inflows of resources related to pensions were reported:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,462,951
Contributions subsequent to measurement date	1,340,914	-
Totals	$ 1,340,914	$ 1,462,951

The deferred outflows of resources related to pensions of $1,340,914 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2017	$ 3,079,295
2018	16,910
2019	(335,997)
2020	618,285

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2015:

Inflation	3.12%
Salary increases	Graded by service, from 8.11% to 3.87%
Investment rate of return	8.00%, compounded annually, net of expenses

Mortality rates (pre-termination) were based upon 2010-2013 actual mortality experience, 68% of male rates and 60% of female rates of post-termination mortality rates. Deaths were assumed to be non-occupational 85% of the time. Mortality rates (post-termination) were based upon 2010-2013 actual experience, 94% of male and 97% of female rates of the RP-2000 table, 2000 base year projected to 2018 with Projection Scale BB, with a 3-year setback for males and a 4-year setback for females.

The actuarial assumptions used in the June 30, 2014 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	**Long-Term Expected Real Rate of Return**
Domestic equity	5.35%
Global equity (non-US)	5.55%
Private equity	6.25%
Fixed income composite	0.80%
Real estate	3.65%
Alternative equity	4.70%

Discount Rate
The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate
The following presents the proportionate share of net pension liability for the School District calculated using the discount rate of 8.00%, as well as what their proportionate shares of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
School District's proportionate share of the net pension liability	$ 38,281,701	$ 26,523,928	$ 16,671,066

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued AKPERS financial report. During fiscal year 2015, pursuant to SB 119, the State of Alaska provided additional on-behalf funding totaling $130,108,327. This additional contribution was applied to the non-employer component of the total net pension liability.

Alaska Retiree Healthcare Trust
Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT) a health care trust fund of the State was established. The ARHCT is self-funded and provides major medical coverage to retirees of TRS. TRS retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, health care claims were paid for by the Retiree Health Fund.

Benefits - When pension benefits, major medical benefits are provided without cost to (1) all members first hired before July 1, 1990, (2) members hired after July 1, 1990 with 25 years of membership service, and (3) members who are disabled or age 60 or older, regardless of their initial hire dates. Members first hired after June 30, 1990 may receive major medical benefits prior to age 60 by paying premiums.

Contributions – Employer contribution rates are actuarially determined and adopted by the Board. Of the 2016 employer effective contribution rate of 12.56%, 2.04% is allocated to the ARHCT.

The School District's annual OPEB costs for the years ended June 30, 2016, 2015 and 2014 are listed below.

Year Ended June 30	Annual Cost	Percentage of Required Contribution Contributed
2016	$ 1,059,915	100%
2015	1,034,962	100%
2014	1,219,591	100%

Defined Contribution Pension Plan
Effective July 1, 2006, all new School District employees who are first time members of TRS, were enrolled in TRS Tier III. TRS Tier III benefits depend solely on the amount contributed to the plan and investment earnings. Employees are eligible to participate from the date of employment.

Annual contributions by the School District to TRS for the year ended June 30, 2016 were 12.56% of annual covered payroll. This rate consisted of 7.0% pension, 2.04% retiree medical, 3% Health Reimbursement Arrangement (HRA), with the rest of the rate funding TRS defined benefit unfunded liability. Qualified employees contribute 8% of their annual covered wages.

The School District recognized TRS pension expense of $738,981 for the year ended June 30, 2016. School District employees contributed $781,222 toward TRS pension for the same period.

NOTE 12 - NET INVESTMENT IN CAPITAL ASSETS

The following is a breakdown of the CBJ's net investment in capital assets as of June 30, 2016:

	Governmental Activities	Business-Type Activities	Total
Land	$ 35,117,870	18,025,499	53,143,369
Infrastructure in progress	39,087,950	-	39,087,950
Construction in progress	123,548,157	294,968,063	418,516,220
Plant and equipment	419,495,434	488,428,854	907,924,288
Infrastructure	230,448,446	-	230,448,446
	847,697,857	801,422,416	1,649,120,273
Less: Accumulated depreciation	(377,806,246)	(302,646,098)	(680,452,344)
Net capital assets	469,891,611	498,776,318	968,667,929
Unexpended bond proceeds	2,053,305	2,927,646	4,980,951
Total invested in capital assets	471,944,916	501,703,964	973,648,880
Less:			
Bonds, loans and contracts due in less than one year	(18,097,870)	(2,166,482)	(20,264,352)
Bonds, loans and contracts due in more than one year	(87,799,986)	(37,287,702)	(125,087,688)
Total related debt	(105,897,856)	(39,454,184)	(145,352,040)
Net investment in capital assets	$ 366,047,060	462,249,780	828,296,840

NOTE 13 - COMMITMENTS

Encumbrance Commitments

As of June 30, 2016, the CBJ has encumbered amounts that they intend to honor in the subsequent fiscal year for the following governmental funds:

Major Governmental Funds:	
General Fund	$ 849,910
Total Non-major Governmental Funds	13,583,006
Total Governmental Funds	$ 14,432,916

Construction Commitments

The majority of the capital project construction commitments also are encumbered and included in the above amounts. A summary of capital projects commitments by fund and project type at June 30, 2016, follows:

Project type		Authorization	Expended to date	Encumbered	Committed	Required future financing
Capital Projects Funds:						
Schools	$	152,146,456	151,646,599	142,579	357,278	-
Roads and Sidewalks		53,624,949	43,599,141	2,863,251	7,346,483	(183,926)
Fire and Safety		454,448	255,818	24,662	173,968	-
Community Development		44,545,486	25,490,574	4,436,669	14,618,243	-
Parks and Recreation		58,921,331	51,645,698	1,771,059	5,504,574	-
Total Capital Projects Funds		309,692,670	272,637,830	9,238,220	28,000,546	(183,926)
Enterprise Funds:						
Airport		150,998,431	132,038,190	3,518,285	15,826,297	(384,341)
Hospital		8,113,442	2,785,923	16,907	5,310,612	-
Harbors		64,107,382	50,360,690	9,690,625	4,056,502	(435)
Port		100,824,820	49,768,083	41,157,923	9,898,814	-
Water		21,787,932	7,589,969	1,343,574	12,854,389	-
Sewer		27,945,166	19,790,396	207,061	7,947,975	(266)
Total Enterprise Funds		373,777,173	262,333,251	55,934,375	55,894,589	(385,042)
Total	$	683,469,843	534,971,081	65,172,595	83,895,135	(568,968)

NOTE 14 - SALES TAX

CBJ levies a combination of permanent and temporary sales taxes totaling 5%. The sales tax levy is applied to the retail selling of goods, rents and services occurring within the CBJ unless specifically exempted. The sales tax levy rates require voter approval. Specific sales tax exemptions are determined by the City and Borough Assembly. While State law precludes local governments from dedicating future tax revenues, it has been the CBJ's policy that the specific uses of sales tax levies be identified when they are presented to the voters for approval.

The identified uses for the sales tax levies are as follows:

- 1% permanent to be used for general governmental operations;
- 3% temporary, in effect for the period July 1, 2012 through June 30, 2017, to be used for a combination of general governmental operations, capital improvement projects, youth activities and budget reserves; and
- 1% temporary, in effect for the period October 1, 2013 through September 30, 2018, to be used for specific capital improvement projects.

The intent of the Assembly is to spend the 1% temporary sales tax on major maintenance, improvements and upgrades to existing CBJ recreational facilities, parks and trails; harbor facilities; and Capital Transit facilities. The intent is to partially fund design, permitting and construction of an airport snow removal equipment facility; the Juneau Arts and Culture Center facility expansion; a new library facility at Diamond Park; a water filtration system at Salmon Creek; and a new child and adolescent mental health facility at Bartlett Regional Hospital. The voters further approved partial funding for the Sealaska Heritage Institute's construction of a cultural education facility in downtown Juneau, increase the CBJ Budget Reserve as recommended by the Fiscal Policy Task Force, and pay the first five years of $25.0 million G.O. Bond approved by the voters on October 2, 2012 in proposition No. 1.

NOTE 15 - EXCISE TAX

Effective April 1, 2015, the Assembly approved to increase tobacco excise tax rates on cigarettes from $1 to $3 per pack. The excise tax on other tobacco products remains at 45% of the wholesale price. Excise taxes are collected from the wholesaler/retailer importing the tobacco products into the borough. Other tobacco products include but are not limited to e-cigarettes, cigars, cheroot, stogie, perique, snuff and snuff flour, smoking tobacco, and chewable tobacco not prescribed by a licensed physician. It is the intent of the Assembly to continue to spend the proceeds of this tax on health and social services needs related to substance abuse and tobacco use prevention and cessation.

NOTE 16 - LITIGATION

CBJ, in the normal course of their activities, is involved in various claims and pending litigation. While the outcome of certain of these matters is not presently determinable, in the opinion of management, CBJ and the School District component unit have adequate insurance coverage and reserves to prevent these matters from having a material adverse effect on the basic financial statements.

NOTE 17 - CONTINGENT LIABILITIES

CBJ and the School District component unit participate in a variety of State and Federal assistance grant programs. These programs are subject to program compliance reviews by the grantors or their representatives. The audits of these programs for and including the year ended June 30, 2016, have not yet been conducted. Accordingly, compliance with applicable grant requirements by CBJ and the School District component unit will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although CBJ and the School District component unit expect any such unrecorded amounts, if any, to be immaterial.

NOTE 18 - CONDUIT DEBT

On August 12, 1999, the CBJ participated in a nonrecourse revenue bond issue. The $18 million proceeds from the issuance of these bonds were used to provide funds to Wildflower Court, Inc., an Alaska nonprofit corporation, to construct and equip a new assisted living and long-term care facility. The bonds are special, limited obligations of the CBJ, and do not constitute a debt, liability or general obligation of the CBJ, or a pledge of the faith and credit or the taxing power of the CBJ. The bonds are payable solely from the revenues and proceeds provided by Wildflower Court, Inc.

In March 2012 the August 12, 1999 revenue bond issue was refunded and reissued due to lower interest rates. The principal amount outstanding as of June 30, 2016 for this bond issue is $7.895 million. The bonds are term bonds with $1,095,000 maturing December 1, 2016 and the remaining $6,800,000 maturing December 1, 2025, subject to mandatory redemption prior to maturity as set forth in the Official Statement. A sinking fund is held by a Trustee to accumulate the required funds needed at each June 1 and December 1 payment date. The amount held in the sinking fund at June 30, 2016 is $1,333,176.

As of its most recent fiscal year end, December 31, 2015, Wildflower Court disclosed in its audited financial statements that it was in compliance with the debt service coverage requirement defined in the bond indenture. The indenture requires a debt service coverage ratio equal to or greater than 1.15. The ratio was 1.16 at December 31, 2015.

NOTE 19 – IMPLEMENTATION OF NEW STANDARDS

GASB Statement No. 72
In the fiscal year ended June 30, 2016, the CBJ implemented *GASB Statement No. 72, Fair Value Measurement and Application.* As a result, the CBJ measured certain assets and liabilities at fair value and made certain disclosures about fair value measurements, the level of fair value hierarch, and valuations techniques.

GASB Statement No. 76
In the fiscal year ended June 30, 2016, the CBJ implemented *GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – superseding GASB Statement No. 55.* As a result, the CBJ applied financial reporting guidance with less variation, enhancing the comparability of the financial statement information amongst governments.

NOTE 20 - RISK MANAGEMENT

CBJ has a self-insurance/co-insurance program that is accounted for within the Self-insurance Fund. All insurance payments to this Internal Service Fund from other funds are accounted for as external interfund transactions.

CBJ is exposed to various risks of loss from legal liabilities, property damage, business interruption and employment practices claims. Under this program, the Self-insurance Fund provides coverage that has self-insured retention amounts up to a maximum of $1,250,000 for each workers compensation claim and $250,000 for each general or automobile liability claim. The deductible for each property insurance claim is $100,000. CBJ purchases commercial insurance for claims in excess of coverage provided by the Fund up to various limits depending on the specific coverage.

CBJ provides coverage for medical/dental/vision claims up to maximum annual claims of $100,000 per employee. Coverage in excess thereof is provided by a private stop loss carrier. CBJ also purchases term life coverage for CBJ employees and their dependents.

Unemployment compensation expense is based on actual claims paid by the State of Alaska and reimbursed by CBJ.

All funds of CBJ participate in the risk management program and make payments to the Self-insurance Fund based on estimates of the amounts needed to pay prior-year and current-year claims.

Claims payables represent actuarially determined estimates of claims to be paid based upon past experience modified for current trends and information. This liability includes reserves for known claims, provision for additional development on known claims, and provision for incurred but not reported claims. The liability also includes a provision for other unallocated cost adjustment expenses for health benefit claims and a provision for specific, incremental cost adjustment expenses for other types of claims. The liability also includes a provision for salvage and subrogation for applicable claims. The evaluation of pending and ongoing claimants' claims uses established historical information unique to unemployment compensation claims incurred but not paid by the State of Alaska. Claims payables balance at fiscal year-end were considered and presented as current liabilities in the Self-insurance fund's statement of net position.

Changes in the Fund's claims liability amount in fiscal year 2016 were:

		Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
General liability claims	$	710,000	185,344	107,344	788,000
Auto claims		235,000	149,713	191,713	193,000
Property claims		128,000	144,245	72,245	200,000
Workers compensation claims		2,476,000	1,755,232	1,149,232	3,082,000
Health benefits claims		1,656,000	15,721,454	15,723,454	1,654,000
	$	5,205,000	17,955,988	17,243,988	5,917,000

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