

<b>FCC Form 481 - Carrier Annual Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	613013
<015> Study Area Name	KETCHIKAN PUBLIC UT
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Wende DeBoer
<035> Contact Telephone Number: Number of the person identified in data line <030>	907-228-5479
<039> Contact Email Address: Email of the person identified in data line <030>	wended@city.ketchikan.ak.us

<b>ANNUAL REPORTING FOR ALL CARRIERS</b>	<b>54.313 Completion Required</b>	<b>54.422 Completion Required</b>
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<i>(check box when complete)</i>		
<100> Service Quality Improvement Reporting	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/> <input style="background-color: #cccccc;" type="checkbox"/>
<200> Outage Reporting (voice)	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
<210> <input type="checkbox"/> <-- check box if no outages to report		<input type="checkbox"/> <input checked="" type="checkbox"/>
<300> Unfulfilled Service Requests (voice)	<input type="text" value="0"/>	<input checked="" type="checkbox"/> <input style="background-color: #cccccc;" type="checkbox"/>
<310> Detail on Attempts (voice)	<i>(attach descriptive document)</i>	<input type="text"/> <input style="background-color: #cccccc;" type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)	<input type="text" value="0"/>	<input checked="" type="checkbox"/> <input style="background-color: #cccccc;" type="checkbox"/>
<330> Detail on Attempts (broadband)	<i>(attach descriptive document)</i>	<input type="text"/> <input style="background-color: #cccccc;" type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
<410> Fixed	<input type="text" value="74.0"/>	
<420> Mobile	<input type="text"/>	
<430> Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/> <input style="background-color: #cccccc;" type="checkbox"/>
<440> Fixed	<input type="text" value="66.0"/>	
<450> Mobile	<input type="text"/>	
<500> Service Quality Standards & Consumer Protection Rules Compliance	<i>(check to indicate certification)</i>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
<510> <input type="text" value="613013ak510"/>	<i>(attached descriptive document)</i>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	<i>(check to indicate certification)</i>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
<610> <input type="text" value="613013ak610"/>	<i>(attached descriptive document)</i>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/> <input style="background-color: #cccccc;" type="checkbox"/>
<710> Company Price Offerings (broadband)	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/> <input style="background-color: #cccccc;" type="checkbox"/>
<800> Operating Companies and Affiliates	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	<i>(if yes, complete attached worksheet)</i>	<input checked="" type="checkbox"/> <input style="background-color: #cccccc;" type="checkbox"/>
<1000> Voice Services Rate Comparability	<i>(check to indicate certification)</i>	<input type="text"/> <input style="background-color: #cccccc;" type="checkbox"/>
<1010> <input type="text"/>	<i>(attach descriptive document)</i>	<input type="text"/> <input style="background-color: #cccccc;" type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	<i>(if not, check to indicate certification)</i>	<input checked="" type="checkbox"/> <input style="background-color: #cccccc;" type="checkbox"/>
<1110>	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/> <input style="background-color: #cccccc;" type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	<i>(complete attached worksheet)</i>	<input style="background-color: #cccccc;" type="checkbox"/> <input checked="" type="checkbox"/>

**Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet**

*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

<2000>	<i>(check to indicate certification)</i>	<input type="text"/> <input style="background-color: #cccccc;" type="checkbox"/>
<2005>	<i>(complete attached worksheet)</i>	<input type="text"/> <input style="background-color: #cccccc;" type="checkbox"/>

**Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet**

<3000>	<i>(check to indicate certification)</i>	<input checked="" type="checkbox"/> <input style="background-color: #cccccc;" type="checkbox"/>
<3005>	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/> <input style="background-color: #cccccc;" type="checkbox"/>

<b>(100) Service Quality Improvement Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<015> Study Area Name	KETCHIKAN PUBLIC UT
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<039> Contact Email Address - Email Address of person identified in data line <030>	wended@city.ketchikan.ak.us

<110> Has your company received its ETC certification from the FCC?	(yes / no)	<input type="radio"/>	<input checked="" type="radio"/>	
If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no)	<input type="radio"/>	<input type="radio"/>	

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

- <113> Maps detailing progress towards meeting plan targets
- <114> Report how much universal service (USF) support was received
- <115> How (USF) was used to improve service quality
- <116> How (USF) was used to improve service coverage
- <117> How (USF) was used to improve service capacity
- <118> Provide an explanation of network improvement targets not met in the prior calendar year.










<b>(900) Tribal Lands Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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**<910>** Tribal Land(s) on which ETC Serves Ketchikan Indian Community  
Organized Village of Saxman

**<920>** Tribal Government Engagement Obligation 613013ak920  
Name of Attached Document (.pdf)

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

	Select (Yes, No, NA)
<b>&lt;921&gt;</b> Needs assessment and deployment planning with a focus on Tribal community anchor institutions;	Yes
<b>&lt;922&gt;</b> Feasibility and sustainability planning;	Yes
<b>&lt;923&gt;</b> Marketing services in a culturally sensitive manner;	Yes
<b>&lt;924&gt;</b> Compliance with Rights of way processes	Yes
<b>&lt;925&gt;</b> Compliance with Land Use permitting requirements	Yes
<b>&lt;926&gt;</b> Compliance with Facilities Siting rules	Yes
<b>&lt;927&gt;</b> Compliance with Environmental Review processes	Yes
<b>&lt;928&gt;</b> Compliance with Cultural Preservation review processes	Yes
<b>&lt;929&gt;</b> Compliance with Tribal Business and Licensing requirements.	Yes

<b>(1100) No Terrestrial Backhaul Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G)

<1130> Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G)

<b>(1200) Terms and Condition for Lifeline Customers</b> <b>Lifeline</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<1210> Terms & Conditions of Voice Telephony Lifeline Plans 613013ak1210

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Name of attached document (.pdf)

<1220> Link to Public Website HTTP \_\_\_\_\_

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

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ✓
- <1222> Details on the number of minutes provided as part of the plan, ✓
- <1223> Additional charges for toll calls, and rates for each such plan. ✓

**(2000) Price Cap Carrier Additional Documentation**

FCC Form 481

**Data Collection Form**

OMB Control No. 3060-0986/OMB Control No. 3060-0819

*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

July 2013

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**CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.**

**Incremental Connect America Phase I reporting**

- <2010> 2nd Year Certification {47 CFR § 54.313(b)(1)}
- <2011> 3rd Year Certification {47 CFR § 54.313(b)(2)}

**Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}**

- <2012> 2013 Frozen Support Certification
- <2013> 2014 Frozen Support Certification
- <2014> 2015 Frozen Support Certification
- <2015> 2016 and future Frozen Support Certification

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

- <2016> Certification Support Used to Build Broadband

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

- <2017> 3rd year Broadband Service Certification
- <2018> 5th year Broadband Service Certification
- <2019> Interim Progress Certification
- <2020> Please check the box to confirm that the attached PDF , on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.
- <2021> Interim Progress Community Anchor Institutions  Name of Attached Document Listing Required Information \_\_\_\_\_



<b>Certification - Reporting Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<b>&lt;039&gt;</b>	<b>Contact Email Address - Email Address of person identified in data line &lt;030&gt;</b>	wended@city.ketchikan.ak.us

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

<b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
<b>Name of Reporting Carrier:</b>	KETCHIKAN PUBLIC UT
<b>Signature of Authorized Officer:</b>	CERTIFIED ONLINE <span style="float: right;">Date 10/11/2013</span>
<b>Printed name of Authorized Officer:</b>	Daniel Lindgren
<b>Title or position of Authorized Officer:</b>	Acting KPU Telecommunications Division Manager
<b>Telephone number of Authorized Officer:</b>	907-228-5439
<b>Study Area Code of Reporting Carrier:</b>	613013 <span style="float: right;">Filing Due Date for this form: 10/15/2013</span>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

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

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<b>&lt;039&gt;</b>	Contact Email Address - Email Address of person identified in data line <030>	wended@city.ketchikan.ak.us

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

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
<p>I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.</p>	
Name of Authorized Agent:	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date:
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
<small>Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.</small>	

**TO BE COMPLETED BY THE AUTHORIZED AGENT:**

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
<p>I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.</p>	
Name of Reporting Carrier:	
Name of Authorized Agent or Employee of Agent:	
Signature of Authorized Agent or Employee of Agent:	Date:
Printed name of Authorized Agent or Employee of Agent:	
Title or position of Authorized Agent or Employee of Agent:	
Telephone number of Authorized Agent or Employee of Agent:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
<small>Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.</small>	

## Attachments





2417 Tongass Ave. Suite 119D  
 Ketchikan AK 99901  
 907-228-5474  
 888-478-5474

## Lifeline Phone Service

Lifeline is a Federal benefit that enables qualified low-income consumers to receive discounted service on either a wireless or landline phone. Lifeline is administered by the Universal Service Administrative Company (USAC), a not-for-profit corporation under the oversight of the Federal Communications Commission (FCC). To be eligible for Lifeline benefits you must meet certain income based qualifications or participate in at least one qualified federal assistance program. Lifeline is available for one line per household, either a wireless or a landline phone, not both. A household is defined as "any individual or group of individuals who live together at the same address and share income and expenses as an economic unit". Households are not permitted to receive Lifeline benefits from multiple providers. Violation of the one-per-household requirement constitutes a violation of the FCC's rules and will result in de-enrollment from the program and potential prosecution by the United States government.

Only eligible consumers may enroll in the program. To qualify for Lifeline service, an applicant may be eligible in one of two ways:

1. An applicant's annual household income is at or below 135% of the applicable federal poverty guidelines for Alaska for a household of that size; or,
2. An applicant participates and receives benefits in one of the public assistance programs that have been approved by the Federal Communications Commission or the Regulatory Commission of Alaska.

PLEASE NOTE: Proof of program participation must be submitted with any application for Lifeline Service based on participation in one of these programs. Acceptable documentation includes: (I) current or prior year's statement of benefits from a qualifying program; (II) a notice or letter of participation in a qualifying program; (III) program participation documents; or (IV) another official document demonstrating that the customer, one or more of the customers' dependents or the customer's household receives benefits from a qualifying assistance program. To qualify on the basis of annual household income, the applicant must provide proof of income eligibility that meets the household income criteria for Alaska. If the documentation presented does not cover a full year, such as current pay stubs, the documentation must cover at least three consecutive months within the previous twelve months.

Lifeline rates are available online, the link is as follows:

<http://www.city.ketchikan.ak.us/departments/clerk/title11.html>

Toll Blocking is offered by KPU Telecommunications to customers who choose not to allow outgoing toll (long distance) calls from their residential phone line. Prepaid phone cards may be purchased at KPU Customer Service or at many retail stores in Ketchikan.

To help determine if you are eligible for Lifeline service you can call KPU Customer Service at 907-228-5474 or toll free at 1-888-478-5474 or visit <http://www.lifelinesupport.org/ls/eligibility/default.aspx>.



**KPU Telecommunications**  
 2970 Tongass Avenue  
 Ketchikan, AK 99901

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

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

<http://www.city.ketchikan.ak.us/departments/clerk/title11.html>

**Chapter 11.12  
 Section 11.12.07**

(8) Lifeline Service: Lifeline services offered by the utility include Enhanced Lifeline features available to subscribers residing on tribal lands, which include all of the KPU serving area. Lifeline service reduces the local service charges paid by qualified residential subscribers as described in 8(c) below, by deductions for the following charges:

(A) Lifeline deductions: Lifeline deductions consist of the following: Federal Subscriber Line Charge deduction, Federal and State reductions to local residential line rate, an additional Federal reduction to the line rate (because of state participation), and an enhanced lifeline credit for tribal lands (effective October 1, 2000) which brings the adjusted cost of a Lifeline supported residential line to \$1.00. See Section 11.12.080(b) for Lifeline Service rate.

(B) Lifeline service consists of the following services only:  
 Single party, voice grade access to the public switched network; Access to emergency services (911)  
 Access to operator services;  
 Access to interexchange services, unless toll blocking is installed; Access to directory assistance;  
 Toll blocking, if installed.

(C) Qualifications for Lifeline service. Applicants must meet the following criteria in order to qualify for Lifeline service:

(i) The applicant must participate and maintain participation in one of the following programs: Medicaid; Supplemental Nutrition Assistance Program (SNAP); Food Stamps; Supplemental Security Income (SSI); Federal Public Housing Assistance; Low Income Home Energy Assistance Program (LIHEAP); Bureau of Indian Affairs General Assistance; Tribally Administered Temporary Assistance for Needy Families (TANF); Head Start Programs (only those meeting income qualifying standards); and National School Lunch Program (free meals program only), Alaska Temporary Assistance Program, Adult Public Assistance Program, VA Disability Pension, Child Care Assistance Program, Women, Infants and Children Program (WIC), Alaska State Housing Corporation Programs, Interest Rate Reduction for Low Income Borrowers, Home Investment Partnership Program, Low Income

Housing Tax Credit Program, Senior Citizen Housing Development Fund, Pioneer Home Payment Assistance, Denali Kid Care, State of Alaska Heating Assistance Program, Senior Care or receives benefits from another social services assistance program that (a) uses an income-based means test to determine eligibility for benefits, or (b) is administered by the state or federal government. A customer is eligible to participate in the lifeline program if the customer lives in a household with income at or below one hundred thirty-five percent of the applicable federal poverty guidelines for the state, as established by the United States Department of Health and Human Services. For the purposes of this eligibility, family unit and household are given the same meaning. (Ord. 1699, §2, 2012; Ord. 1623, §1, 2009; Ord. 1514, §1, 2005)

(ii) The premises for which residential service is requested must be the applicant's principal place of residence and must not already have Lifeline service.

(iii) Lifeline service will be available on the primary residential line only.

(iv) Applicant must sign under penalty of perjury, a Lifeline application form certifying that they are receiving benefits from one of the qualifying programs, name of the program listed in (1) above, and that he/she will notify the utility if he/she no longer participates in the program named above. Applicants must provide documentation of program-based eligibility or proof of income. Lifeline customers will be required to verify and re-certify their eligibility each year. (Ord. 1699, §2, 2012; Ord. 1514, §1, 2005)

(D) Loss of Lifeline eligibility. Applicants will become ineligible for Lifeline service for the following reasons: the applicant no longer participates in one of the qualifying programs, the location of service is not the applicant's primary residence, the location already has Lifeline service, the applicant fails to respond to the annual re-certification, or when service is disconnected under other provisions of this chapter. (Ord. 1699, §2, 2012\_

(E) Lifeline service may not be disconnected nor may service be refused to be provided to an eligible customer for non-payment of services other than basic service. Toll blocking may be activated by the utility in response to non-payment of toll charges. Services other than basic phone service, such as custom calling features and internet service may be disconnected.

(Ord. 1514, §1, 2005)

(F) If the Lifeline applicant chooses toll blocking, the utility will not charge a security deposit. Without the provision of toll blocking, and as applicable to custom calling and other features, regular security deposits will be required as set forth in Section 11.04.040 "Deposits." (Ord. 1447, §3, 2001; Ord. 1439 §1, 2000)

(G) If a lifeline customer makes a partial payment on a bill that includes both local service and non-local services, the eligible telecommunications carrier shall apply the partial payment to local service first, unless the customer directs otherwise.



CITY OF  
*Ketchikan*  
A L A S K A

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
For the Fiscal Year  
Ended December 31, 2012

PHOTOGRAPH "TOTEM IN SUMMER" BY CARLOS ROJAS  
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**CITY OF KETCHIKAN, ALASKA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Year Ended  
December 31, 2012

Prepared by:

**FINANCE DEPARTMENT**

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

Michelle L. Johansen  
Accounting Manager

**City of Ketchikan, Alaska**  
*Comprehensive Annual Financial Report*  
*For The Year Ended December 31, 2012*

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**City of Ketchikan, Alaska**  
*Comprehensive Annual Financial Report*  
*For The Year Ended December 31, 2012*

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# LETTER OF TRANSMITTAL



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July 24, 2013

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Ketchikan, Alaska for the year ended December 31, 2012. Section 5.2 of the City Charter requires an independent audit of the City's financial records and transactions by a certified public accountant within four months after the end of the City's fiscal year. The City Council was notified on May 2, 2013 that the audit would be delayed due to the implementation of the City's new financial and accounting system.

The CAFR was prepared by the City of Ketchikan Finance Department. The accuracy of the data in this financial report, and the completeness and the fairness of the presentation, including all disclosures is the responsibility of management. To provide a reasonable basis for making these representations, a comprehensive internal control framework has been established that is designed to protect the City's assets from loss, theft, or misuse and to maintain sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh the benefits, the framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we attest that to the best of our knowledge and belief that this financial report is complete and reliable in all material aspects.

The City's financial statements were audited by Mecham, Richardson and Company. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2012, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the year ended December 31, 2012 are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

As a recipient of federal and state financial assistance, the City is required as part of its annual audit to undergo a federal single audit and a state single audit. The federal single audit was performed in accordance with the provisions of the Single Audit Act Amendments of 1996, and the US Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The state single audit was performed in accordance with the State of Alaska Single Audit Regulation 2 AAC 45.010 and *Audit Guide and Compliance Supplement for State Single Audits*. These audits were designed to meet the special needs of federal and state grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. Information related to these single audits, including the Schedules of Expenditures of Federal Awards and State Financial Assistance, the auditor's reports on the internal control and compliance with applicable laws and regulations, and the schedules of findings and questioned costs are included in separately issued reports.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

## Profile of the Government

The City of Ketchikan, incorporated in 1900, is a community of 8,291 and is the fifth largest city in Alaska. Located on Revillagigedo Island in southern Southeast Alaska, and within the boundaries of the Tongass National Forest, Ketchikan is 680 miles north of Seattle, Washington, and 230 miles south of Alaska's capital, Juneau. Ketchikan is the largest city located within the Ketchikan Gateway Borough and occupies five square miles.

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

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

The City provides a full range of general government services, including police and fire protection; emergency medical services; cemetery; library; museum; harbors; parking; street maintenance and improvements; and solid waste collection and disposal. The City also operates three enterprise funds that provide port, wastewater, and electric, telephone and water utility services.

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

## Local Economy

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

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

the Ketchikan pulp mill facility in 1997 and the subsequent closure of a several local saw mills and other regional timber operations in Southeast Alaska.

Ketchikan's economy is still based on natural resources but it has transitioned from one that is based on the extraction and development of natural resources to one that is more focused on the preservation of natural resources so they can be shared with future generations from around the world. The fishing and timber industries continue to play an important role in the City's economy, but Ketchikan's popularity as a major port of call for cruise ship companies and their passengers continues to grow. As a result, tourism has surpassed fishing and timber as the most important segment of the local economy. The number of visitors arriving by cruise ship has increased from 236,000 in 1990 to a record 942,000 in 2008. Beginning in 2009 the number of passengers began declining because of the global economic downturn and the imposition of an excise tax on cruise ship passengers by the State of Alaska. After bottoming out at 821,000 passengers in 2010, cruise ship traffic has started to rebound. In 2012, cruise ship traffic increased to 886,000 passengers and is expected to continue to improve. The forecast for 2013 calls for 40 ships to make 512 stops and bring approximately 920,000 passengers to the community. The growth in tourism has led local government and private businesses to make significant investments in the land-based facilities and port infrastructure necessary to accommodate the needs of the industry. The City invested over \$40 million dollars in 2006 to expand and improve its port berthing facilities. Private companies have invested millions of dollars to develop a retail complex at the former Spruce Mill property and Berth IV and its adjacent ground transportation area. The City is currently in the process of completing phase two of a \$26 million four-phase project to replace Berths I and II. Phase two is estimated to cost \$7.5 million.

The City is a major contributor to the community's economy and has played an important role in planning and supporting economic development. The City is the community's sole provider of electric utility services; the largest provider of port and harbor services; a major provider of telecommunication services; the owner of the Ketchikan Medical Center, a major regional health care facility; and the lead local governmental agency responsible for constructing and maintaining a significant portion of the community's transportation infrastructure, all of which affect the overall direction and health of the local economy. The City is one of the community's top five employers with an annual payroll of almost \$20 million.

The City is located within the boundaries of the Ketchikan Gateway Borough, which had a population of 13,938 in 2012. Approximately 60 percent of the community's population, or 8,291 residents, make their home within the city limits. The City's population peaked in 1997 at 8,552, the last year of operations for the Ketchikan Pulp Company. School enrollment peaked in 1997 at 2,782 pupils and has since followed a similar downward trend, until bottoming out at 2,110 students in 2009 and showing slight increases in 2010, 2011 and 2012. In 2012, the Ketchikan Gateway Borough School District reported an enrollment of 2,201 pupils.

The shift in the local economy from timber to tourism has resulted in a labor force that has become more seasonal. In 2012, the monthly employment varied between 6,747 and 8,910. By contrast, in 1996, the last full year of operations for the Ketchikan Pulp Company, monthly employment varied between 6,680 and 7,947. The average employed labor force in 2012 was 7,612 with employment peaking at 8,910 in August. The unemployment rate for 2012 was 6.8 percent, a decrease from the 7.3 percent that was reported for 2011. Per capita income for 2009, 2010, and 2011 was \$51,850, \$51,266 and \$51,631, respectively. No figures were available for 2012.

After several years of increases in the second half of the last decade, the City's property tax base has begun to stabilize and return to a more normalized growth rate. In 2012, assessed values increased from 2011 by \$7,341,900, or nearly 1 percent, to \$808.5 million. Property values are projected to increase to \$817 million in 2013. Gross sales increased from \$559.2 million in 2011 to \$628.5 million in 2012, or 12.4 percent. The City collected 10.1 million in sales tax revenues in 2012, or 2 percent more than 2011. Sales tax revenues are projected to increase to \$10.3 million in 2013.

### **Long-Term Financial Planning and Relevant Financial Policies**

The mission of the City is to provide cost effective programs and services consistent with the goals of preserving and enhancing the current quality of life enjoyed by the citizens of Ketchikan. The long-term financial planning efforts of the City are directed towards identifying events and situations that may hinder the City's ability to achieve these goals, taking proactive or preemptive roles in developing strategic solutions to address the challenges that have been presented, and developing reasonable and prudent plans for ensuring that the City

has the financial resources available to carry out its strategic solutions. In this context, the governing board and management of the City strive to promote policies and adopt plans that:

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

**Port Development** – As the tourism industry continues to grow so do the needs of the Port of Ketchikan, which is a major point of entry for almost one million visitors arriving in Ketchikan annually by cruise ship. Developing, constructing and maintaining adequate and safe port infrastructure for these visitors are of critical importance to the City. An independent evaluation of the wooden structures of Berths I and II concluded that significant portions have deteriorated and should be replaced. In order to keep these two berths operational, the City has spent over \$3 million in emergency repairs pending the development of a plan for permanent repairs. The City has approved a \$26 million four phase plan to replace the deteriorating structures with steel piling and concrete decking and has secured \$26 million in grants to fund the project. Phases I and II have been completed. A contract was awarded for Phase III in June 2013. Phase IV will be awarded in 2014 and completed in time for the 2015 cruise ship season.

**Harbors Development** – The community harbors serve the boating public, commercial fishermen and other commercial marine enterprises. The community's five harbors used to be owned and maintained by the State of Alaska until they were transferred to the City over the course of seven years, with the first transfer taking place in 2001. Under State ownership, the harbors were not well maintained and many of the transferred harbors had fallen into disrepair. Included in the City's 2013 – 2017 Capital Improvement Program for the Harbor Department is \$9 million to correct the deficiencies caused by deferring maintenance and to restore the harbor facilities so they can be operated safely and \$5 million for a drive down float. To finance these projects, the City Council implemented the first of a series of harbor rate increases and designated the City's portion of annual state raw fish tax receipts to be used for funding the improvements. The City also sought and obtained from the voters authorization to issue \$5 million in general obligation bonds.

**Ketchikan Medical Center** – In April 2009, NAC Architecture presented to the City Council a master plan for the Ketchikan Medical Center, which is owned by the City and operated by PeaceHealth of Bellingham, WA under a long-term lease agreement with the City. The master plan prepared by NAC Architecture concluded that the current facility is outdated and recommended improvements totaling \$75 million. This project consists of a new wing and the renovation of the existing structure. The first phase will focus on the construction of the new wing and is expected to cost \$62 million. The City has secured grants totaling \$19 million for the first phase and is seeking authorization from the voters of the City in October 2013 to issue \$43 million of general obligation bonds to complete the financing plan. The City anticipates that it will be able to service the debt from the existing current 1% Hospital Sales Tax but it is prepared to consider an increase in the tax if additional resources are needed.

**Sale of the Telecommunications Utility** – In 2007, GCI, the largest private provider of telecommunication services in Alaska, began offering local dial tone service in the community of Ketchikan and effectively ended the City d/b/a Ketchikan Public Utilities d/b/a KPU Telecommunication's monopoly on local dial tone service. As expected, GCI captured a respectable share of the local telecommunications market and has continued to expand its market share albeit at a much slower pace. KPU Telecommunications is also facing competition from wireless providers of telecommunication services. Concerns regarding the KPU Telecommunication's long-term ability to compete effectively in this changing market resulted in the hiring of a consultant to advise the City on whether it should retain or sell its telecommunications utility. The consultant recommended that the City sell the telecommunications utility. On April 6, 2010 a special election was held to determine the future of the telecommunications utility. The qualified voters of the City passed a ballot proposition authorizing a sale by a vote of 388 to 375. The City had received an offer from Matanuska Telephone Association (MTA) to purchase

the telecommunications utility but negotiations were suspended. The City, through its broker, is also pursuing offers from other telecommunication companies.

**Power Generation Facilities** - The demand for energy from the City's municipally owned electric utility, KPU, has reached the capacity of its hydroelectric projects and is rapidly approaching the capacity of the Swan Lake Hydroelectric Project owned by the Southeast Alaska Power Agency. As the community's demand for energy continues to grow, KPU is responding aggressively by implementing a plan to meet this demand. The community currently relies on hydroelectric generation as its primary source of energy with diesel generation serving as a backup. Since the natural abundance of water reservoirs makes hydroelectric generation the most cost effective source of energy in Southeast Alaska, KPU is actively pursuing a number of hydroelectric projects. KPU has identified the development of the \$26 million Whitman Lake Hydroelectric Project and the Metlakatla-Ketchikan Intertie as its top priorities. In March 2009, the Federal Energy Regulatory Commission issued a fifty-year license for the Whitman Lake Hydroelectric Project. The City has already secured state grant funding in the amount of \$11 million and issued revenue bonds in June 2013 to finance the remaining \$15 million needed to complete the project. Construction of the project is currently underway and KPU anticipates that it will be completed in early 2014. The City anticipates that maturing debt will mitigate the need to raise electric rates in order to provide for the annual debt service on the newly issued revenue bonds.

The Metlakatla-Ketchikan Intertie is a 34.5kV transmission that will interconnect the electrical systems of Metlakatla Power & Light, which is located on Annette Island, and KPU, which is located on Revillagigedo Island. The intertie will consist of 16 miles of overhead transmission lines and a one mile submarine cable crossing. The estimated cost is \$12.7 million. The overhead transmission lines was substantially completed by the end of 2012. Efforts are under way by MP&L to seek funding for the submarine cable. Once the funding is in place, it will take approximately 18 months to construct the submarine cable. The long-term goal is to tap into a yet to be developed hydroelectric project at Triangle Lake on Annette Island.

**Property Tax and Debt Policies** – The City currently subscribes to a policy of maintaining a stable property tax levy in order to promote Ketchikan as an attractive place to live and encourage economic development. Changes in the property tax levy are made in the context of a long-term perspective. As a result, increases or decreases in the property tax levy are made only if the long-term financial needs of the City warrant such changes. Short-term financial needs are addressed by making adjustments to the reserves of the City's general fund. This policy has been successful for 23 years.

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

### Major Initiatives

The City is a part of a progressive community that seeks to improve the quality of life for its citizens. During 2012, a number of initiatives were undertaken by the City to improve the utility infrastructure, encourage economic development, enhance public safety and public health, promote the education and cultural experience of its citizens, and improve administrative efficiencies of city government. Some of the major initiatives are as follows:

- The voters of the City approved a general obligation bond ballot proposition totaling \$5 million. The proceeds will be used to fund the much needed harbor improvements that will benefit the general boating public and the commercial fishing fleet.
- Awarded construction and equipment contracts for the \$26 million 4.6 MW Whitman Lake Hydroelectric Project. The project is expected to begin serving the community of Ketchikan in early 2014.
- Completed construction of a \$11.2 million library facility. The new facility replaces the former library, which had been located in the Centennial Building since 1968. The new facility is located in a residential area near two local schools and the community's recreation center.

- Completed construction of a \$12.2 million fire station in the Central Business District. The new facility replaced antiquated facilities that were constructed in 1943. The new station serves as the City's main fire station.
- Announced that the City of Ketchikan dba as KPU Telecommunications was partnering with Verizon to provide cell phone service in the community of Ketchikan. The new venture will provide the community and visitors to the community with more cell phone choices and access to an advanced 4G network. KPU Telecommunications expects to begin service in 2014.
- The City began the second phase of a four phase project to replace the wooden portions Berths I and II with a concrete deck and steel piling by awarding a \$7.5 million construction contract. This phase of the project will replace facilities that are in various stages of structural deterioration and the Ketchikan Visitors Bureau building. Phase II was completed in May 2013.
- In October 2012, the City went live with its new financial and accounting information system. The new system replaced a 30-year old system that was becoming increasingly more expensive to update and maintain.

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (the "GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This was the thirty-third year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Stan Aegerter	Patty Keeley
Anita Beaudoin	Nicolle Lewis
Gretchen Blanchard	Lauren Munhoven
Vicki Boyd	Camille Nelson
Angie Delaney	Korry Olsen
Cristina Doyle	Tracey Sader
Terri Jirschele	Terry Sivertsen

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

Respectfully submitted,



Robert E. Newell, Jr., CPA  
Finance Director



Michelle L. Johansen  
Accounting Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ketchikan  
Alaska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



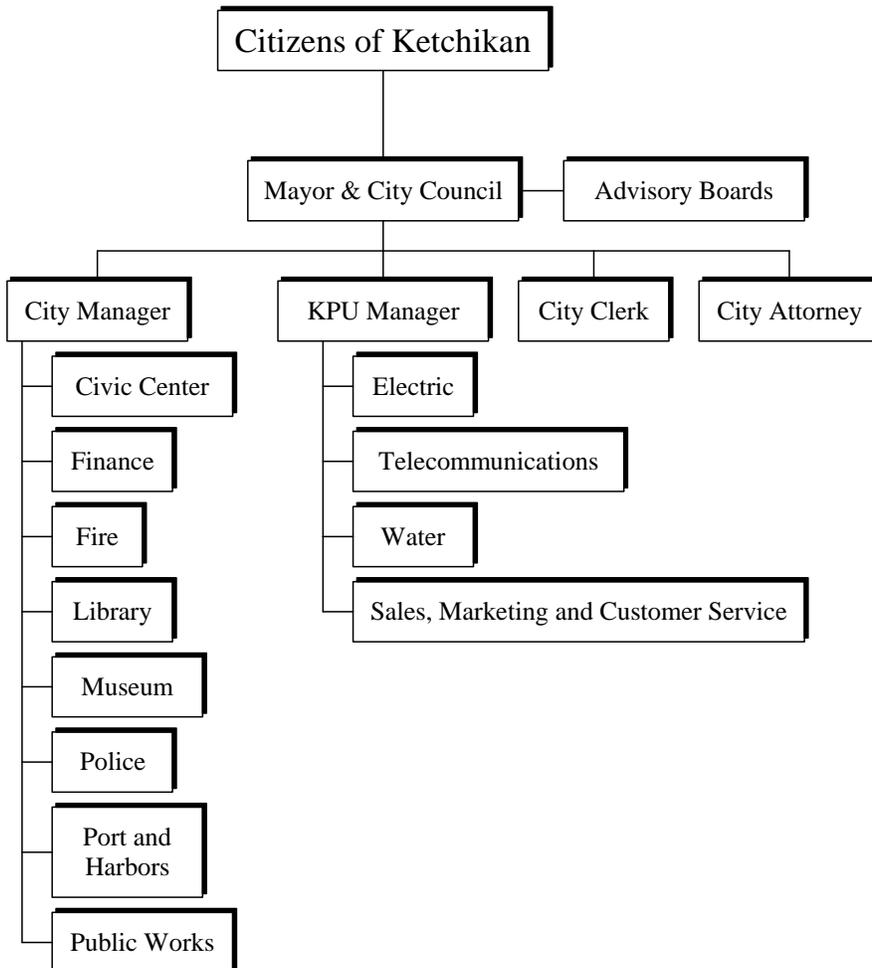
*Christopher P. Morill*

President

*Jeffrey R. Emer*

Executive Director

**CITY OF KETCHIKAN, ALASKA**  
ORGANIZATIONAL CHART  
DECEMBER 31, 2012



# CITY OF KETCHIKAN, ALASKA

## PRINCIPAL CITY OFFICIALS

*December 31, 2012*

### MAYOR AND CITY COUNCIL

<i>City Mayor</i>	<i>Lew Williams III</i>
<i>City Councilmember</i>	<i>Samuel Bergeron</i>
<i>City Councilmember</i>	<i>Richard Coose</i>
<i>City Councilmember</i>	<i>KJ Harris</i>
<i>City Councilmember</i>	<i>DeAnn Karlson</i>
<i>City Councilmember</i>	<i>Matt Olsen</i>
<i>City Councilmember</i>	<i>Robert Sivertsen</i>
<i>City Councilmember</i>	<i>Marty West</i>

### CITY STAFF

<i>City Manager/KPU General Manager</i>	<i>Karl R. Amylon</i>
<i>City Clerk</i>	<i>Katherine M. Suiter</i>
<i>City Attorney</i>	<i>Mitch Seaver</i>
<i>Finance Director</i>	<i>Robert E. Newell, Jr.</i>
<i>Police Chief</i>	<i>Alan Bengaard</i>
<i>Fire Chief</i>	<i>Franklin Share, III</i>
<i>Public Works Director/Engineering Mgr.</i>	<i>Clifton J. Allen</i>
<i>Library Director</i>	<i>Linda Lyshol</i>
<i>Museum Director</i>	<i>Michael Naab</i>
<i>Civic Center Manager</i>	<i>Rhonda Bolling</i>
<i>Port and Harbors Director</i>	<i>Steven R. Corporon</i>
<i>Telecommunications Utility Manager</i>	<i>Edward Cushing</i>
<i>Water Utility Manager</i>	<i>John C. Kleinegger</i>
<i>Electric Utility Manager</i>	<i>Tim McConnell</i>
<i>Sales, Marketing &amp; Customer Service Manager</i>	<i>Kim Simpson</i>



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# INDEPENDENT AUDITOR'S REPORT



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**MECHAM, RICHARDSON AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS**

Member of the AICPA Private Companies Practice Section

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FAX (907) 225-9687

Partners  
Edward B. Mecham, CPA  
S. Dirk Richardson, CPA

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ketchikan, Alaska as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Managements Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ketchikan, Alaska, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 19 through 33 and 77 through 80, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The combining and individual major and nonmajor fund financial statements, and schedules, as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual major and nonmajor fund financial statements, and schedules,

**MECHAM, RICHARDSON AND COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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

as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

***Other Reporting required by Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2013 on our consideration of the City of Ketchikan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ketchikan's internal control over financial reporting and compliance.

*Mecham, Richardson and Company*

July 24, 2013



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Ketchikan is pleased to provide the users of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2012. We encourage users to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the information included in the notes to the financial statements.

### Financial Highlights

- The City's assets exceeded its liabilities by \$290.1 million (net position) for the calendar year reported.
- Total net position is comprised of the following:
  - 1) Net investment in capital assets of \$225.9 million, include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - 2) Resources of \$16.3 million are restricted by constraints imposed from outside the City such as debt covenants, granting agencies, laws, or regulations.
  - 3) Unrestricted resources of \$47.9 million are available to maintain the City's continuing obligations to its citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$28 million this year. This compares to the prior year ending fund balance of \$32 million showing a decrease of \$4 million during the current year.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$2.6 million, or 10.3 percent of total General Fund expenditures. This was a decrease of \$665,300 from the prior year. The General Fund also reported an operating deficit of \$2.2 million.
- The City's proprietary funds reported total ending net position of \$138.1 million this year. This compares to the prior year ending net position of \$123.8 million, an increase of \$14.3 million.
- The City's mill rate remained at 6.2. The City has only increased its mill rate once in past 23 years.

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

### Overview of the Financial Statements

This discussion and analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

### *Government-wide Financial Statements*

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**December 31, 2012**

City of Ketchikan, Alaska

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nonfinancial factors such as the diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both of the government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, culture, harbors, and health and welfare. Business-type activities include Ketchikan Public Utilities (KPU), the Port of Ketchikan and wastewater utility services.

***Fund Financial Statements***

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

The City has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term calendar accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has five proprietary funds; three are classified as enterprise funds and two are internal service funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for electric, water, telecommunications and wastewater utilities and port facilities.

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

***Notes to the Basic Financial Statements***

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
December 31, 2012

City of Ketchikan, Alaska

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*Required Supplementary Information*

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

*Supplementary Information*

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

**Government-wide Financial Analysis**

*Statement of Net Position*

The City's net position at December 31, 2012 and 2011 totaled \$290.1 million and \$273 million, respectively. The net position for the City as a whole increased by \$17.1 million. The following table summarizes the net position of the City's governmental and business-type activities:

*(This page continued on the subsequent page)*

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
December 31, 2012

City of Ketchikan, Alaska

City of Ketchikan's Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 37,238,122	\$ 40,325,088	\$ 42,938,604	\$ 41,664,978	\$ 80,176,726	\$ 81,990,066
Capital assets	136,824,677	125,626,827	158,538,752	147,807,676	295,363,429	273,434,503
Total assets	174,062,799	165,951,915	201,477,356	189,472,654	375,540,155	355,424,569
Liabilities:						
Current and other liabilities	5,491,531	5,349,722	8,541,468	9,323,088	14,032,999	14,672,810
Long-term liabilities	16,587,250	11,468,888	54,866,118	56,322,841	71,453,368	67,791,729
Total liabilities	22,078,781	16,818,610	63,407,586	65,645,929	85,486,367	82,464,539
Net position:						
Net investment in capital assets	124,187,486	118,331,373	101,715,542	88,231,320	225,903,028	206,562,693
Restricted	7,668,494	8,010,280	8,624,752	8,431,062	16,293,246	16,441,342
Unrestricted	20,128,038	22,791,652	27,729,476	27,164,343	47,857,514	49,955,995
Total net position	\$ 151,984,018	\$ 149,133,305	\$ 138,069,770	\$ 123,826,725	\$ 290,053,788	\$ 272,960,030

The largest component of the City's net position is its net investment in capital assets. The City's net investment in capital assets accounts for 77.9 percent of its net position. These capital assets include land, buildings, equipment, vehicles, and infrastructure used to provide services to the citizens of the City. These assets are not available for future spending. For the City as a whole, its net investment in capital assets increased by \$19.3 million. The net investment in capital assets for the City's business-type activities increased by \$13.5 million and the net investment in capital assets for governmental type activities increased by \$5.8 million.

Approximately 5.6 percent of the City's net position is restricted because of limitations placed on how these resources may be used. Included are resources restricted for debt service, bond proceeds for capital improvements, state grants for harbor improvements and program specific resources accounted for in special revenue funds. The resources restricted for harbor improvements were awarded to the City at the time it assumed ownership of previously owned state harbor facilities. Programs provided by the City include solid waste collection and disposal, harbors, and cemetery services.

A portion of the City's net position is unrestricted and may be available to meet the City's ongoing financial obligations. This portion represents resources not restricted by external requirements nor invested in capital assets. The unrestricted portion of net position amounted to \$47.9 million, or 16.5 percent of total net position. This is a decrease of \$2.1 million from 2011. Unrestricted net position reported for the City's governmental activities decreased \$2.7 million. The unrestricted net position of the City's business-type activities increased \$.6 million.

Net position may serve over time as a useful indicator of a government's financial position. Since the City began reporting its net position in 2003, it has increased from \$207.2 million to \$290.1 million. Over the past nine years, the City's financial position has improved by \$82.9 million, or 40 percent.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
December 31, 2012

City of Ketchikan, Alaska

*Changes in Net Position*

The City's net position increased \$17.1 million in 2012. The net position for governmental and business-type activities increased \$2.9 million and \$14.2 million, respectively. The following table provides a summary of the changes in the City's net position:

City of Ketchikan's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program:						
Charges for services	\$ 6,572,901	\$ 6,576,381	\$ 45,017,352	\$ 43,668,780	\$ 51,590,253	\$ 50,245,161
Operating grants and contributions	1,153,337	1,173,178	2,225,280	221,076	3,378,617	1,394,254
Capital grants and contributions	6,878,384	10,529,822	12,327,627	9,908,854	19,206,011	20,438,676
General:						
Taxes	15,300,959	15,070,369	-	-	15,300,959	15,070,369
Other	1,044,550	1,401,105	639,848	477,602	1,684,398	1,878,707
Total revenues	<u>30,950,131</u>	<u>34,750,855</u>	<u>60,210,107</u>	<u>54,276,312</u>	<u>91,160,238</u>	<u>89,027,167</u>
Expenses:						
General government	2,290,233	1,928,342	-	-	2,290,233	1,928,342
Public safety	8,965,252	8,368,059	-	-	8,965,252	8,368,059
Culture	3,066,214	2,862,064	-	-	3,066,214	2,862,064
Health and welfare	2,547,424	1,272,680	-	-	2,547,424	1,272,680
Public works	9,423,324	8,015,271	-	-	9,423,324	8,015,271
Harbor	2,154,270	2,169,152	-	-	2,154,270	2,169,152
Interest	757,879	478,822	-	-	757,879	478,822
KPU	-	-	34,914,288	32,535,214	34,914,288	32,535,214
Port	-	-	7,212,832	7,452,615	7,212,832	7,452,615
Wastewater	-	-	2,734,764	2,401,671	2,734,764	2,401,671
Total expenses	<u>29,204,596</u>	<u>25,094,390</u>	<u>44,861,884</u>	<u>42,389,500</u>	<u>74,066,480</u>	<u>67,483,890</u>
Increase in net position before transfers	1,745,535	9,656,465	15,348,223	11,886,812	17,093,758	21,543,277
Transfers	1,105,178	1,097,000	(1,105,178)	(1,097,000)	-	-
Increase in net position	2,850,713	10,753,465	14,243,045	10,789,812	17,093,758	21,543,277
Net position - January 1	<u>149,133,305</u>	<u>138,379,840</u>	<u>123,826,725</u>	<u>113,036,913</u>	<u>272,960,030</u>	<u>251,416,753</u>
Net position - December 31	<u>\$ 151,984,018</u>	<u>\$ 149,133,305</u>	<u>\$ 138,069,770</u>	<u>\$ 123,826,725</u>	<u>\$ 290,053,788</u>	<u>\$ 272,960,030</u>

**Governmental Activities.** The City's net position from governmental activities increased \$2.9 million. This increase is \$7.9 million less than the increase that occurred in 2011. The key elements in the change in net position from the prior year are as follows:

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*December 31, 2012*

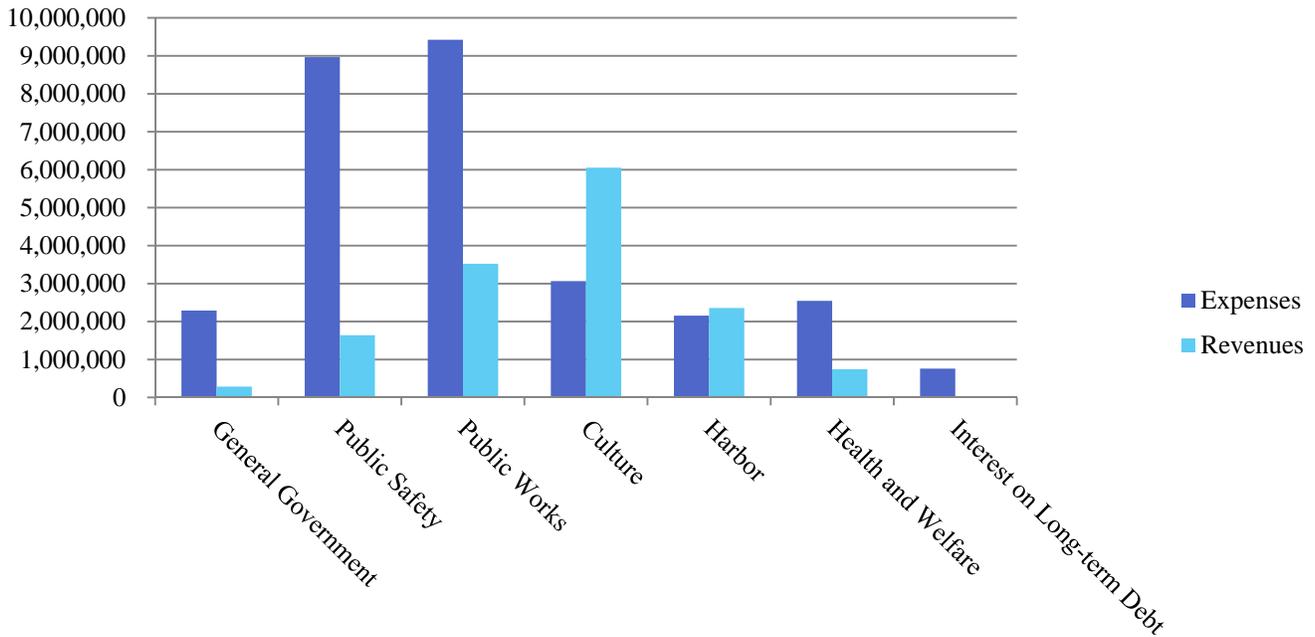
City of Ketchikan, Alaska

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- Capital grants and contributions decreased \$3.7 million. The decrease occurred because the City completed several major capital projects that were started in prior years. The combined grant funding for two of the projects totaled \$11 million. Since the grants for these two projects were not matching grants, the City utilized grants funds prior to using bond proceeds to pay for construction costs.
  - Public safety expenses increased \$.6 million because the number of vacant public safety positions declined significantly in 2012. The average vacancy rate declined from 5.65% in 2011 to 1.56% in 2012.
  - Health and welfare expenses increased \$1.3 million. Unanticipated interim repairs were required for the heating, ventilating and air conditioning system in the surgical suite at the Ketchikan Medical Center.
  - Public works expenses increased \$1.4 million. The increase was driven primarily by an aggressive street overlay project in 2012 that included the streets the City planned to overlay in 2012 and street overlay projects that were deferred in 2011 because of the weather.
  - Interest expense increased \$.3 million because of debt issued to finance the City's new downtown fire station and the Copper Ridge Lane library facility.

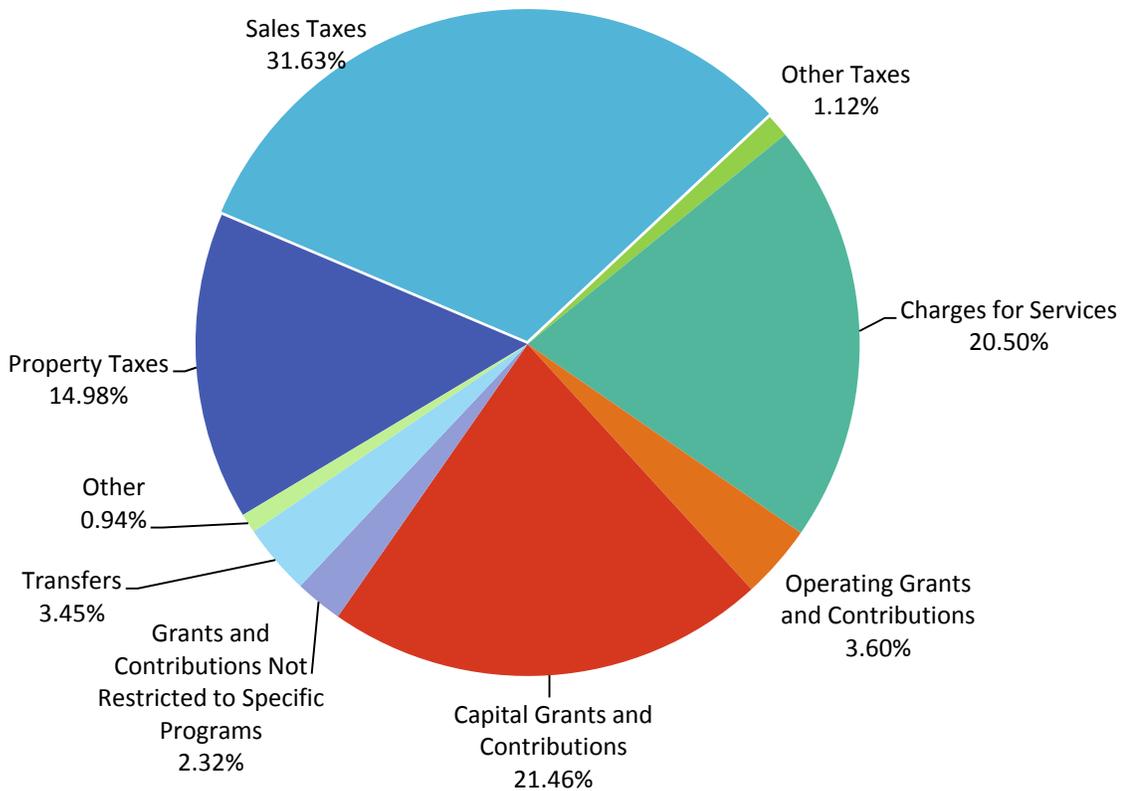
The following graphs compare program revenues with expenses and illustrate the revenues by source for governmental activities.

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**EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES**



**REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES**



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
December 31, 2012

City of Ketchikan, Alaska

**Business-type Activities.** The City's net position from business-type activities increased \$14.2 million. This increase is \$3.5 million more than the increase that occurred in 2011. The City's business-type activities include electric, telecommunications, water and wastewater utilities; and port operations. The key elements in the change in net position from the prior year are as follows:

Charges for services increased \$1.3 million. The table below summarizes charges of services by business-type activity.

	2012	2011
Electric	\$16,687,415	\$16,164,690
Telecommunications	14,586,914	14,500,541
Water	2,935,454	2,899,352
Wastewater	2,215,314	2,117,793
Port	8,592,255	7,986,404
	<u>\$45,017,352</u>	<u>\$43,668,780</u>

Electric utility revenues increased \$.5 million. Kilowatt-hour sales increased from 164,714,000 kWh to 172,190,000 kWh, or 4.5%, because of electric heating conversions and cooler temperatures. Port revenues increased \$.6 million. The number of calls by cruise ships increased from 426 to 467, or 9.6%. The number of passengers increased from 831,000 to 886,000, or 6.6%.

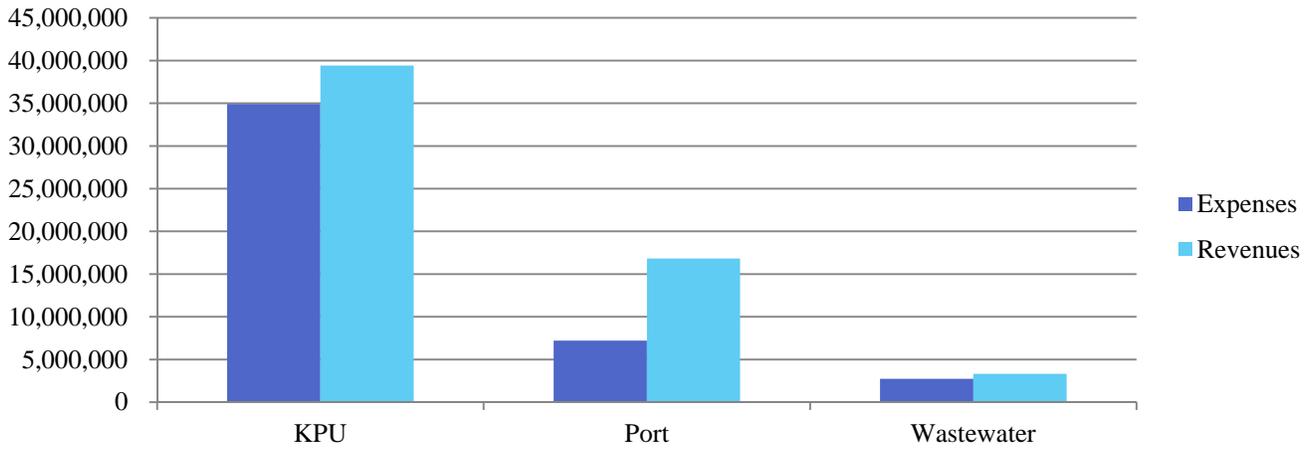
Operating grants and contributions increased \$2 million. Beginning in 2012, the State of Alaska started sharing a portion of its commercial passenger vessel excise tax with certain communities in Alaska that are regular ports of call for cruise ships. The City received \$2 million under this program.

Capital grants and contributions increased \$2.4 million due to the continuation of a number of capital improvements projects that began in 2011. Nearly all of the increase can be attributed to four projects that are in various stages of construction. These projects are the Bethe substation, the Whitman Lake Hydroelectric project, the first and second phases of the Berth I and II Replacement project, and the Jackson/Monroe sewer and water main replacement project. The substation and hydroelectric projects are improvements for the electric utility system, the berth project will improve port facilities and the sewer and water main project is a joint project of the wastewater and water utilities.

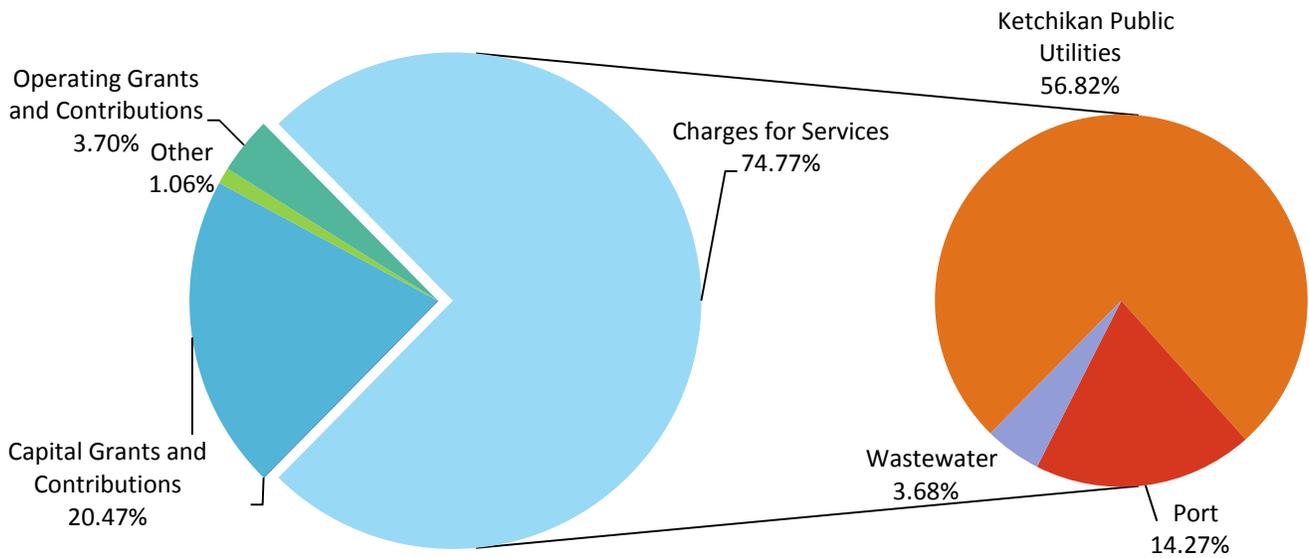
The overall expenses of the City's business-type activities for 2012 increased from \$42.4 million to \$44.9 million, or 5.8%. Nearly \$2.4 million of the increase is attributable to the operations of KPU and its electric and telecommunications utilities. In order to meet the demand for electricity, the electric utility was required to spend \$650,000 more for power than it did in 2011. The addition of a new plant to the electric utility system increased depreciation by \$361,000. The telecommunications utility saw its non-regulated operation expenses increase by \$474,000 and its central office transmission expenses increase by \$338,000. Non-regulated operations expenses increased because the telecommunication utility has been successful in its efforts to increase its market share by offering first class television programming and a better internet experience. Central office transmission expenses increased due the expansion of the telecommunication utilities fiber to the home operations and increased maintenance on transmission equipment. KPU administrative costs increased because of the City Council's decision to abolish the KPU Engineering Division and reverse a 2011 decision that required KPU absorb the full cost of the City's \$300,000 community grant program.

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

**EXPENSES AND PROGRAM REVENUES –BUSINESS-TYPE ACTIVITIES**



**REVENUE BY SOURCE –BUSINESS-TYPE ACTIVITIES**



**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*December 31, 2012*

City of Ketchikan, Alaska

**Financial Analysis of the City's Funds**

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

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

The City's governmental funds reported combined ending fund balances of \$28 million, a decrease of \$4 million or 12.4%, from last year. Nonspendable fund balances total \$.38 million and consists entirely of land held for resale. Restricted fund balances total \$3 million, of which all but \$5,270 has been restricted by bond covenants for capital improvements. Assigned fund balances total \$22.1 million and includes \$4.9 million for subsequent year's budget deficit, \$4.1 million for streets and sidewalks maintenance and other public works projects, \$3.8 million for public health, \$3.2 million for solid waste, \$.9 million for economic and parking development, \$2.2 million for harbors and \$2.0 million for community facilities.

The general fund is the primary operating fund of the City through which all receipts of and payments for City operations are processed unless they are required to be accounted for in another fund. By definition, it is a major governmental fund under generally accepted accounting principles. Total general fund revenues for 2012 amounted to \$22.6 million, an increase of \$.2 million from 2011. Tax revenues from sales taxes accounted for 77.9% of the increase. A rebound in the tourism industry and higher fuel prices drove the increase in the City's sales tax revenues. Total general fund expenditures for 2012 amounted to \$25.3 million, an increase of \$4.26 million from 2011. The increase in expenditures was due to cost of living adjustments, the integration of the former KPU Engineering Division into Public Works Engineering Department, streets maintenance that was deferred because of poor weather in 2011, a decrease in the general fund employee vacancy rate from 4.68% to 1.78%, and interim repairs for the Ketchikan Medical Center. The total fund balance of the general fund decreased from \$19.5 million in 2011 to \$17.3 million in 2012. The unassigned fund balance decreased from \$3.3 million to \$2.6 million.

The total revenues of the Community Facilities Development Fund decreased from \$5.7 million in 2011 to \$4.9 million in 2012. The decrease was caused by two grant awards from the State of Alaska to fund the construction of a new fire station and a new public library. The grants are reimbursement grants. The amount of revenue recognized depends on the amount of grant eligible expenditures incurred. Although expenditures increased by \$2.5 million during 2012, a substantial portion of the expenditures were paid from the proceeds of the bonds that were issued to finance the construction of the projects. The total fund balance of the Community Facilities Development Fund decreased from \$6.5 million to \$5 million. The \$11 million new fire station was placed in service in May 2012 and the new library opened its doors in January 2013.

**Propriety Funds.** The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Factors concerning the finances of the City's three proprietary funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

The adopted 2012 budget for the General Fund projected annual revenues of \$15.3 million and included appropriations for expenditures totaling \$19 million. Actual revenues, on a budgetary basis, for the year totaled \$15.2 million and fell short of the budgetary projection by \$.16 million, or 1.1 percent. Revenues were less than projections for the following reasons:

- Revenues from taxes were based on a projected assessment roll of \$825.2 million. The actual assessment roll for 2012 totaled \$816.6 million.
- Revenues from interdepartmental charges were \$87,200 less than projected because of staff vacancies in the departments that provide services to other funds of the City.

During the year supplemental appropriations and transfers from appropriated reserves increased appropriations for expenditures by \$306,300 to \$19.3 million. The most significant budget revisions are discussed below:

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*December 31, 2012*

City of Ketchikan, Alaska

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- The City Council transferred the appropriated reserves of the General Fund, \$171,000 for personnel services, \$19,000 for iPads to facilitate the move to electronic council agendas, \$27,500 for the community grant program, and \$50,000 for police investigation services.

General fund actual expenditures totaled \$19.7 million. The amount spent and encumbered, on a budgetary basis, was \$18.7 million. The City spent and encumbered \$.6 million less than the amount appropriated, as amended. About \$136,000 of the decrease was due to the City not receiving the public safety grants it had anticipated. The rest of the decrease is attributable to the City departments generally spending less than the amount appropriated for their department.

**Capital Assets and Debt Administration***Capital Assets*

The City's investment in capital assets for its governmental and business-type activities, net of accumulated depreciation as of December 31, 2012, amounts to \$295.4 million. This investment in capital assets includes land, buildings, improvements, utility plants, port facilities, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets, net of accumulated depreciation, was \$21 million or 7.7 percent. The City's investment in governmental activities increased \$11.2 million and business-type activities capital assets increased by \$10.7 million. See Note 3-E for additional information about changes in capital assets during the calendar year and the amount outstanding at the end of the year. The following table provides a summary of capital asset activity.

*(This page continued on the subsequent page)*

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
December 31, 2012

City of Ketchikan, Alaska

Capital Assets

	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Non-depreciable assets:						
Land	\$ 27,270,186	\$ 25,890,862	\$ 4,450,356	\$ 4,450,356	\$ 31,720,542	\$ 30,341,218
Construction in progress	15,896,246	18,046,479	15,491,460	23,732,997	31,387,706	41,779,476
Intangibles and other	100,750	100,750	1,038,019	1,038,019	1,138,769	1,138,769
<b>Total non-depreciable</b>	<b>\$ 43,267,182</b>	<b>\$ 44,038,091</b>	<b>\$ 20,979,835</b>	<b>\$ 29,221,372</b>	<b>\$ 64,247,017</b>	<b>\$ 73,259,463</b>
Depreciable assets:						
Utility plants	\$ -	\$ -	\$ 213,705,784	\$ 197,219,497	\$ 213,705,784	\$ 197,219,497
Port facilities	-	-	60,014,127	55,083,086	60,014,127	55,083,086
Land improvements	1,421,304	1,421,304	-	-	1,421,304	1,421,304
Buildings	65,061,425	54,206,819	-	-	65,061,425	54,206,819
Machinery and equipment	15,728,708	14,553,665	-	-	15,728,708	14,553,665
Infrastructure	58,264,734	54,505,584	-	-	58,264,734	54,505,584
<b>Total depreciable assets</b>	<b>140,476,171</b>	<b>124,687,372</b>	<b>273,719,911</b>	<b>252,302,583</b>	<b>414,196,082</b>	<b>376,989,955</b>
Less accum. depreciation	(46,918,676)	(43,098,636)	(136,160,994)	(133,716,279)	(183,079,670)	(176,814,915)
<b>Net depreciable assets</b>	<b>\$ 93,557,495</b>	<b>\$ 81,588,736</b>	<b>\$ 137,558,917</b>	<b>\$ 118,586,304</b>	<b>\$ 231,116,412</b>	<b>\$ 200,175,040</b>
Percentage depreciated	33%	35%	50%	53%	44%	47%
<b>Book value - all assets</b>	<b>\$ 136,824,677</b>	<b>\$ 125,626,827</b>	<b>\$ 158,538,752</b>	<b>\$ 147,807,676</b>	<b>\$ 295,363,429</b>	<b>\$ 273,434,503</b>

Major capital assets under construction during 2012 included the following:

- Jackson and Monroe sewer main replacement - \$1,553,000
- Berths I and II replacement – Phase II - \$3,842,000
- Whitman Lake hydroelectric plant - \$1,472,000
- Jackson and Monroe water main replacement - \$657,300
- Library replacement - \$8,705,000
- Bar Harbor launch ramp - \$564,000

Major capital assets completed during 2012 included the following:

- Alaska Avenue sewer replacement - \$1,211,000
- DSL/IPTV telecommunication equipment - \$607,100
- Berths I and II replacement – Phase I - \$7,055,000
- Bethel substation replacement - \$3,676,000
- Baranof reservoir - \$3,461,000
- Ultraviolet disinfection plant - \$6,977,000
- Alaska Avenue water main replacement - \$1,154,000
- Fire station replacement - \$10,801,000
- Warren Street bridge replacement - \$1,086,000
- Bayview Street bridge replacement - \$1,337,100

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**December 31, 2012**

City of Ketchikan, Alaska

At December 31, 2012, the depreciable capital assets for governmental activities were 33 percent depreciated. At December 31, 2011 and 2010, capital assets were 35 and 33 percent depreciated, respectively. This trend would suggest that the City has improved the maintenance of its governmental capital assets. No change in the percentage of assets depreciated implies that capital assets are being properly maintained. A decrease in the percentage is an indicator that capital assets are being well maintained. The City's business-type activities capital assets were 51 percent depreciated at December 31, 2012 compared to 53 and 53 percent for 2011 and 2010, respectively. This trend would suggest that the City has also improved the maintenance of its business-type capital assets.

**Long-term Debt**

At December 31, 2012, the City had \$74.4 million in outstanding bonded debt and other long-term debt, an increase of \$1.6 million from 2011. Total general obligation bonded debt increased from \$16.4 million to \$20.2 million, or 23.2 percent. Total revenue bonded debt decreased from \$54 million to \$51.2 million, or 5.1 percent. The following table provides a summary of outstanding long-term debt:

**Outstanding Long-term Debt**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
General obligation bonds	\$15,175,000	\$11,280,000	\$5,006,445	\$5,100,222	\$20,181,445	\$16,380,222
Revenue bonds	-	-	51,246,470	53,974,282	51,246,470	53,974,282
Landfill closure costs	947,520	942,900	-	-	947,520	942,900
Compensated absences	1,226,720	910,333	808,439	637,007	2,035,159	1,547,340
<b>Total</b>	<b>\$ 17,349,240</b>	<b>\$ 13,133,233</b>	<b>\$ 57,061,354</b>	<b>\$ 59,711,511</b>	<b>\$ 74,410,594</b>	<b>\$ 72,844,744</b>

In August 2007, the City issued a \$6.5 million junior lien municipal utility revenue bond through the ADEC's Drinking Water Loan Program to finance the construction of a required water treatment facility to control the levels of haloacetic acids in the municipal water system and bring the City into compliance with the Stage I Disinfectant and Disinfection Byproducts Rules. The proceeds from this loan are distributed to the City as it incurs construction costs. As of December 31, 2012, the City had incurred construction costs of \$3.41 million that were eligible for reimbursement from this loan program. The City does not expect to borrow more than \$3.6 million for this project. The final loan amount will be determined at the time the project is completed.

In January 2010, the City issued a \$3.43 million general obligation bond through the ADEC's Clean Water Loan Program for the second phase of the Tongass Avenue Sewer Main Replacement Project. The proceeds from this loan are distributed to the City as it incurs construction costs. As of December 31, 2012, City had incurred construction costs of \$3.41 million that were eligible for reimbursement from this loan program. The final loan amount will be determined at the time the project is completed.

In January 2010, the City issued a \$1.21 million junior lien municipal utility revenue bond through the ADEC's Drinking Water Loan Program for the second phase of the Tongass Avenue Water Main Replacement Project. The proceeds from this loan are distributed to the City as it incurs construction costs. As of December 31, 2012, the City had incurred construction costs of \$1.2 million that were eligible for reimbursement from this loan program. The final loan amount will be determined at the time the project is completed.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**December 31, 2012**City of Ketchikan, Alaska

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In January 2010, the City issued a \$1.22 million junior lien municipal utility revenue bond through the ADEC's Drinking Water Loan Program to finance the site preparation work for the Baranof Water Reservoir. The proceeds from this loan are distributed to the City as it incurs construction costs. As of December 31, 2012, the City had incurred construction costs of \$1.1 million that were eligible for reimbursement from this loan program. The final loan amount will be determined at the time the project is completed.

In January 2012, the City issued a \$2.6 million general obligation bond through the ADEC's Clean Water Loan Program for the Jackson/Monroe Avenue Sewer Main Replacement Project. The proceeds from this loan are distributed to the City as it incurs construction costs. As of December 31, 2012, City had incurred construction costs of \$.45 million that were eligible for reimbursement from this loan program. The final loan amount will be determined at the time the project is completed.

In January 2012, the City issued a \$1.2 million of municipal utility revenue bond through the ADEC's Clean Water Loan Program for the Alaska Sewer Main Replacement Project. The proceeds from this loan are distributed to the City as it incurs construction costs. As of December 31, 2012, City had incurred construction costs of \$.36 million that were eligible for reimbursement from this loan program. The final loan amount will be determined at the time the project is completed.

In January 2012, the City issued a \$1.6 million junior lien municipal utility revenue bond through the ADEC's Drinking Water Loan Program to finance the construction of the Baranof Water Reservoir. The proceeds from this loan are distributed to the City as it incurs construction costs. As of December 31, 2012, the City had incurred construction costs of \$.65 million that were eligible for reimbursement from this loan program. The final loan amount will be determined at the time the project is completed.

In January 2012, the City issued a \$2.2 million of junior lien municipal utility revenue bond through the ADEC's Drinking Water Loan Program to finance the construction of Jackson/Monroe Avenue Water Main Replacement Project. The proceeds from this loan are distributed to the City as it incurs construction costs. As of December 31, 2012, the City had incurred construction costs of \$.53 million that were eligible for reimbursement from this loan program. The final loan amount will be determined at the time the project is completed.

In May 2012, the City issued \$5.2 million of general obligation bonds through the Alaska Municipal Bond Bank Authority to finance the construction of a new library to replace an aging facility that was built in 1967. The new library is located near downtown Ketchikan.

The City continues to maintain its current bond rating of BBB+ from Standard & Poor's Corporation for its 1994 Port General Obligation Bonds. Moody's Investor Service continues to rate the bonds at Baa2. All of the City's other general obligation and municipal revenue bonds have been issued through the Alaska Municipal Bond Bank, the Alaska Department of Environmental Conservation or Bank of America. The rating agencies have not separately rated these bonds. The City's general obligation bonded indebtedness is not subject to a legal debt ceiling. The City is required to maintain debt service coverage that generates net revenue from its utilities and port operations that is equal to or greater than 1.25 times annual debt service. The City has complied with all general obligation and revenue bond covenants. As of December 31, 2012, the City's total direct general obligation bond debt per capita was \$1,390.

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

**Economic Factors and Next's Year Budgets and Rates**

Tourism is an important part of the local economy. In 2008, 37 cruise ships made 502 stops in Ketchikan and brought a record 931,000 passengers to the community. In 2009 and 2010, the national recession had a significant impact on tourism in Ketchikan. By 2010, the cruise line companies had reduced the number of ships servicing the Southeast Alaska market to 26 ships and decreased the number of stops to 429. As a result, passenger counts dropped to about 821,000. Local businesses felt the impact as retail sales dropped, local governments saw sales tax revenues decline and port revenues decreased by \$921,000, or 10.3% in 2010. This prompted the City Council to take a very conservative approach to budgeting. Steps were taken to reduce staffing through attrition and defer nonessential capital spending. Tax increases and fee increases for services

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*December 31, 2012*

City of Ketchikan, Alaska

and utility rates were minimized by drawing down reserves. Exceptions were made for property taxes and water and wastewater utility rates, which needed to be raised because they were inadequate for covering the cost of operations and debt service.

Looking beyond 2012, the City sees some improvements for the local economy coming from three industries. The cruise line companies are adding ships to the Southeast Alaska market. Twenty-nine ships will make 475 stops in Ketchikan in 2013 and bring about 960,000 passengers to the community. The previous record was 931,000 passengers. The maritime industry got a big boost when the Alaska Ship and Dry Dock was purchased by Vigor Industrial, a leading provider of ship building, ship repair and other marine related services in the Pacific Northwest. The company had expected to bid on the state contract to build the Alaska Class Ferries. The State has since cancelled this project and replaced it with a program that will consist of the construction of two smaller ferries. Alaska Ship and Dry Dock is planning to bid on the contract to construct the smaller ferries. In recent years, the mining industry has become more active in Southeast Alaska and the Ketchikan area because mines located on the Prince of Wales Island appear to be economically viable for development. A private company that provides services to remote locations recently acquired a major portion of the former Ketchikan Pulp Company site. The company plans to use the property as a staging area for its operations and for the development of facilities for ancillary maritime services. While the City sees these activities as having very positive impact on the local economy, it recognizes that the uncertain direction of the national economy remains a factor that could adversely affect plans to rebuild mine industry and the growth of tourism in Southeast Alaska.

In 2012, City issued general obligation bonds totaling \$5.2 million to finance the construction of a new library. The City also issued general obligation bonds in 2010 totaling \$7.2 million to finance the construction of a new fire station. A long-term plan has yet to be developed to address what resources will be used to pay the \$855,000 annual debt service required for the new bonds. The City anticipates that it will be able to use funds remaining from the bond proceeds and an unexpected increase in State Revenue Sharing to meet the debt service requirements for the next two years. The City's ability to continue to provide for the debt service from existing resources may be limited especially if the local economy falters and State Revenue Sharing returns to a normal funding level. At some point in the future, the City may need to consider new revenue sources in order to provide for the debt service on the bonds.

In early 2013, the City Council approved 10% and 5% rate increases for the City's wastewater and water utilities, respectively. Both the wastewater and water utility have begun to issue bonds to finance long overdue wastewater and water main replacements. The rate increases will help finance the debt service on the bonds.

In June 2013, the City Council raised the property tax mill rate from 6.2 to 6.5. The increase was needed in order to provide for the debt service on bonds issued to finance the construction of new public facilities and the rising cost of doing business.

The City will continue to monitor the local economy in 2013 and beyond. The City recognizes that the local, state and national economies are still working through a slow recovery period. The City expects that it will continue to take a conservative approach to managing its fiscal affairs in an effort to minimize the need to raise taxes during these uncertain times.

**Contacting the City's Financial Management**

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



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City of Ketchikan, Alaska  
Statement of Net Position  
December 31, 2012

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current assets:</b>			
Cash and temporary investments (Note 3A)	\$ 28,907,155	\$ 19,043,406	\$ 47,950,561
Restricted cash, cash equivalents and investments	2,987,362	1,583,276	4,570,638
Receivables:			
Accounts	478,195	2,283,067	2,761,262
Taxes	2,158,744	-	2,158,744
Intergovernmental	1,414,756	7,471,336	8,886,092
Interfund	86,909	(86,909)	-
Unbilled	53,821	1,165,887	1,219,708
Inventory	-	2,599,564	2,599,564
Prepaid items	551,185	979,488	1,530,673
<b>Total current assets</b>	<u>36,638,127</u>	<u>35,039,115</u>	<u>71,677,242</u>
<b>Noncurrent assets:</b>			
Land for resale	376,517	-	376,517
Restricted investments	-	7,178,059	7,178,059
Accrued interest on restricted assets	-	15,847	15,847
Capital Assets (Note 3E)			
Nondepreciable capital assets	43,267,183	20,979,835	64,247,018
Depreciable capital assets, net	93,557,494	137,558,917	231,116,411
Deferred Charges	223,478	705,583	929,061
<b>Total noncurrent assets</b>	<u>137,424,672</u>	<u>166,438,241</u>	<u>303,862,913</u>
<b>Total Assets</b>	<u>174,062,799</u>	<u>201,477,356</u>	<u>375,540,155</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	1,972,102	4,821,670	6,793,772
Payroll payable	1,571,391	-	1,571,391
Accrued interest payable	244,978	238,914	483,892
Customers deposits payable	-	337,280	337,280
Unearned revenue	140,037	50,723	190,760
Claims payable	250,000	-	250,000
Compensated absences payable	122,672	80,844	203,516
General obligation bonds payable	1,190,351	309,336	1,499,687
Revenue bonds payable	-	2,702,701	2,702,701
<b>Total current liabilities</b>	<u>5,491,531</u>	<u>8,541,468</u>	<u>14,032,999</u>
<b>Noncurrent liabilities</b>			
Accrued interest payable	-	116,054	116,054
Compensated absences payable (net of current portion)	1,104,049	727,595	1,831,644
Landfill closure costs (net of current portion)	947,520	-	947,520
General obligation bonds payable (net of current portion)	14,535,681	4,697,109	19,232,790
Revenue bonds payable (net of current portion)	-	49,325,360	49,325,360
<b>Total noncurrent liabilities</b>	<u>16,587,250</u>	<u>54,866,118</u>	<u>71,453,368</u>
<b>Total Liabilities</b>	<u>22,078,781</u>	<u>63,407,586</u>	<u>85,486,367</u>
<b>Net Position</b>			
Net investment in capital assets (Note 3K)	124,187,486	101,715,542	225,903,028
Restricted for:			
Capital and maintenance outlay	3,207,553	-	3,207,553
Repair and replacement funds	-	2,613,392	2,613,392
Debt service	-	6,011,360	6,011,360
Solid waste operations and maintenance	3,592,398	-	3,592,398
Harbor operations and maintenance	729,409	-	729,409
Cemetery operations and maintenance	133,864	-	133,864
US Marshall funds	5,270	-	5,270
Unrestricted	20,128,038	27,729,476	47,857,514
<b>Total Net Position</b>	<u>\$ 151,984,018</u>	<u>\$ 138,069,770</u>	<u>\$ 290,053,788</u>

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska  
Statement of Activities  
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 2,290,233	\$ 60,898	\$ 224,663	\$ -
Public safety	8,965,252	1,086,470	431,530	121,701
Culture	3,066,214	1,094,303	154,673	4,803,785
Health and welfare	2,547,424	-	-	744,975
Public works	9,423,324	3,075,641	280,107	168,026
Harbor	2,154,270	1,255,589	62,364	1,039,897
Interest	757,879	-	-	-
<b>Total Governmental Activities</b>	<b>29,204,596</b>	<b>6,572,901</b>	<b>1,153,337</b>	<b>6,878,384</b>
<b>Business-Type Activities:</b>				
Electric, telecommunications and water	34,914,288	34,209,783	196,172	5,016,767
Port	7,212,832	8,592,255	2,018,165	6,214,416
Wastewater	2,734,764	2,215,314	10,943	1,096,444
<b>Total Business-Type Activities</b>	<b>44,861,884</b>	<b>45,017,352</b>	<b>2,225,280</b>	<b>12,327,627</b>
<b>Total</b>	<b>\$ 74,066,480</b>	<b>\$ 51,590,253</b>	<b>\$ 3,378,617</b>	<b>\$ 19,206,011</b>

**General Revenues:**

- Property taxes
- Sales taxes
- Transient taxes
- Intergovernmental - unrestricted
- Investment earnings
- Miscellaneous

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

**Net Position Beginning of Year**

**Net Position End of Year**

See accompanying notes to the basic financial statements

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (2,004,672)	\$ -	\$ (2,004,672)
(7,325,551)	-	(7,325,551)
2,986,547	-	2,986,547
(1,802,449)	-	(1,802,449)
(5,899,550)	-	(5,899,550)
203,580	-	203,580
(757,879)	-	(757,879)
(14,599,974)	-	(14,599,974)
-	4,508,434	4,508,434
-	9,612,004	9,612,004
-	587,937	587,937
-	14,708,375	14,708,375
(14,599,974)	14,708,375	108,401
4,802,508	-	4,802,508
10,140,108	-	10,140,108
358,343	-	358,343
744,301	-	744,301
9,488	116,989	126,477
290,761	522,859	813,620
1,105,178	(1,105,178)	-
17,450,687	(465,330)	16,985,357
2,850,713	14,243,045	17,093,758
149,133,305	123,826,725	272,960,030
<u>\$ 151,984,018</u>	<u>\$ 138,069,770</u>	<u>\$ 290,053,788</u>



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# GOVERNMENTAL FUNDS



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City of Ketchikan, Alaska  
 Balance Sheet  
 Governmental Funds  
 December 31, 2012

	General	Community Facilities Development	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and temporary investments	\$ 17,990,638	\$ 2,528,800	\$ 5,709,337	\$ 26,228,775
Restricted cash - bond construction funds				
Bond construction funds		1,996,942		1,996,942
Library construction funds		990,420		990,420
Receivables:				
Accounts	339,505	71,842	66,848	478,195
Taxes	2,075,243	-	83,501	2,158,744
Intergovernmental	162,100	-	1,252,656	1,414,756
Interfund	600,450	-	-	600,450
Unbilled receivables	-	-	53,821	53,821
Land for resale	376,517	-	-	376,517
<b>Total Assets</b>	<b>\$ 21,544,453</b>	<b>\$ 5,588,004</b>	<b>\$ 7,166,163</b>	<b>\$ 34,298,620</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 583,430	\$ 566,374	\$ 738,243	\$ 1,888,047
Payroll payable	1,571,391	-	-	1,571,391
Interfund payable	-	-	513,541	513,541
Deferred revenue	2,060,699	-	83,617	2,144,316
Unearned revenue	22,485	-	117,552	140,037
<b>Total Liabilities</b>	<b>4,238,005</b>	<b>566,374</b>	<b>1,452,953</b>	<b>6,257,332</b>
<b>Fund Balances</b>				
Nonspendable - Land held for resale	376,517	-	-	376,517
Restricted for:				
Law enforcement	-	-	5,270	5,270
Fire station construction	-	1,996,942	-	1,996,942
Library construction	-	990,420	-	990,420
Assigned:				
Subsequent years budget	4,477,227	-	436,156	4,913,383
Parking development and abatement of dangerous buildings	937,467	-	-	937,467
Hospital development and expansion	3,832,149	-	-	3,832,149
General government	206,414	-	-	206,414
Public safety	767,975	-	-	767,975
Culture and tourism	79,337	-	64,994	144,331
Public works	2,617,124	-	-	2,617,124
Collection and disposal of solid waste	-	-	3,190,232	3,190,232
Cemetery operations	-	-	113,864	113,864
Harbor operations	-	-	729,409	729,409
Streets, sidewalks and other public projects	1,405,918	-	-	1,405,918
Development of community facilities	-	2,034,268	-	2,034,268
Harbor construction	-	-	1,099,169	1,099,169
Public works projects	-	-	74,116	74,116
Unassigned	2,606,320	-	-	2,606,320
<b>Total Fund Balances</b>	<b>17,306,448</b>	<b>5,021,630</b>	<b>5,713,210</b>	<b>28,041,288</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,544,453</b>	<b>\$ 5,588,004</b>	<b>\$ 7,166,163</b>	<b>\$ 34,298,620</b>

See accompanying notes to the basic financial statements

**City of Ketchikan, Alaska**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2012**

<b>Total Governmental Fund Balances</b>	\$	28,041,288
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
 Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets	\$ 183,743,354	
Less accumulated depreciation	<u>(46,918,677)</u>	136,824,677
 Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Taxes		1,932,948
Services		211,367
 Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net assets:		
Interfund receivables	\$ 513,541	
Interfund payables	<u>(513,541)</u>	-
 An internal service fund is used by management to charge the costs of compensated absences, insurance and claims to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		
		1,668,790
 Accrued interest is not reported at the fund financial reporting level		
		(244,978)
 Deferred charges not reported at the fund financial reporting level		
Bond issuance costs	\$ 121,999	
Deferred amount on refunding	<u>101,479</u>	\$ 223,478
 Liabilities that are not due in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (15,175,000)	
Premiums for GO bonds	(551,032)	
Landfill closure costs	<u>(947,520)</u>	<u>(16,673,552)</u>
 <b>Net Position Of Governmental Activities</b>	 <b>\$</b>	 <b><u>151,984,018</u></b>

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For the Year Ended December 31, 2012*

	General	Community Facilities Development	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 14,949,059	\$ -	\$ 362,739	\$ 15,311,798
Licenses and permits	114,480	-	-	114,480
Intergovernmental	1,869,400	4,803,785	2,021,531	8,694,716
Charges for services	1,999,032	-	4,209,831	6,208,863
Fines and forfeitures	149,256	-	18,297	167,553
Investment earnings	7,020	1,973	495	9,488
Contributions	-	74,656	-	74,656
Interdepartmental charges	3,395,081	-	-	3,395,081
Miscellaneous	133,319	2,260	156,034	291,613
<b>Total Revenues</b>	<b>22,616,647</b>	<b>4,882,674</b>	<b>6,768,927</b>	<b>34,268,248</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	5,029,536	-	-	5,029,536
Public safety	8,785,593	2,814,987	13,000	11,613,580
Culture	2,748,542	8,738,846	-	11,487,388
Health and welfare	1,587,352	2,653	744,975	2,334,980
Public works	7,186,438	-	3,269,566	10,456,004
Harbor	-	-	2,148,053	2,148,053
<b>Debt Service:</b>				
Principal retirement	-	-	930,000	930,000
Interest and fiscal charges	-	-	598,624	598,624
<b>Total Expenditures</b>	<b>25,337,461</b>	<b>11,556,486</b>	<b>7,704,218</b>	<b>44,598,165</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(2,720,814)</b>	<b>(6,673,812)</b>	<b>(935,291)</b>	<b>(10,329,917)</b>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	10,795	-	-	10,795
Proceeds from sale of bonds	-	4,820,003	-	4,820,003
Premiums from sale of bonds	-	414,510	-	414,510
Transfers in	1,900,521	-	2,074,909	3,975,430
Transfers out	(1,372,809)	-	(1,497,443)	(2,870,252)
<b>Total Other Financing Sources (Uses)</b>	<b>538,507</b>	<b>5,234,513</b>	<b>577,466</b>	<b>6,350,486</b>
<b>Net Change in Fund Balances</b>	<b>(2,182,307)</b>	<b>(1,439,299)</b>	<b>(357,825)</b>	<b>(3,979,431)</b>
<b>Fund Balances Beginning of Year</b>	<b>19,488,755</b>	<b>6,460,929</b>	<b>6,071,035</b>	<b>32,020,719</b>
<b>Fund Balances End of Year</b>	<b>\$ 17,306,448</b>	<b>\$ 5,021,630</b>	<b>\$ 5,713,210</b>	<b>\$ 28,041,288</b>

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2012*

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**Net Changes In Fund Balances - Total Governmental Funds** \$ (3,979,431)

**Amounts reported for governmental activities in the  
statement of activities are different because**

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.

	Depreciation expense	\$ (3,977,056)	
	Capital outlay	15,189,523	11,212,467

The book value of capital assets relating to the disposition is not reported at the fund financial reporting level but is reported at the government-wide financial reporting level (14,617)

Elimination of other financing sources to record net increase in payables associated with bond issuance (5,204,997)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

	Taxes		(10,839)
	Charges for Services		82,005

Elimination of transfers between governmental funds:

	Transfers in	\$ (5,567,306)	
	Transfers out	5,567,306	-

Interest expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (163,611)

Repayment of general obligation debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

	General obligation bonds	\$ 930,000	
	Amortization of premiums and deferred charges	4,356	
	Landfill closure costs	(4,620)	929,736

**Change In Net Position of Governmental Activities** \$ 2,850,713

See accompanying notes to the basic financial statements

## PROPRIETARY FUNDS



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City of Ketchikan, Alaska  
 Statement of Net Position  
 Proprietary Funds  
 December 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and temporary investments	\$ 16,757,889	\$ 2,285,517	\$ -	\$ 19,043,406	\$ 2,678,380
Restricted cash, cash equivalents and investments	699,217	884,059	-	1,583,276	-
Receivables:					
Accounts	2,283,067	-	-	2,283,067	-
Intergovernmental	2,789,655	3,080,061	1,601,620	7,471,336	-
Inventory	2,599,564	-	-	2,599,564	-
Prepaid items	23,866	955,622	-	979,488	551,185
Unbilled revenue	1,059,422	-	106,465	1,165,887	-
<b>Total Current Assets</b>	<b>26,212,680</b>	<b>7,205,259</b>	<b>1,708,085</b>	<b>35,126,024</b>	<b>3,229,565</b>
<b>Noncurrent Assets:</b>					
<b>Restricted Assets:</b>					
Investments	1,987,186	5,190,873	-	7,178,059	-
Accrued interest on restricted assets	8,682	7,165	-	15,847	-
<b>Deferred Charges</b>	318,463	382,120	5,000	705,583	-
<b>Capital Assets:</b>					
Nondepreciable capital assets	11,735,380	6,942,538	2,301,917	20,979,835	-
Depreciable capital assets, net	77,403,438	45,991,036	14,164,443	137,558,917	-
<b>Total Noncurrent Assets</b>	<b>91,453,149</b>	<b>58,513,732</b>	<b>16,471,360</b>	<b>166,438,241</b>	<b>-</b>
<b>Total Assets</b>	<b>117,665,829</b>	<b>65,718,991</b>	<b>18,179,445</b>	<b>201,564,265</b>	<b>3,229,565</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	4,022,298	238,890	560,482	4,821,670	84,055
Interfund payable	-	-	86,909	86,909	-
Accrued interest	84,249	152,431	2,234	238,914	-
Customer deposits	337,280	-	-	337,280	-
Compensated absences payable	74,876	2,647	3,321	80,844	122,672
Unearned revenue	50,723	-	-	50,723	-
General obligation bonds payable	-	270,000	39,336	309,336	-
Revenue bonds payable	1,864,140	838,561	-	2,702,701	-
Claims payable	-	-	-	-	250,000
<b>Total Current Liabilities</b>	<b>6,433,566</b>	<b>1,502,529</b>	<b>692,282</b>	<b>8,628,377</b>	<b>456,727</b>
<b>Long-Term Liabilities:</b>					
Accrued interest	107,055	-	8,999	116,054	-
Compensated absences payable (net of current portion)	673,886	23,823	29,886	727,595	1,104,048
Revenue bonds payable (net of current portion)	14,831,189	34,130,961	363,210	49,325,360	-
General obligation bonds payable (net of current portion)	-	-	4,697,109	4,697,109	-
<b>Total Long-Term Liabilities</b>	<b>15,612,130</b>	<b>34,154,784</b>	<b>5,099,204</b>	<b>54,866,118</b>	<b>1,104,048</b>
<b>Total Liabilities</b>	<b>22,045,696</b>	<b>35,657,313</b>	<b>5,791,486</b>	<b>63,494,495</b>	<b>1,560,775</b>
<b>Net Position</b>					
Net investment in capital assets	72,654,785	17,694,052	11,366,705	101,715,542	-
Restricted for bond retirement	2,695,086	3,316,274	-	6,011,360	-
Restricted for repair and replacement	-	2,613,392	-	2,613,392	-
Unrestricted	20,270,262	6,437,960	1,021,254	27,729,476	1,668,790
<b>Total Net Position</b>	<b>\$ 95,620,133</b>	<b>\$ 30,061,678</b>	<b>\$ 12,387,959</b>	<b>\$ 138,069,770</b>	<b>\$ 1,668,790</b>

See accompanying notes to the basic financial statements



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City of Ketchikan, Alaska  
 Statement of Revenues, Expenses  
 and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
<b>Operating Revenues</b>					
Charges for services	\$ 34,289,783	\$ 8,592,255	\$ 2,215,314	\$ 45,097,352	\$ 2,670,726
Miscellaneous	512,965	-	9,894	522,859	-
<b>Total Operating Revenues</b>	<u>34,802,748</u>	<u>8,592,255</u>	<u>2,225,208</u>	<u>45,620,211</u>	<u>2,670,726</u>
<b>Operating Expenses</b>					
Operation and maintenance	21,992,642	4,026,731	2,298,024	28,317,397	-
Administration and general	5,408,961	-	-	5,408,961	-
Depreciation	6,872,767	1,359,513	381,748	8,614,028	-
Compensated absences	-	-	-	-	1,380,567
Insurance	-	-	-	-	1,127,056
Claims	-	-	-	-	163,103
<b>Total Operating Expenses</b>	<u>34,274,370</u>	<u>5,386,244</u>	<u>2,679,772</u>	<u>42,340,386</u>	<u>2,670,726</u>
<b>Operating Income (Loss)</b>	<u>528,378</u>	<u>3,206,011</u>	<u>(454,564)</u>	<u>3,279,825</u>	<u>-</u>
<b>Non-Operating Revenues (Expenses)</b>					
Operating grants - CPV funds	-	1,982,570	-	1,982,570	-
Operating grants	196,172	35,595	10,943	242,710	-
Interest and fiscal charges	(688,714)	(1,804,325)	(54,992)	(2,548,031)	-
Amortization of debt discounts	(31,204)	(22,263)	-	(53,467)	-
Investment earnings	107,125	9,722	142	116,989	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(416,621)</u>	<u>201,299</u>	<u>(43,907)</u>	<u>(259,229)</u>	<u>-</u>
<b>Income (Loss) Before Capital Contributions, Grants and Transfers</b>	<u>111,757</u>	<u>3,407,310</u>	<u>(498,471)</u>	<u>3,020,596</u>	<u>-</u>
<b>Total Contributions and Capital Grants</b>	<u>5,016,767</u>	<u>6,214,416</u>	<u>1,096,444</u>	<u>12,327,627</u>	<u>-</u>
<b>Net Income before Transfers</b>	<u>5,128,524</u>	<u>9,621,726</u>	<u>597,973</u>	<u>15,348,223</u>	<u>-</u>
<b>Transfers Out</b>					
Payments in lieu of taxes	(728,000)	(295,000)	(74,000)	(1,097,000)	-
Economic development and parking fund	-	(8,178)	-	(8,178)	-
<b>Total Transfers Out</b>	<u>(728,000)</u>	<u>(303,178)</u>	<u>(74,000)</u>	<u>(1,105,178)</u>	<u>-</u>
<b>Change in Net Position</b>	<u>4,400,524</u>	<u>9,318,548</u>	<u>523,973</u>	<u>14,243,045</u>	<u>-</u>
<b>Net Position Beginning of Year</b>	<u>91,219,609</u>	<u>20,743,130</u>	<u>11,863,986</u>	<u>123,826,725</u>	<u>1,668,790</u>
<b>Net Position End of Year</b>	<u>\$ 95,620,133</u>	<u>\$ 30,061,678</u>	<u>\$ 12,387,959</u>	<u>\$ 138,069,770</u>	<u>\$ 1,668,790</u>

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service		
<b>Cash Flows from Operating Activities</b>					
Cash received from customers and users	\$ 34,682,944	\$ 8,592,255	\$ 2,221,273	\$ 45,496,472	\$ 2,670,726
Cash payments to employees for services	(9,586,564)	(973,044)	(768,729)	(11,328,337)	-
Cash payments to suppliers for goods and services	(17,216,753)	(3,268,064)	(1,495,226)	(21,980,043)	-
Cash payments for insurance and claims	-	-	-	-	(1,192,663)
Cash payments for compensated absences	-	-	-	-	(1,064,180)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>7,879,627</u>	<u>4,351,147</u>	<u>(42,682)</u>	<u>12,188,092</u>	<u>413,883</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating grant from other governments	196,172	2,018,165	10,943	2,225,280	-
Cash overdraft assumed to be financed	-	-	86,909	86,909	-
Payment in lieu of taxes to the general fund	(728,000)	(295,000)	(74,000)	(1,097,000)	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(531,828)</u>	<u>1,723,165</u>	<u>23,852</u>	<u>1,215,189</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital grant received from other governments	6,368,951	5,516,455	585,289	12,470,695	-
Capital debt proceeds	556,376	-	548,928	1,105,304	-
Proceeds from disposition of capital assets	-	-	-	-	-
Principal paid on general obligation bonds	-	(1,553,762)	(16,593)	(1,570,355)	-
Interest paid on general obligation bonds	-	(9,462)	(43,759)	(53,221)	-
Principal paid on revenue bonds	(1,830,339)	(775,000)	-	(2,605,339)	-
Interest paid on revenue bonds	(542,664)	(1,827,421)	-	(2,370,085)	-
Payments for capital acquisitions and construction	(9,273,626)	(7,036,654)	(2,445,120)	(18,755,400)	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(4,721,302)</u>	<u>(5,685,844)</u>	<u>(1,371,255)</u>	<u>(11,778,401)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>					
Investment earnings	58,433	(23,423)	142	35,152	-
Proceeds from bond reserve fund investments	-	54,000	-	54,000	-
Purchase of bond reserve fund investments	(53,352)	(524,782)	-	(578,134)	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>5,081</u>	<u>(494,205)</u>	<u>142</u>	<u>(488,982)</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>2,631,578</u>	<u>(105,737)</u>	<u>(1,389,943)</u>	<u>1,135,898</u>	<u>413,883</u>
<b>Cash and Cash Equivalents Beginning of Year (including \$980,160 for Ketchikan Public Utilities and \$901,505 for Port reported in restricted accounts)</b>	<u>14,825,528</u>	<u>3,275,313</u>	<u>1,389,943</u>	<u>19,490,784</u>	<u>2,264,497</u>
<b>Cash and Cash Equivalents End of Year (including \$669,217 for Ketchikan Public Utilities and \$884,059 for Port reported in restricted accounts)</b>	<u>\$ 17,457,106</u>	<u>\$ 3,169,576</u>	<u>\$ -</u>	<u>\$ 20,626,682</u>	<u>\$ 2,678,380</u>

(continued)

City of Ketchikan, Alaska  
 Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended December 31, 2012

(continued)

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service		
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>					
<b>Operating Income (Loss)</b>	\$ 528,378	\$ 3,206,011	\$ (454,564)	\$ 3,279,825	\$ -
<b>Adjustments:</b>					
Depreciation	6,872,767	1,359,513	381,748	8,614,028	-
Other	103,344	-	-	103,344	-
<b>(Increase) Decrease in Assets:</b>					
Accounts receivable	32,361	-	-	32,361	-
Unbilled revenue	(148,443)	-	(3,935)	(152,378)	-
Prepaid expenses	120	(172,662)	-	(172,542)	32,645
Inventory	517,048	-	-	517,048	-
Customer deposits	28,170	-	-	28,170	-
<b>Increase (Decrease) in Liabilities:</b>					
Accounts payable	(214,798)	(43,677)	29,003	(229,472)	64,851
Compensated absences payable	164,402	1,962	5,066	171,430	316,387
Unearned revenue	(3,722)	-	-	(3,722)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 7,879,627</u>	<u>\$ 4,351,147</u>	<u>\$ (42,682)</u>	<u>\$ 12,188,092</u>	<u>\$ 413,883</u>
<b>Noncash investing, capital and financing activities</b>					
Fair value of non-cash investments	\$ (26,018)	\$ 23,643			
Revenue bond arbitrage	(89,582)				

See accompanying notes to the basic financial statements



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**Note 1 – Summary of Significant Accounting Policies**

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

**1-A. Reporting Entity**

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

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

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

**1-B. Government-Wide and Fund Financial Statements**

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

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

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

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On the accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

The City reports the following major funds:

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

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

The City reports the following proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for services. Operating expenses for enterprise and internal services funds include administrative expenses, cost of services,

***Note 1 - Summary of Significant Accounting Policies (Continued)***

and depreciation of capital assets. All revenues and expense not meeting this definition are reported as non-operating revenue and expenses.

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

***1-D. Assets, Liabilities and Net Position and Fund Balances***

***1-D-1 Cash, Cash Equivalents, and Investments***

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

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

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

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

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

***1-D-2 Receivables***

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

***1-D-3 Interfund Balances***

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

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

***1-D-4 Consumable Inventories***

Inventories included in the Ketchikan Public Utility Fund are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The cost of governmental fund-type inventories is recorded as expenditures when consumed, using the FIFO method.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**1-D-5 Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2012 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for appropriation.

**1-D-6 Restricted Assets**

Certain cash and investments in the Ketchikan Public Utilities and Port Enterprise Funds are restricted for the payment of revenue bond debt service and construction costs.

The Revenue Bond Redemption Fund and Revenue Bond Reserve Fund have been established in accordance with the provisions of the revenue bond indentures. These funds can only be used for the payment of principal and interest on revenue bonds outstanding and must be maintained in accordance with the provisions of the applicable revenue bond ordinances. As of December 31, 2012 the balance on hand in the KPU Revenue Bond Redemption Fund amounted to \$699,217, which was \$132 more than required. The KPU Revenue Bond Reserve Fund contained \$1,987,186, which was \$491,706 more than required by applicable bond ordinances. The Port Revenue Bond Redemption Fund amounted to \$884,059, which was \$221 more than required. The Port Revenue Bond Reserve Fund contained \$2,577,481, which was \$4,297 more than required by applicable bond ordinances.

The Repair and Replacement Fund has been established in the Port Fund pursuant to the covenants of the Port Revenue Bonds, Series 2006 and the provisions of the long-term lease agreement for Berth IV. As of December 31, 2012 the amount required to satisfy the bond covenants and lease agreement was \$1,945,727 for the revenue bonds and \$667,665 for the long-term lease for a total of \$2,613,392.

**1-D-7 Capital Assets**

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

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

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

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

**1-D-8 Compensated Absences**

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

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

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

In 2012, the City changed the way it estimates its current and long term compensated absences. The City has changed from a first-in, first-out approach to a last-in, first-out approach after evaluating its leave policies and how these policies have affected the trends related to compensated absences. As a result of this change in estimate the current portion of the liability decreased and the long term portion of the liability increased. The operating activities were not affected by this change.

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

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

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

**1-D-10 Bond Premiums, Discounts and Issuance Costs**

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

**1-D-11 Fund Equity**

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

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

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

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

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

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

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

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

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

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

**1-D-12 Operating Revenues and Expenses**

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

**1-D-13 Contributions of Capital**

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**1-D-14 Interfund Activity**

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

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

**1-D-15 Estimates**

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

**1-E Implementation of New Accounting Principles**

In 2012, the City implemented the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates certain accounting and financial guidance issued on or before November 30, 1989 that are non-conflicting with current Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. There was no impact on net position as a result of the implementation. GASB 62 also supersedes *GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, thereby eliminating the election of paragraph 7 of that statement for enterprise funds and business-type activities to apply post November 30, 1989 FASB Statements.

In 2012, the City implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*, which renames net assets as net position, renames previously reported invested in capital assets, net of related debt to net investment in capital assets on the Statement of Net Position, and provides guidance on the proper presentation of deferred outflow or resources and deferred inflow of resources.

**Note 2 – Stewardship, Compliance and Accountability**

**2-A. Budgetary Information**

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

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

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

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

**Note 2 – Stewardship, Compliance and Accountability (Continued)**

City Council.

On December 15, 2011, the 2012 General Government Annual Budget and the 2012 Ketchikan Public Utilities Annual Budget were adopted by the City Council with the passage of Resolution 10-2420 and Resolution 11-2421, respectively. During the year, the 2012 General Government Annual Budget was amended to provide for supplemental appropriations as follows:

- Increase funding for the community agency grants program in the amount of \$55,000.
- Acceptance of a grant for the streets department in the amount of \$137,064.
- Acceptance of a grant for the building maintenance department in the amount of \$100,000.
- Acceptance of a grant for the public health department in the amount of \$1,735,281.
- Acceptance of a grant for the wastewater department in the amount of \$84,084.
- Acceptance of a grant for the wastewater department in the amount of \$826,000.
- Issuance of bonds for the wastewater department in the amount of \$354,000.
- Acceptance of a grant for the port department in the amount of \$823.
- Acceptance of a grant for the port department in the amount of \$1,403,011.
- Acceptance of a grant for the fire department in the amount of \$14,931.

During the year, the 2012 Ketchikan Public Utilities Annual Budget was amended as follows:

- Acceptance of a grant for the water department in the amount of \$420,000.
- Issuance of bonds for the water department in the amount of \$180,000.
- Acceptance of a grant for the water department in the amount of \$69,852.

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

All unencumbered appropriations lapse at the end of each fiscal year, but encumbered appropriation balances carry forward automatically and may be expended after year-end. All unencumbered, unexpended annual appropriations lapse at year-end. Payments made against prior year purchase orders result in current year expenditures being increased and current year encumbrance balances being reduced so that these payments do not reduce current year appropriations. Under this system, prior year encumbrances, on which payments have been made, are netted with current year encumbrances. This sometimes results in negative encumbrance balances appearing on budgetary statements.

**2-B. Excess Expenditures Over Authorizations**

Budget basis expenditures exceed authorizations shown in the following table.

<u>Fund</u>	<u>Department</u>	<u>Authorization</u>	<u>Budget Basis Expenditure</u>	<u>Excess Over Authorization</u>
General	Information Technology	\$ 1,116,444	\$ 1,128,788	\$ 12,344
General	Streets	1,590,871	1,623,946	33,075

The expenditures which resulted in excess of authorization were caused by additional labor costs that was incurred by the Streets Department for road maintenance and a change in the City’s sick leave policy which resulted in higher benefits costs for Information Technology Department. The Information Technology Department had a much higher percentage of employees who benefited from the change in the policy than other city departments.

Note 3 - Detailed Notes on All Funds

3-A. Deposits and Investments

Cash and investments for the City are comprised of governmental and business-type activities. The balances at December 31, 2012 were:

Cash on hand	\$ 9,820
Deposits with financial institutions	49,115,952
Investments	10,573,486
Total	<u>\$ 59,699,258</u>

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

	Governmental Activities	Business-type Activities	Total
Unrestricted	\$ 28,907,155	\$ 19,043,406	\$ 47,950,561
Restricted	2,987,362	8,761,335	11,748,697
Total	<u>\$ 31,894,517</u>	<u>\$ 27,804,741</u>	<u>\$ 59,699,258</u>

The restricted cash and investments are comprised entirely of \$2,686,403 and \$3,461,540 for bond reserve accounts established for the City's municipal utility and port revenue bonds, respectively, \$2,987,362 for municipal bond construction accounts and \$2,613,392 for the Port repair and replacement accounts.

**Deposits**

**Custodial credit risk-deposits.** This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy is in accordance with guidelines established by the City Charter, the City Council and its bond ordinances. All deposits were covered by federal depository insurance up to \$250,000, or fully covered if non-interest bearing accounts, and collateralized with eligible securities in amounts equal at least 100 percent of the book value of deposits. As of December 31, 2012, the book value of all the City deposits was \$49,115,952. All collateral securities were held by third parties in the City's name, and consequently were not exposed to custodial credit risk.

**Investments.** All investment pool cash purchases and sales are part of the City's cash management activity and considered cash and cash equivalents. Interest earned from the pooled investments is allocated to each fund based on average earnings rate and monthly cash balance of each fund. The City has recorded investments at fair value. The City's investment policy is in accordance with guidelines established by the City Charter, the City Council and its bond ordinances.

The following investments are permitted under the City's investment policy:

- United States Treasury Debt Obligations
- United States Agency Debt Obligations
- Alaska Municipal Debt Obligations
- Repurchase Agreements Secured by U.S. Treasury and Agency Debt Obligations

**Interest rate risk.** As of December 31, 2012, the weighted average maturity of the City's investment portfolio was 1.99 years. To minimize interest rate risk, the City's investment policy limits the portfolio to a maximum weighted average of maturity of 24 months. With the exception of bond reserve accounts, all other funds must be invested in less than two-year maturities and must meet the City's cash flow requirements.

**Credit risk.** Most of the City's investments are direct obligations of the U. S. government and are not considered to have credit risk. As of December 31, 2012, the City had investments in money market funds totaling \$4,567,228. The money market funds were invested primarily in U.S. Treasury and Agency obligations.

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

**Concentration of credit risk.** Of the City’s total investments as of December 31, 2012, 43 percent were invested in direct obligations of the U. S. Government. All other investments not explicitly guaranteed by the U.S. Government were less than 57 percent of the City’s total investments.

**Custodial credit risk.** This is the risk that, in the event of the failure of a counterparty, the City would not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At December 31, 2012, the City had no investments that were held by either a counterparty or a counterparty’s trust department or agent.

As of December 31, 2012, the City had the following investments and maturities:

Investment Type	Fair Value	Non Maturity Rated	Investment Maturity (in years)			Average Maturity (Years)
			Less Than 1	1 - 5	6 - 10	
US Treasury Notes	\$ 3,392,866	\$ -	\$ 795,342	\$ 2,597,524	\$ -	1.99
Cash in Mutual Funds	4,567,228	4,567,228	-	-	-	0
	<u>\$ 7,960,094</u>	<u>\$ 4,567,228</u>	<u>\$ 795,342</u>	<u>\$ 2,597,524</u>	<u>\$ -</u>	

Portfolio weighted average maturity 1.99

**3-B. Receivables**

Receivables at December 31, 2012, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables are recorded on the City’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability. Receivables for the year ended December 31, 2012, consisted of the following:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 4,229,916	\$ 11,070,290	\$ 15,300,206
Allowance for doubtful accounts	(124,400)	(150,000)	(274,400)
Net accounts receivable	<u>\$ 4,105,516</u>	<u>\$ 10,920,290</u>	<u>\$ 15,025,806</u>

**3-C. Property Taxes**

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

Note 3 - Detailed Notes on All Funds (Continued)

3-D. Leases

3-D-1 Operating Leases

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

In 1988, the City entered into an agreement with the United States of America, Forest Service to lease City owned land for 50 years for a Southeast Alaska visitor's information center. The terms of the lease agreement require annual lease payments of \$1 per year.

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

In 2000, the City entered into an agreement with the State of Alaska to lease City owned land for the Ketchikan Youth Detention and Treatment Facility for a period of 55 years and at a total cost of \$550.

In 2004, the State of Alaska transferred, at no cost, to the City of Ketchikan thirteen tidelands leases. The following is a schedule of investment in property held for lease and the minimum future rentals as of December 31, 2012:

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

Years Ending December 31	Amount
2013	\$ 46,806
2014	42,006
2015	42,006
2016	42,006
2017	32,207
2018-2022	161,030
2023-2027	138,097
2028-2032	130,550
2033-2037	92,531
2038-2042	42,100
2043-2047	37,250
2048-2051	22,350
Total minimum future lease rentals	\$ 828,939

Nine of the leases have a scheduled rate change after 25 years and then every 10 years thereafter, three of the leases have a scheduled rate change in the sixth year and every five years thereafter and one lease has no future rate changes at the date of transfer from the State. The expiration of the lease with the shortest remaining term expires in 2013 while the lease with the longest remaining term expires in 2050.

Note 3 - Detailed Notes on All Funds (Continued)

The City is a lessee in the following operating lease:

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

<u>Year Ending December 31</u>	<u>Amount</u>
2013	\$ 1,800,000
2014	1,800,000
2015	1,800,000
2016	1,800,000
2017	1,800,000
2018-2022	9,000,000
2023-2027	9,000,000
2028-2032	9,000,000
2033-2037	9,000,000
Total future minimum lease payments	<u>\$ 45,000,000</u>

The future minimum lease payments do not include contingent lease payments that will be paid if the number of cruise ship passengers paying the City's passenger wharfage fee exceeds 820,000 passengers. Various formulas are used to determine the contingent lease payments and all are dependent on passenger volume. Contingent lease payments will be decreased if passenger volume decreases. In 2012, the City paid the minimum lease of \$1,800,000 plus a contingent lease payment of \$134,538 for a total of \$1,934,538

3-E. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 25,890,862	\$ 1,379,324	\$ -	\$ 27,270,186
Construction in progress	18,046,479	10,997,156	13,147,388	15,896,247
Other capital assets	100,750	-	-	100,750
Total nondepreciable capital assets	<u>44,038,091</u>	<u>12,376,480</u>	<u>13,147,388</u>	<u>43,267,183</u>
Depreciable capital assets:				
Land improvements	1,421,304	-	-	1,421,304
Buildings	54,206,818	10,854,607	-	65,061,425
Machinery and equipment	13,940,332	1,346,674	171,633	15,115,373
Infrastructure	54,505,584	3,759,150	-	58,264,734
Software	613,335	-	-	613,335
Total depreciable capital assets	<u>124,687,373</u>	<u>15,960,431</u>	<u>171,633</u>	<u>140,476,171</u>
Total capital assets	<u>168,725,464</u>	<u>28,336,911</u>	<u>13,319,021</u>	<u>183,743,354</u>
Accumulated depreciation:				
Land improvements	1,013,394	88,883	-	1,102,277
Buildings	15,718,759	1,030,371	-	16,749,130
Machinery and equipment	7,149,685	898,979	157,016	7,891,648
Infrastructure	18,887,020	1,894,620	-	20,781,640
Software	329,779	75,495	11,292	393,982
Total accumulated depreciation	<u>43,098,637</u>	<u>3,988,348</u>	<u>168,308</u>	<u>46,918,677</u>
Governmental activities capital assets, net	<u>\$ 125,626,827</u>	<u>\$ 24,348,563</u>	<u>\$ 13,150,713</u>	<u>\$ 136,824,677</u>

Note 3 - Detailed Notes on All Funds (Continued)

<u>Governmental activities depreciation expense</u>	
General government	\$ 73,792
Public safety	549,295
Public works	1,661,709
Health and welfare	565,274
Harbor	1,022,362
Culture	<u>115,916</u>
Total governmental activities depreciation expense	<u>\$ 3,988,348</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 4,450,356	\$ -	\$ -	\$ 4,450,356
Other capital assets	1,038,019	-	-	1,038,019
Construction in progress	<u>23,732,997</u>	<u>8,625,656</u>	<u>16,867,193</u>	<u>15,491,460</u>
Total non-depreciable capital assets	<u>29,221,372</u>	<u>8,625,656</u>	<u>16,867,193</u>	<u>20,979,835</u>
Depreciable capital assets:				
Electric utility plant	87,051,629	4,547,076	1,993,327	89,605,378
Telecommunications utility plant	53,116,642	2,688,678	1,161,019	54,644,301
Water utility plant	37,815,097	11,692,002	872,330	48,634,769
Wastewater utility plant	19,236,129	1,611,230	26,023	20,821,336
Port facilities	<u>55,083,086</u>	<u>7,105,649</u>	<u>2,174,608</u>	<u>60,014,127</u>
Total depreciable capital assets	<u>252,302,583</u>	<u>27,644,635</u>	<u>6,227,307</u>	<u>273,719,911</u>
Total capital assets	<u>281,523,955</u>	<u>36,270,291</u>	<u>23,094,500</u>	<u>294,699,746</u>
Accumulated depreciation:				
Electric utility plant	58,656,198	2,874,730	1,993,326	59,537,602
Telecommunications utility plant	40,264,262	2,995,763	1,161,018	42,099,007
Water utility plant	13,656,465	1,002,274	814,338	13,844,401
Wastewater utility plant	6,301,169	381,748	26,023	6,656,894
Port facilities	<u>14,838,185</u>	<u>1,359,513</u>	<u>2,174,608</u>	<u>14,023,090</u>
Total accumulated depreciation	<u>133,716,279</u>	<u>8,614,028</u>	<u>6,169,313</u>	<u>136,160,994</u>
Business-type activities capital assets, net	<u>\$ 147,807,676</u>	<u>\$ 27,656,263</u>	<u>\$ 16,925,187</u>	<u>\$ 158,538,752</u>

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

**3-F. Commitments**

The City has the following commitments as of December 31, 2012:

	Operational	Capital	Total
Governmental Funds			
General	\$ 265,195	\$ 2,442,393	\$ 2,707,588
Community Facilities Development	-	430,790	430,790
Non-major special revenue funds	66,916	1,493,729	1,560,645
Non-major capital projects funds	-	1,178,492	1,178,492
Total Governmental Funds	<u>\$ 332,111</u>	<u>\$ 5,545,404</u>	<u>\$ 5,877,515</u>
Enterprise Funds			
KPU	\$ 832,608	\$ 25,886,235	\$ 26,718,843
Port	33,676	4,328,628	4,362,304
Wastewater	29,238	2,490,006	2,519,244
Total Enterprise Funds	<u>\$ 895,522</u>	<u>\$ 32,704,869</u>	<u>\$ 33,600,391</u>

**3-G. Interfund Balances and Transfers**

Interfund balances at December 31, 2012, consisted of the \$513,541 for governmental activities and \$86,909 for business-type activities and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year except where noted.

Interfund transfers for the year ended December 31, 2012, consisted of the following:

Transfers from	Transfers to:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 1,372,809	\$ 1,372,809
KPU Fund	728,000	-	728,000
Port Fund	303,178	-	303,178
Wastewater Fund	74,000	-	74,000
Nonmajor governmental funds	795,343	702,100	1,497,443
Total	<u>\$ 1,900,521</u>	<u>\$ 2,074,909</u>	<u>\$ 3,975,430</u>

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

**3-H. Landfill Closure and Postclosure Care**

State and federal laws and regulations require the City to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for up to thirty years after closure. Operating and capital expenditures related to current activities of the landfill are recorded in the Solid Waste Services special revenue fund. During 2012, the City recognized \$1,273 in current expenditures for landfill closure costs but no postclosure care costs. The total estimated liability for landfill closure and postclosure care costs are reported on the government-wide statement of net position.

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

During 2012, the future closure and postclosure costs were reevaluated and adjusted to reflect current conditions. As of December 31, 2012, the estimated liability for landfill closure and postclosure care costs totaled \$947,520, an increase of \$4,620 from the estimated liability as of December 31, 2011.

The estimated liability is based on an engineer's estimate taking into account various factors including used capacity. As of December 31, 2012 used capacity was approximately 57.92%. It is estimated that an additional \$752,480 will be recognized as closure and postclosure care expenses between the date of the balance sheet, and the year 2037, in 26 years, the date the landfill is expected to reach full capacity. The estimated total current cost of the landfill closure and postclosure care is \$1,700,000 and is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2012. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, and/or changes in the landfill laws and regulations.

The City is required by state and federal laws and regulations to demonstrate financial responsibility for closure and postclosure care costs. The City was in compliance with the requirements for inert landfills at December 31, 2012.

**3-1. Long-Term Debt**

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

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

**1994 Port Bonds** – issued to finance port berth improvements, dated February 1, 1994, due in annual installments through November 15, 2013, bearing interest rates of 4.55 - 5.50%.

**1997 Hospital General Obligation Bonds** – issued to finance improvements for the Ketchikan General Hospital, refunded March 22, 2005, due in annual installments through October 1, 2017, bearing interest rates of 2.75-5.00%.

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

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

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

**Wastewater General Obligation Bonds, ADEC Clean Water Fund 481071** – issued to finance the replacement of a portion of the Tongass Avenue sewer main, bearing an interest rate of 1.5%. As of December 31, 2012, the City had incurred \$3,088,580 of which 90% may be forgiven if the City satisfies all the requirements of the American Recovery Act of 2009. The amount to be borrowed and the loan amortization schedule will be finalized upon completion of the project in 2012.

**Wastewater General Obligation Bonds, ADEC Clean Water Fund 481072** – issued to finance the replacement of a portion of the Tongass Avenue sewer main, bearing an interest rate of 1.5%. The amount authorized is \$481,311. As of December 31, 2012, the City had incurred \$318,026 of construction costs eligible for funding from this loan program. The amount to be borrowed and the loan amortization schedule will be finalized upon completion of the project.

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

**Wastewater General Obligation Bonds, ADEC Clean Water Fund 481101** – issued to finance the replacement of a portion of the Jackson/Monroe Avenue sewer main, bearing an interest rate of 1.5%. The amount authorized is \$2,603,505. As of December 31, 2012, the City had incurred \$445,974 of construction costs eligible for funding from this loan program. The amount to be borrowed and the loan amortization schedule will be finalized upon completion of the project.

Annual debt service requirements to amortize general obligation bonds outstanding, as of December 31, 2012 follow:

Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 1,140,000	\$ 697,856	\$ 1,837,856	\$ 309,336	\$ 27,961	\$ 337,297
2014	1,180,000	655,507	1,835,507	39,928	12,519	52,447
2015	1,230,000	608,225	1,838,225	40,529	11,918	52,447
2016	1,275,000	555,250	1,830,250	41,139	11,307	52,446
2017	1,330,000	498,693	1,828,693	41,759	10,688	52,447
2018-2022	2,880,000	1,931,994	4,811,994	218,415	43,818	262,233
2023-2027	3,435,000	1,173,578	4,608,578	235,360	26,872	262,232
2028-2031	2,705,000	290,092	2,995,092	227,398	8,612	236,010
Total	\$ 15,175,000	\$ 6,411,195	\$ 21,586,195	\$ 1,153,864	\$ 153,695	\$ 1,307,559

This amortization schedule does not include \$3,852,580 for Wastewater Clean Water Loan Funds because the amortization schedules have not been finalized.

**Revenue Bonds** - The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay for debt service. All revenue bonds issued by the City have been recorded in the Ketchikan Public Utilities, Port or Wastewater Enterprise Funds and are described below:

**KPU Revenue Bonds, 1997, Series T –Amended** – issued to finance the expansion of diesel generation capacity, refunded October 20, 2005, due in annual installments through December 1, 2017, bearing interest rates of 3.00 – 5.75%.

**KPU Revenue Bonds, 1998, Series U** – originally issued to partially refund 1992 Series R, refunded March 11, 2010, due in annual installments through September 1, 2012, bearing an interest rate of 2.00%.

**KPU Revenue Bonds, 2002, Series V** – issued to partially refund 1994 Series S, dated December 1, 2002, due in annual installments through December 1, 2014 bearing interest rates of 3.00 – 5.00%.

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

**Port Revenue Bonds, 2006 Series** – issued to finance the expansion of port expansion and reconfiguration project, dated July 26, 2006, due in annual installments through December 1, 2035, bearing interest rates of 4.25 – 5.50%.

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

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

**KPU Revenue Bonds, ADEC Drinking Water Fund 481051**— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of a water treatment facility. The amount authorized is \$5.5 million. As of December 31, 2012 the City incurred \$3,413,188 in construction costs eligible for funding from this loan program. The amount to be borrowed and the loan amortization schedule will be finalized upon completion of the project.

**KPU Revenue Bonds, ADEC Drinking Water Fund 481061**— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the replacement of a portion of Tongass Avenue water main. The amount authorized is \$1,215,001. As of December 31, 2012 the City incurred \$1,215,001 in construction costs eligible for funding from this loan program. The amount to be borrowed and the loan amortization schedule will be finalized upon completion of the project.

**KPU Revenue Bonds, ADEC Drinking Water Fund 481091 and ARRA of 2009** – issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Baranof reservoir replacement. The amount authorized is \$1,223,924 of which 90% may be forgiven if the City satisfies all the requirements of the American Recovery and Reinvestment Act of 2009. As of December 31, 2012 the City incurred \$1,072,996 in construction costs eligible for funding from this loan program. The amount to be borrowed and the loan amortization schedule will be finalized upon completion of the project.

**KPU Revenue Bonds, ADEC Drinking Water Fund 481121**— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Baranof reservoir replacement. The amount authorized is \$1,600,000. As of December 31, 2012 the City incurred \$646,018 in construction costs eligible for funding from this loan program. The amount to be borrowed and the loan amortization schedule will be finalized upon completion of the project.

**KPU Revenue Bonds, ADEC Drinking Water Fund 481141**— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Jackson/Monroe replacement. The amount authorized is \$2,217,795. As of December 31, 2012 the City incurred \$530,847 in construction costs eligible for funding from this loan program. The amount to be borrowed and the loan amortization schedule will be finalized upon completion of the project.

**Wastewater Revenue Bonds, ADEC Clean Water Fund 481111** – issued to finance the replacement of a portion of the Alaska Avenue sewer main, bearing an interest rate of 1.5%. The amount authorized is \$1,183,640. As of December 31, 2012, the City had incurred \$363,210 of construction costs eligible for funding from this loan program. The amount to be borrowed and the loan amortization schedule will be finalized upon completion of the project.

Annual debt service requirements to amortize revenue bonds outstanding, as of December 31, 2012 follow:

Year	Principal	Interest	Total
2013	\$ 2,640,339	\$ 2,095,271	\$ 4,735,610
2014	2,741,549	1,981,623	4,723,172
2015	2,217,777	1,851,158	4,068,935
2016	2,324,023	1,753,424	4,077,447
2017	2,420,288	1,656,544	4,076,832
2018-2022	6,571,093	7,258,543	13,829,636
2023-2027	7,965,702	5,457,409	13,423,111
2028-2032	10,104,437	3,265,590	13,370,027
2033-2035	7,020,000	713,500	7,733,500
Total	\$ 44,005,208	\$ 26,033,062	\$ 70,038,270

This amortization schedule does not include \$6,878,050 and \$363,210 for KPU Water Drinking Water Loan Funds and Wastewater Clean Water Loan Funds respectively, because the amortization schedules have not been finalized.

Note 3 - Detailed Notes on All Funds (Continued)

**Changes in Long-term Debt** - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	in One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 11,280,000	\$ 4,825,000	\$ 930,000	\$ 15,175,000	\$ 1,140,000
Plus deferred amounts:					
For issuance premiums	172,328	414,510	35,806	551,032	50,351
Total bonds payable	11,452,328	5,239,510	965,806	15,726,032	1,190,351
Landfill closure costs	942,900	4,620		947,520	-
Compensated absences	910,333	1,380,567	1,064,180	1,226,720	122,672
Total Governmental Activities	<u>\$ 13,305,561</u>	<u>\$ 6,624,697</u>	<u>\$ 2,029,986</u>	<u>\$ 17,900,272</u>	<u>\$ 1,313,023</u>
Business-Type Activities					
Bonds payable:					
General obligation bonds	\$ 5,100,222	\$ 192,816	\$ 286,593	\$ 5,006,445	\$ 309,336
Revenue bonds	53,974,282	656,910	3,384,722	51,246,470	2,640,339
Plus deferred amounts:					
For issuance premiums	854,354		72,763	781,591	56,362
Total bonds payable	59,928,858	849,726	3,744,078	57,034,506	3,006,037
Compensated absences	637,008	1,092,966	921,535	808,439	80,844
Total Business-Type Activities	<u>\$ 60,565,866</u>	<u>\$ 1,942,692</u>	<u>\$ 4,665,613</u>	<u>\$ 57,842,945</u>	<u>\$ 3,086,881</u>

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

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

**Defeased Bonds Outstanding** - In prior years, the City issued general obligation and municipal utility revenue refunding bonds to defease certain outstanding general obligation and municipal utility revenue bonds to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to insure payment of debt service on the refunded bonds. Accordingly, the trust assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. As of December 31, 2012, \$10,860,000 of the bonds outstanding was considered defeased.

**3-J. Pensions**

Substantially, all regular full-time and part-time (regular part-time is defined as an employee who regularly works at least 15 but less than 30 hours per week) employees of the City are members of the Alaska Public Employees' Retirement System (PERS) except for employees who are members of the International Brotherhood of Electrical Workers (IBEW). IBEW members participate in a union sponsored defined benefit plan.

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

**Alaska Public Employees' Retirement System**

**Plan Description**

The State of Alaska Public Employees Retirement System (PERS) is a cost sharing multiple employer plan established and administered by the State of Alaska. The retirement system provides pension, post-employment health care, death and disability benefits to eligible employees, and includes a defined benefit plan (Tiers I, II, and III) and a defined contribution plan (Tier IV). All new employees hired after June 30, 2006 who are participating for the first time in the PERS must enroll in the defined contribution plan. Benefits and contribution provisions are established by State law and may be amended only by the Alaska State Legislature.

The Division of Retirements and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to:

Department of Administration  
Division of Retirements and Benefits  
P.O. Box 110203  
Juneau, AK 99811-0203

Or by calling (907) 465-4460

**Funding**

**Defined Benefit Plan** - Employee contribution rates are required by State statute. The funding policy for PERS provides for employer contributions at actuarially determined rates that are sufficient to accumulate sufficient assets to pay benefits when due.

	Pension and Postemployment	
	1/1/12 - 6/30/12	7/1/12 - 12/31/12
Contribution Rates		
Employee Rate:		
Police Officers and Firefighters	7.50%	7.50%
Other Employees	6.75%	6.75%
Actuarially Required Employer Rate:		
Police Officers and Firefighters	33.49%	35.84%
Other Employees	33.49%	35.84%
Adjusted Actual Employer Rate:		
Police Officers and Firefighters	22.00%	22.00%
Other Employees	22.00%	22.00%

The actuarially determined 2012 employer contribution rate for the City was 33.49% percent from January 1 to June 30, 2012 and 35.84% percent from July 1 to December 31, 2012. The City's actual employer contribution was 22 percent, established by Alaska State Legislature with the adoption of Senate Bill 125. The State of Alaska is currently contributing the difference between the actuarial required contributions and the amount employers are required to contribute under House Bill 284 and 108. The City accounts for the contributions from the State as on-behalf payments for fringe benefits. In 2012, the State contributed \$1,148,236, \$601,452 for pension and \$546,784 for post-employment healthcare, to the PERS on behalf of the City. These amounts were reported as intergovernmental revenues and pension related expenditures/expenses.

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

The annual pension and other post-employment benefit costs for the year ended December 31, 2012 and the amounts actually contributed by the City and the State are listed below:

	<u>Annual Contribution</u>	<u>Pension</u>	<u>Postemployment</u>	<u>Total</u>	<u>Percentage of Required Contribution</u>
2012		\$ 880,061	\$ 812,364	\$ 1,692,425	100%
2011		789,496	1,004,813	1,794,309	100%
2010		672,271	983,569	1,655,840	100%

**Defined Contribution Plan** – Funding, as required by state statute are as follows:

	<u>Pension and Postemployment</u>	
	<u>1/1/12 - 6/30/12</u>	<u>7/1/12 - 12/31/12</u>
<b>Pension Contribution Rates</b>		
Employee Rate:		
Police Officers and Firefighters	8.00%	8.00%
Other Employees	8.00%	8.00%
Employer Rate:		
Police Officers and Firefighters	5.00%	5.00%
Other Employees	5.00%	5.00%
<b>Health Contribution Rates</b>		
Employer Health Rate*:		
Police Officers and Firefighters	0.51%	0.48%
Other Employees	0.51%	0.48%
Employer Occupational Disability & Death Rate*:		
Police Officers and Firefighters	0.97%	0.99%
Other Employees	0.20%	0.14%
<b>Health Reimbursement Account:</b>		
Police Officers and Firefighters	\$148.17/month**	\$154.04/month**
Other Employees	\$148.17/month**	\$154.04/month**

\* Actuarial determined rates.

\*\* Flat dollar amount per employee based on 3% of the employer's average annual employee compensation, calculated by PERS administrator. Rate letters to be distributed annually. (Per AS39.30.370.)

Total defined contribution wages were \$2,930,298 in 2012, members contributed \$233,663 and the City contributed \$250,059 to fund the defined contribution retirement plan.

**International Brotherhood of Electrical Workers**

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

Contributions for employees covered under the public works and clerical workers collective bargaining agreement range from \$2.50 to \$4.07 per hour worked; contributions for employees covered under the Ketchikan Public Utilities collective bargaining agreement range from \$2.82 to \$5.48 per hour. The City's total payroll for the year ended December 31, 2012 was \$20,389,714 and payroll for covered employees totaled \$10,258,715. The total amount contributed to the IBEW plan in 2012 was \$1,439,052, which represents 14.03% of the City's current covered payroll.

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

**3-K. Net Investment in Capital Assets**

Net Investment in capital assets on the government-wide statement of net position as of December 31, 2012 are as follows:

	Governmental Activities	Business-type Activities
Cost of capital assets	\$ 183,743,353	\$ 294,699,744
Less accumulated depreciation	(46,918,676)	(136,160,992)
Book value	136,824,677	158,538,752
Less capital related debt	(12,738,670)	(57,034,506)
Plus bond discount and refunding amounts	101,479	211,296
Net investment in capital assets	\$ 124,187,486	\$ 101,715,542

**Note 4 - Other Notes**

**4-A. Risk Management**

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters. The City utilizes a self-insurance fund to account for and finance its uninsured risks of loss and insurance deductibles. The Self-Insurance Fund provides coverage up to a maximum of \$25,000 for each property claim, \$75,000 for each general liability claim, and \$100,000 for each employment practices claim. The City purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in two of the past three fiscal years. All funds of the City participate in the risk management program and make payments to the Self-Insurance Fund based on the amounts needed to pay insurance and related risk management services, claims paid, claims incurred, but not reported, and to maintain adequate reserves for losses not covered by insurance. As of December 31, 2012, the City had a net position of \$1,668,790 in the Self-Insurance Fund. Claims payable represents estimates of claims incurred but not settled and claims incurred but not reported based upon past experience modified for current trends and information, which approximates the actuarial estimates of the amounts needed to pay the claims. At December 31, 2012 pending claims in the amount of \$250,000 and unpaid incurred claims in the amount of \$84,055 are included as a liability of the self-insurance fund. Amounts due within one year are \$84,055.

Changes in the balances of claims liabilities for the years ended December 31, 2012, 2011 and 2010 are as follows:

Date	(1) Beginning of Fiscal Year Liability	(2) Current Year Claims and Changes in Estimates	(3) Claim Payments	(4) End of Fiscal Year Liability
2010	\$ 295,848	\$ 41,436	\$ 25,816	\$ 311,468
2011	311,468	149,936	192,200	269,204
2012	269,204	164,823	99,972	334,055

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

**4-B. Contingent Liabilities**

Grants - The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. The City believes such disallowances, will be immaterial except as noted under Note 4.G. – Jackson and Monroe Streets Water and Sewer Mains Replacement.

**Note 4 - Other Notes (Continued)**

Litigation - The City is a defendant in various lawsuits and a number of claims for damages and personal injury are pending against the City. Although the outcome of these lawsuits and claims is not presently determinable, in the opinion of City's management and legal counsel, the resolution of these contingencies should not have a material adverse effect on the financial condition of the City. See also Note 4-G.

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

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

The City operates and maintains the Swan Lake hydroelectric facility under the terms of a long-term operating agreement with the SEAPA. The City also purchases power from the SEAPA under the terms and conditions of a long-term power sales agreement. In 2012, the SEAPA paid the City \$711,980 to operate the Swan Lake hydroelectric facility and \$49,587 for maintenance performed on the facility. The City paid the SEAPA \$5,976,876 for power purchased from the Swan Lake hydroelectric facility. During 2012, approximately 52% of the City's total electric generation, or 94,372,000 kWh, was produced by the Swan Lake hydroelectric facility. At December 31, 2012, the amount due to the SEAPA was \$1,336,073.

**4-D. Violation of the Stage I Disinfectants/Disinfection Byproducts Rule**

In 2005, the Alaska Department of Environmental Conservation cited the municipal water system owned and operated by the City of Ketchikan d/b/a Ketchikan Public Utilities for exceeding acceptable levels of haloacetic acids. This occurrence was deemed to be a violation of the Stage I Disinfectant and Disinfection Byproducts Rule and the City was ordered to correct the violation or begin water filtration. The City engaged a consulting engineer to evaluate alternative methods for addressing unacceptable levels of haloacetic acids. The firm recommended that the City consider ultraviolet for primary disinfection and chloramines for residual disinfection. The estimated capital cost for this alternative is \$7.5 million and its annual operating cost is estimated at \$194,000. The City Council endorsed this alternative and construction of a new water treatment facility began in 2008. The facility is complete and will be placed in service as soon as the State approves it for operations.

**4-E. Ketchikan Public Utilities-Sale of the Telecommunications Division**

On April 6, 2010, the voters of the City authorized the sale of the Telecommunications Division of Ketchikan Public Utilities for no less than fair market value as determined by an appraiser, subject to City Council approval. The voters also approved the establishment of a rate stabilization fund to account for the net proceeds from the sale. The City has engaged a broker specializing in telecommunications transactions to locate a buyer.

**4-F. Issuance of Debt**

In June 2013, the City issued its \$15 million Series X municipal utility revenue bond through the Alaska Municipal Bond Bank Authority. The proceeds from this bond issue will be used to finance the construction a new 4.6 MW hydroelectric generation facility at the Whitman Lake Dam. The bond carries an effective interest rate of 3.26% and will mature in 20 years. Average annual debt service is \$1,046,984. The bond is secured by a pledge the revenues of the Ketchikan Public Utilities enterprise fund. The hydroelectric generation facility will be completed in February 2014.

In June 2013, the City refunded its Series V municipal utility revenue bond through the Alaska Municipal Bond Bank Authority. The refunding bond carries an effective interest rate of .54% and will mature in two years. Average annual debt

***Note 4 - Other Notes (Continued)***

service is \$631,230. The net present value savings amounted to \$43,247 and net present value savings as a percentage of the refunded bond amounted to 3.47%.

***4-G. Jackson and Monroe Streets Water and Sewer Mains Replacement***

In May 2012, the City terminated a \$5.2 million contract for convenience with a contractor under contract with the City to replace the water and sewer utilities on Jackson and Monroe Streets. The contractor subsequently filed a lawsuit against the City claiming that it has not been compensated for all the work that was done prior to the termination of the contract. In July 2013, the City and the contractor reached a settlement in the amount of \$912,666.

The Jackson and Monroe Streets water and sewer mains replacement project is funded by a matching grant from the State of Alaska and loans from the Alaska Department of Environmental Conservation Clean and Drinking Water Loan Programs. The State has yet to determine if the settlement would be eligible for reimbursement under either the grant or the loan programs. As a result the City has not recorded a receivable due from the State for the cost of the settlement. In addition, the City has already been reimbursed by the State for legal fees totaling \$76,000 that were incurred in defending the city against the lawsuit filed by the contractor. Although the State has paid for the legal fees, the city has been notified that these fees would be reviewed along with the settlement to determine if they are eligible for reimbursement. The city has not recorded a liability to the State for the legal fees.

***4-H. Telecommunications Utility***

In March 2013, the City doing business as KPU Telecommunications entered into a long-term infeasible right to use purchase agreement with General Communication, Inc. The agreement grants the City an ownership interest of capacity on GCI's undersea fiber optic cable between Ketchikan, AK and Seattle, WA.

Required Supplementary Information  
 City of Ketchikan, Alaska  
 General Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Taxes						
Real & personal property taxes	\$ 5,116,300	\$ 5,116,300	\$ 5,005,267	\$ -	\$ 5,005,267	\$ (111,033)
Automobile & boat taxes	60,000	60,000	77,964	-	77,964	17,964
Penalty & interest	45,000	45,000	35,732	-	35,732	(9,268)
Senior citizen local contribution	(375,000)	(375,000)	(354,923)	-	(354,923)	20,077
Sales tax	2,886,000	2,886,000	2,894,745	-	2,894,745	8,745
Payments in lieu of taxes	10,000	10,000	10,332	-	10,332	332
	<u>7,742,300</u>	<u>7,742,300</u>	<u>7,669,117</u>	<u>-</u>	<u>7,669,117</u>	<u>(73,183)</u>
Payments in lieu of taxes						
Ketchikan public utilities fund	763,000	763,000	-	728,000	728,000	(35,000)
Port fund	309,000	309,000	-	295,000	295,000	(14,000)
Wastewater services fund	78,000	78,000	-	74,000	74,000	(4,000)
	<u>1,150,000</u>	<u>1,150,000</u>	<u>-</u>	<u>1,097,000</u>	<u>1,097,000</u>	<u>(53,000)</u>
Licenses and permits						
Entertainment	100	100	-	-	-	(100)
Itinerant merchant	-	-	100	-	100	100
Building permits	125,000	125,000	112,705	-	112,705	(12,295)
Other	1,500	1,500	1,675	-	1,675	175
	<u>126,600</u>	<u>126,600</u>	<u>114,480</u>	<u>-</u>	<u>114,480</u>	<u>(12,120)</u>
Intergovernmental						
Federal fire grants	145,950	145,950	9,913	-	9,913	(136,037)
Liquor licenses tax	45,000	45,000	45,500	-	45,500	500
Other state revenues	546,500	546,500	1,588,011	(865,276)	722,735	176,235
Federal revenues	-	-	832	-	832	832
	<u>737,450</u>	<u>737,450</u>	<u>1,644,256</u>	<u>(865,276)</u>	<u>778,980</u>	<u>41,530</u>
Charges for services						
Ambulance	515,000	515,000	470,682	-	470,682	(44,318)
Rentals	14,000	14,000	13,860	-	13,860	(140)
Parking fees	85,000	85,000	85,905	-	85,905	905
Cemetery	1,000	1,000	812	-	812	(188)
Library services	398,200	398,200	438,483	-	438,483	40,283
Museum services	204,900	204,900	168,794	-	168,794	(36,106)
E-911 emergency dispatch services	390,000	390,000	400,227	-	400,227	10,227
Civic center services	120,000	120,000	147,554	-	147,554	27,554
Other charges	239,500	239,500	272,715	-	272,715	33,215
	<u>1,967,600</u>	<u>1,967,600</u>	<u>1,999,032</u>	<u>-</u>	<u>1,999,032</u>	<u>31,432</u>
Fines and forfeitures						
Parking fines	85,000	85,000	103,993	-	103,993	18,993
Other fines	12,000	12,000	8,111	-	8,111	(3,889)
Court deposits	55,000	55,000	37,152	-	37,152	(17,848)
	<u>152,000</u>	<u>152,000</u>	<u>149,256</u>	<u>-</u>	<u>149,256</u>	<u>(2,744)</u>
Investment earnings	5,000	5,000	455	-	455	(4,545)
Other revenue						
Miscellaneous	76,350	76,350	74,862	-	74,862	(1,488)
Interdepartmental charges	3,385,000	3,385,000	3,297,784	-	3,297,784	(87,216)
<b>Total Revenues</b>	<u>15,342,300</u>	<u>15,342,300</u>	<u>14,949,242</u>	<u>231,724</u>	<u>15,180,966</u>	<u>(161,334)</u>

**Required Supplementary Information**  
**City of Ketchikan, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual (Cont'd)**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Reclassifications and Encumbrances</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures</b>						
<b>Current:</b>						
General government						
Mayor and council	260,447	277,499	295,939	(22,131)	273,808	3,691
City Clerk	251,887	262,260	277,798	(15,789)	262,009	251
Law	365,283	366,112	326,716	(9,257)	317,459	48,653
City Manager	686,211	693,278	677,267	(52,195)	625,072	68,206
Finance	1,761,156	1,761,985	1,842,680	(93,581)	1,749,099	12,886
Information Technology	1,110,905	1,116,444	1,179,071	(50,293)	1,128,778	(12,334)
	<u>4,435,889</u>	<u>4,477,578</u>	<u>4,599,471</u>	<u>(243,246)</u>	<u>4,356,225</u>	<u>121,353</u>
Public safety						
Fire	3,160,453	3,160,453	3,153,820	(213,808)	2,940,012	220,441
Police	4,590,350	4,758,032	5,013,040	(321,725)	4,691,315	66,717
	<u>7,750,803</u>	<u>7,918,485</u>	<u>8,166,860</u>	<u>(535,533)</u>	<u>7,631,327</u>	<u>287,158</u>
Culture						
Library	1,307,891	1,325,776	1,326,582	(51,549)	1,275,033	50,743
Museum	821,225	821,225	814,546	(30,535)	784,011	37,214
Civic Center	405,229	405,229	381,586	(10,090)	371,496	33,733
	<u>2,534,345</u>	<u>2,552,230</u>	<u>2,522,714</u>	<u>(92,174)</u>	<u>2,430,540</u>	<u>121,690</u>
Health and welfare						
Public Health	19,800	19,800	15,196	-	15,196	4,604
Public works						
Engineering	1,680,526	1,734,570	1,753,868	(45,390)	1,708,478	26,092
Streets	1,590,871	1,590,871	1,641,301	(17,355)	1,623,946	(33,075)
Cemetery	84,710	84,710	72,798	7,369	80,167	4,543
Garage	517,099	542,099	536,241	(4,645)	531,596	10,503
Building Maintenance	392,002	392,002	349,289	(5,235)	344,054	47,948
	<u>4,265,208</u>	<u>4,344,252</u>	<u>4,353,497</u>	<u>(65,256)</u>	<u>4,288,241</u>	<u>56,011</u>
Non-departmental						
General expenditures	23,000	23,000	-	15,881	15,881	7,119
<b>Total Expenditures</b>	<u>19,029,045</u>	<u>19,335,345</u>	<u>19,657,738</u>	<u>(920,328)</u>	<u>18,737,410</u>	<u>597,935</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(3,686,745)</u>	<u>(3,993,045)</u>	<u>(4,708,496)</u>	<u>1,152,052</u>	<u>(3,556,444)</u>	<u>436,601</u>

**Required Supplementary Information**  
**City of Ketchikan, Alaska**  
*General Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual (Cont'd)*  
*For the Year Ended December 31, 2012*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Reclassifications and Encumbrances</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance Positive (Negative)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in						
Sales tax hospital and other public works fund	420,000	420,000	420,000	-	420,000	-
Sales tax public works fund	2,000,000	2,000,000	2,000,000	-	2,000,000	-
Transient occupancy tax fund	364,000	364,000	364,000	-	364,000	-
Shoreline area fund	6,374	6,374	6,374	-	6,374	-
US marshall property seizure fund	20,000	20,000	20,000	-	20,000	-
Bayview cemetery fund	5,000	5,000	5,000	-	5,000	-
Special assessment guarantee fund	456,496	456,496	406,343	-	406,343	(50,153)
Ketchikan public utilities fund	-	-	728,000	(728,000)	-	-
Port fund	-	-	295,000	(295,000)	-	-
Wastewater services fund	-	-	74,000	(74,000)	-	-
Transfers out						
GO bond debt service fund	(889,333)	(889,333)	(534,059)	-	(534,059)	355,274
Community grant fund	(69,480)	(96,980)	(96,980)	-	(96,980)	-
Sale of capital assets	10,000	10,000	10,795	-	10,795	795
<b>Total Other Financing Sources (Uses)</b>	<u>2,323,057</u>	<u>2,295,557</u>	<u>3,698,473</u>	<u>(1,097,000)</u>	<u>2,601,473</u>	<u>305,916</u>
<b>Net Change in Fund Balances</b>	(1,363,688)	(1,697,488)	(1,010,023)	55,052	(954,971)	742,517
<b>Fund Balances Beginning of Year</b>	<u>4,322,333</u>	<u>4,322,333</u>	<u>5,295,406</u>	<u>(277,381)</u>	<u>5,018,025</u>	<u>695,692</u>
<b>Fund Balances End of Year</b>	<u>\$ 2,958,645</u>	<u>\$ 2,624,845</u>	<u>\$ 4,285,383</u>	<u>\$ (222,329)</u>	<u>\$ 4,063,054</u>	<u>\$ 1,438,209</u>

*City of Ketchikan, Alaska*  
*Notes to Required Supplementary Information*  
*For the Year Ended December 31, 2012*

*Note 1 – Budgetary Basis*

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that outstanding encumbrances are reported as expenditures and payments made by the State of Alaska to the Alaska Public Employees Retirement System on behalf of the City are not reported.

**City of Ketchikan, Alaska**  
**Combining Balance Sheet**  
*Nonmajor Governmental Funds - by Fund Type*  
*December 31, 2012*

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>			
Cash and temporary investments	\$ 4,989,328	\$ 720,009	\$ 5,709,337
Receivables:			
Accounts	66,848	-	66,848
Taxes	83,501	-	83,501
Intergovernmental	731,164	521,492	1,252,656
Unbilled revenue	53,821	-	53,821
<b>Total Assets</b>	<b>\$ 5,924,662</b>	<b>\$ 1,241,501</b>	<b>\$ 7,166,163</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 670,027	\$ 68,216	\$ 738,243
Interfund payable	513,541	-	513,541
Deferred revenue	83,617	-	83,617
Unearned revenue	117,552	-	117,552
<b>Total Liabilities</b>	<b>1,384,737</b>	<b>68,216</b>	<b>1,452,953</b>
<b>Fund Balances</b>			
Restricted:			
Law enforcement	5,270	-	5,270
Assigned:			
Subsequent years budget	436,156	-	436,156
Culture and tourism	64,994	-	64,994
Collection and disposal of solid waste	3,190,232	-	3,190,232
Cemetery operations	113,864	-	113,864
Harbor operations	729,409	-	729,409
Harbor construction	-	1,099,169	1,099,169
Public works projects	-	74,116	74,116
<b>Total Fund Balances</b>	<b>4,539,925</b>	<b>1,173,285</b>	<b>5,713,210</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,924,662</b>	<b>\$ 1,241,501</b>	<b>\$ 7,166,163</b>

City of Ketchikan, Alaska  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds - by Fund Type  
 For the Year Ended December 31, 2012

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Taxes	\$ 362,739	\$ -	\$ -	\$ 362,739
Intergovernmental	813,608	-	1,207,923	2,021,531
Charges for services	4,209,831	-	-	4,209,831
Fines and forfeitures	18,297	-	-	18,297
Investment earnings	473	-	22	495
Miscellaneous	219	155,815	-	156,034
<b>Total Revenues</b>	<u>5,405,167</u>	<u>155,815</u>	<u>1,207,945</u>	<u>6,768,927</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	13,000	-	-	13,000
Health and welfare	744,975	-	-	744,975
Public works	3,100,705	-	168,861	3,269,566
Port and harbor	1,119,452	-	1,028,601	2,148,053
<b>Debt Service:</b>				
Principal retirement	-	930,000	-	930,000
Interest and fiscal charges	-	598,624	-	598,624
<b>Total Expenditures</b>	<u>4,978,132</u>	<u>1,528,624</u>	<u>1,197,462</u>	<u>7,704,218</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>427,035</u>	<u>(1,372,809)</u>	<u>10,483</u>	<u>(935,291)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	1,372,809	702,100	2,074,909
Transfers out	(1,497,443)	-	-	(1,497,443)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,497,443)</u>	<u>1,372,809</u>	<u>702,100</u>	<u>577,466</u>
<b>Net Change in Fund Balances</b>	(1,070,408)	-	712,583	(357,825)
<b>Fund Balances Beginning of Year</b>	<u>5,610,333</u>	<u>-</u>	<u>460,702</u>	<u>6,071,035</u>
<b>Fund Balances End of Year</b>	<u>\$ 4,539,925</u>	<u>\$ -</u>	<u>\$ 1,173,285</u>	<u>\$ 5,713,210</u>

## NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

Federal and State Grant Fund – This fund is used to account for the receipt of grant revenues and to account for the related expenditures. This fund was formerly called the Pass-Through Grant Fund.

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

Special Assessment Guarantee Fund – This fund is used to account for funds set aside to guarantee payment of special assessment levies arising from special assessment district improvements financed with interfund advances.

**City of Ketchikan, Alaska**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**December 31, 2012**

	<b>Transient Tax</b>	<b>Solid Waste Services</b>	<b>Ketchikan Boat Harbor</b>
<b>Assets</b>			
Cash and temporary investments	\$ 52,078	\$ 3,968,934	\$ 828,982
Receivables:			
Accounts	-	-	66,848
Taxes	83,501	-	-
Intergovernmental	-	-	-
Unbilled revenue	-	53,821	-
<b>Total Assets</b>	<b>\$ 135,579</b>	<b>\$ 4,022,755</b>	<b>\$ 895,830</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 430,357	\$ 21,847
Interfund payable	-	-	-
Deferred revenue	56,595	-	27,022
Unearned revenue	-	-	117,552
<b>Total Liabilities</b>	<b>56,595</b>	<b>430,357</b>	<b>166,421</b>
<b>Fund Balances</b>			
Restricted:			
Law enforcement	-	-	-
Assigned:			
Subsequent years budget	13,990	402,166	-
Culture and tourism	64,994	-	-
Collection and disposal of solid waste	-	3,190,232	-
Cemetery operations	-	-	-
Harbor operations	-	-	729,409
<b>Total Fund Balances</b>	<b>78,984</b>	<b>3,592,398</b>	<b>729,409</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 135,579</b>	<b>\$ 4,022,755</b>	<b>\$ 895,830</b>

<u>Bayview Cemetery</u>	<u>Federal and State Grant</u>	<u>US Marshall Property Seizure</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 134,064	\$ -	\$ 5,270	\$ 4,989,328
-	-	-	66,848
-	-	-	83,501
-	731,164	-	731,164
-	-	-	53,821
<u>\$ 134,064</u>	<u>\$ 731,164</u>	<u>\$ 5,270</u>	<u>\$ 5,924,662</u>
\$ 200	\$ 217,623	\$ -	\$ 670,027
-	513,541	-	513,541
-	-	-	83,617
-	-	-	117,552
<u>200</u>	<u>731,164</u>	<u>-</u>	<u>1,384,737</u>
-	-	5,270	5,270
20,000	-	-	436,156
-	-	-	64,994
-	-	-	3,190,232
113,864	-	-	113,864
-	-	-	729,409
<u>133,864</u>	<u>-</u>	<u>5,270</u>	<u>4,539,925</u>
<u>\$ 134,064</u>	<u>\$ 731,164</u>	<u>\$ 5,270</u>	<u>\$ 5,924,662</u>

**City of Ketchikan, Alaska**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Special Revenue Funds*  
*For the Year Ended December 31, 2012*

	<b>Transient Tax</b>	<b>Solid Waste Services</b>	<b>Ketchikan Boat Harbor</b>
<b>Revenues</b>			
Taxes	\$ 362,739	\$ -	\$ -
Intergovernmental	-	6,269	62,364
Charges for services	-	2,948,507	1,250,292
Fines and forfeitures	-	-	5,297
Investment earnings	3	551	(102)
Miscellaneous	-	-	219
<b>Total Revenues</b>	<b>362,742</b>	<b>2,955,327</b>	<b>1,318,070</b>
<b>Expenditures</b>			
<b>Current:</b>			
Public safety	-	-	-
Health and welfare	-	-	-
Public works	-	3,097,205	-
Port and harbors	-	-	1,119,452
<b>Total Expenditures</b>	<b>-</b>	<b>3,097,205</b>	<b>1,119,452</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>362,742</b>	<b>(141,878)</b>	<b>198,618</b>
<b>Other Financing Uses</b>			
Transfers out	(364,000)	-	(702,100)
<b>Total Other Financing Sources</b>	<b>(364,000)</b>	<b>-</b>	<b>(702,100)</b>
<b>Net Change in Fund Balances</b>	<b>(1,258)</b>	<b>(141,878)</b>	<b>(503,482)</b>
<b>Fund Balances Beginning Of Year</b>	<b>80,242</b>	<b>3,734,276</b>	<b>1,232,891</b>
<b>Fund Balances End Of Year</b>	<b>\$ 78,984</b>	<b>\$ 3,592,398</b>	<b>\$ 729,409</b>

<b>Bayview Cemetery</b>	<b>Federal and State Grant</b>	<b>US Marshall Property Seizure</b>	<b>Special Assessment Guarantee</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 362,739
-	744,975	-	-	813,608
11,032	-	-	-	4,209,831
-	-	13,000	-	18,297
18	-	3	-	473
-	-	-	-	219
<u>11,050</u>	<u>744,975</u>	<u>13,003</u>	<u>-</u>	<u>5,405,167</u>
-	-	13,000	-	13,000
-	744,975	-	-	744,975
3,500	-	-	-	3,100,705
-	-	-	-	1,119,452
<u>3,500</u>	<u>744,975</u>	<u>13,000</u>	<u>-</u>	<u>4,978,132</u>
<u>7,550</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>427,035</u>
<u>(5,000)</u>	<u>-</u>	<u>(20,000)</u>	<u>(406,343)</u>	<u>(1,497,443)</u>
<u>(5,000)</u>	<u>-</u>	<u>(20,000)</u>	<u>(406,343)</u>	<u>(1,497,443)</u>
2,550	-	(19,997)	(406,343)	(1,070,408)
<u>131,314</u>	<u>-</u>	<u>25,267</u>	<u>406,343</u>	<u>5,610,333</u>
<u>\$ 133,864</u>	<u>\$ -</u>	<u>\$ 5,270</u>	<u>\$ -</u>	<u>\$ 4,539,925</u>

City of Ketchikan, Alaska  
*Transient Tax Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual*  
*For the Year Ended December 31, 2012*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Taxes	\$ 360,000	\$ 360,000	\$ 362,739	\$ -	\$ 362,739	\$ 2,739
Investment earnings	50	50	3	-	3	(47)
<b>Total Revenues</b>	<u>360,050</u>	<u>360,050</u>	<u>362,742</u>	<u>-</u>	<u>362,742</u>	<u>2,692</u>
<b>Other Financing Uses</b>						
Transfers out						
General fund	(364,000)	(364,000)	(364,000)	-	(364,000)	-
<b>Total Other Financing Uses</b>	<u>(364,000)</u>	<u>(364,000)</u>	<u>(364,000)</u>	<u>-</u>	<u>(364,000)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(3,950)	(3,950)	(1,258)	-	(1,258)	2,692
<b>Fund Balances Beginning of Year</b>	62,201	62,201	80,242	-	80,242	18,041
<b>Fund Balances End of Year</b>	<u>\$ 58,251</u>	<u>\$ 58,251</u>	<u>\$ 78,984</u>	<u>\$ -</u>	<u>\$ 78,984</u>	<u>\$ 20,733</u>

City of Ketchikan, Alaska  
 Solid Waste Services Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended December 31, 2012

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ -	\$ -	\$ 6,269	\$ (6,269)	\$ -	\$ -
Charges for services	2,858,800	2,858,800	2,948,507	-	2,948,507	89,707
Investment earnings	2,500	2,500	551	-	551	(1,949)
<b>Total Revenues</b>	<u>2,861,300</u>	<u>2,861,300</u>	<u>2,955,327</u>	<u>(6,269)</u>	<u>2,949,058</u>	<u>87,758</u>
<b>Expenditures</b>						
<b>Current:</b>						
Public works	3,602,165	3,610,887	3,097,205	(112,835)	2,984,370	626,517
<b>Deficiency of Revenues Under Expenditures</b>	(740,865)	(749,587)	(141,878)	106,566	(35,312)	714,275
<b>Fund Balances Beginning of Year</b>	<u>3,192,973</u>	<u>3,192,973</u>	<u>3,734,276</u>	<u>(212,762)</u>	<u>3,521,514</u>	<u>328,541</u>
<b>Fund Balances End of Year</b>	<u>\$ 2,452,108</u>	<u>\$ 2,443,386</u>	<u>\$ 3,592,398</u>	<u>\$ (106,196)</u>	<u>\$ 3,486,202</u>	<u>\$ 1,042,816</u>

City of Ketchikan, Alaska  
 Ketchikan Boat Harbor Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended December 31, 2012

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 18,000	\$ 18,000	\$ 62,364	\$ (34,619)	\$ 27,745	\$ 9,745
Charges for services	1,138,500	1,138,500	1,250,292	-	1,250,292	111,792
Fines and forfeitures	3,500	3,500	5,297	-	5,297	1,797
Investment earnings	1,000	1,000	(102)	-	(102)	(1,102)
Miscellaneous	-	-	219	-	219	219
<b>Total Revenues</b>	<u>1,161,000</u>	<u>1,161,000</u>	<u>1,318,070</u>	<u>(34,619)</u>	<u>1,283,451</u>	<u>122,451</u>
<b>Expenditures</b>						
<b>Current:</b>						
Port and harbor	1,142,084	1,147,084	1,119,452	(44,186)	1,075,266	71,818
<b>Excess of Revenues Over Expenditures</b>	<u>18,916</u>	<u>13,916</u>	<u>198,618</u>	<u>9,567</u>	<u>208,185</u>	<u>194,269</u>
<b>Other Financing Uses</b>						
Transfer out to harbor improvements fund	(277,158)	(702,100)	(702,100)	-	(702,100)	-
<b>Total Other Financing Sources</b>	<u>(277,158)</u>	<u>(702,100)</u>	<u>(702,100)</u>	<u>-</u>	<u>(702,100)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(258,242)</u>	<u>(688,184)</u>	<u>(503,482)</u>	<u>9,567</u>	<u>(493,915)</u>	<u>194,269</u>
<b>Fund Balances Beginning of Year</b>	<u>787,424</u>	<u>787,424</u>	<u>1,232,891</u>	<u>(26,814)</u>	<u>1,206,077</u>	<u>418,653</u>
<b>Fund Balances End of Year</b>	<u>\$ 529,182</u>	<u>\$ 99,240</u>	<u>\$ 729,409</u>	<u>\$ (17,247)</u>	<u>\$ 712,162</u>	<u>\$ 612,922</u>

City of Ketchikan, Alaska  
 Bayview Cemetery Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended December 31, 2012

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Charges for services	\$ 26,200	\$ 26,200	\$ 11,032	\$ -	\$ 11,032	\$ (15,168)
Investment earnings	50	50	18	-	18	(32)
<b>Total Revenues</b>	<u>26,250</u>	<u>26,250</u>	<u>11,050</u>	<u>-</u>	<u>11,050</u>	<u>(15,200)</u>
<b>Expenditures</b>						
<b>Current:</b>						
Public works	32,000	32,000	3,500	6,500	10,000	22,000
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(5,750)	(5,750)	7,550	(6,500)	1,050	6,800
<b>Other Financing Uses</b>						
Transfers out						
General fund	(5,000)	(5,000)	(5,000)	-	(5,000)	-
<b>Net Change in Fund Balances</b>	(10,750)	(10,750)	2,550	(6,500)	(3,950)	6,800
<b>Fund Balances Beginning of Year</b>	132,202	132,202	131,314	(1,800)	129,514	(2,688)
<b>Fund Balances End of Year</b>	<u>\$ 121,452</u>	<u>\$ 121,452</u>	<u>\$ 133,864</u>	<u>\$ (8,300)</u>	<u>\$ 125,564</u>	<u>\$ 4,112</u>

City of Ketchikan, Alaska  
 Federal and State Grant Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended December 31, 2012

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 426,239	\$ 2,161,520	\$ 744,975	\$ -	\$ 744,975	\$ (1,416,545)
<b>Expenditures</b>						
<b>Current:</b>						
Health and welfare	426,239	2,161,520	744,975	1,395,613	2,140,588	20,932
<b>Total Expenditures</b>	426,239	2,161,520	744,975	1,395,613	2,140,588	20,932
<b>Deficiency of Revenues Under Expenditures</b>	-	-	-	(1,395,613)	(1,395,613)	(1,395,613)
<b>Fund Balances Beginning of Year</b>	-	-	-	(33,289)	(33,289)	(33,289)
<b>Fund Balances End of Year</b>	\$ -	\$ -	\$ -	\$ (1,428,902)	\$ (1,428,902)	\$ (1,428,902)

City of Ketchikan, Alaska  
 US Marshall Property Seizure Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended December 31, 2012

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Fines & Forfeitures	\$ -	\$ -	\$ 13,000	\$ -	\$ 13,000	\$ 13,000
Investment earnings	100	100	3		3	(97)
<b>Total Revenues</b>	<b>100</b>	<b>100</b>	<b>13,003</b>	<b>-</b>	<b>13,003</b>	<b>12,903</b>
<b>Expenditures</b>						
<b>Current:</b>						
Public safety	-	-	13,000	-	13,000	(13,000)
<b>Other Financing Uses</b>						
Transfers out						
General fund	(20,000)	(20,000)	(20,000)	-	(20,000)	-
<b>Net Change in Fund Balances</b>	<b>(19,900)</b>	<b>(19,900)</b>	<b>(19,997)</b>	<b>-</b>	<b>(19,997)</b>	<b>(97)</b>
<b>Fund Balances Beginning of Year</b>	<b>25,330</b>	<b>25,330</b>	<b>25,267</b>	<b>-</b>	<b>25,267</b>	<b>(63)</b>
<b>Fund Balances End of Year</b>	<b>\$ 5,430</b>	<b>\$ 5,430</b>	<b>\$ 5,270</b>	<b>\$ -</b>	<b>\$ 5,270</b>	<b>\$ (160)</b>



## NONMAJOR DEBT SERVICE FUNDS

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

**City of Ketchikan, Alaska**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Debt Service Fund*  
*For the Year Ended December 31, 2012*

	<b>General Obligation Bond Debt Service</b>
<b>Revenues</b>	
Miscellaneous income	\$ 155,815
<b>Expenditures</b>	
Principal retirement	930,000
Interest and fiscal charges	598,624
<b>Total Expenditures</b>	<b>1,528,624</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(1,372,809)</b>
<b>Other Financing Sources</b>	
Transfers in	
General fund	534,059
Sales tax hospital & other public works fund	838,750
<b>Total Other Financing Sources</b>	<b>1,372,809</b>
<b>Net Change in Fund Balances</b>	<b>-</b>
<b>Fund Balances Beginning of Year</b>	<b>-</b>
<b>Fund Balances End of Year</b>	<b>\$ -</b>

**City of Ketchikan, Alaska**  
*General Obligation Bond Debt Service Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balance - Budget and Actual*  
*For the Year Ended December 31, 2012*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>				
Miscellaneous income	\$ 150,817	\$ 150,817	\$ 155,815	\$ 4,998
<b>Expenditures</b>				
<b>Debt Service:</b>				
Principal retirement	1,096,000	1,096,000	930,000	166,000
Interest and fiscal charges	782,900	782,900	598,624	184,276
<b>Total Expenditures</b>	<b>1,878,900</b>	<b>1,878,900</b>	<b>1,528,624</b>	<b>350,276</b>
<b>Other Financing Sources</b>				
Transfers in				
General fund	889,333	889,333	534,059	(355,274)
Sales tax hospital & other public works fund	838,750	838,750	838,750	-
<b>Total Other Financing Sources</b>	<b>1,728,083</b>	<b>1,728,083</b>	<b>1,372,809</b>	<b>(355,274)</b>
<b>Net Change in Fund Balances</b>	-	-	-	-
<b>Fund Balances Beginning of Year</b>	-	-	-	-
<b>Fund Balances End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



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## NONMAJOR CAPITAL IMPROVEMENT FUND

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

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

## MAJOR CAPITAL IMPROVEMENT FUND <sup>1</sup>

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

<sup>1</sup> *This major fund schedule is provided for budgetary comparison purposes only.*

**City of Ketchikan, Alaska**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Fund**  
**December 31, 2012**

	<b>Major Capital Improvements</b>	<b>Harbor Improvements</b>	<b>Total Nonmajor Capital Projects Funds</b>
<b>Assets</b>			
Cash and investments	\$ 46,004	\$ 674,005	\$ 720,009
Receivables:			
Intergovernmental	28,112	493,380	521,492
<b>Total Assets</b>	<b>\$ 74,116</b>	<b>\$ 1,167,385</b>	<b>\$ 1,241,501</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 68,216	\$ 68,216
<b>Total Liabilities</b>	<b>-</b>	<b>68,216</b>	<b>68,216</b>
<b>Fund Balances</b>			
Assigned:			
Harbor projects	-	1,099,169	1,099,169
Public works projects	74,116	-	74,116
<b>Total Fund Balances</b>	<b>74,116</b>	<b>1,099,169</b>	<b>1,173,285</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 74,116</b>	<b>\$ 1,167,385</b>	<b>\$ 1,241,501</b>

City of Ketchikan, Alaska  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Capital Projects Fund  
 For the Year Ended December 31, 2012

	<u>Major Capital Improvements</u>	<u>Harbor Improvements</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Revenues</b>			
Intergovernmental	\$ 168,026	\$ 1,039,897	\$ 1,207,923
Investment earnings	32	(10)	22
<b>Total Revenues</b>	<u>168,058</u>	<u>1,039,887</u>	<u>1,207,945</u>
<b>Expenditures</b>			
<b>Current:</b>			
Public works	168,861	-	168,861
Port and harbors	-	1,028,601	1,028,601
<b>Total Expenditures</b>	<u>168,861</u>	<u>1,028,601</u>	<u>1,197,462</u>
<b>Deficiency of Revenues Under Expenditures</b>	(803)	11,286	10,483
<b>Other Financing Sources</b>			
Transfers in			
Harbor fund	-	702,100	702,100
<b>Total Other Financing Sources</b>	<u>-</u>	<u>702,100</u>	<u>702,100</u>
<b>Net Change in Fund Balances</b>	(803)	713,386	712,583
<b>Fund Balances At Beginning of Year</b>	<u>74,919</u>	<u>385,783</u>	<u>460,702</u>
<b>Fund Balances At End of Year</b>	<u>\$ 74,116</u>	<u>\$ 1,099,169</u>	<u>\$ 1,173,285</u>

City of Ketchikan, Alaska  
 Major Capital Improvements Fund  
 Project Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended December 31, 2012

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 3,413,000	\$ 3,413,000	\$ 168,026	\$ 52,939	\$ 220,965	\$ (3,192,035)
Investment earnings	-	-	32	-	32	32
<b>Total Revenues</b>	<u>3,413,000</u>	<u>3,413,000</u>	<u>168,058</u>	<u>52,939</u>	<u>220,997</u>	<u>(3,192,003)</u>
<b>Expenditures</b>						
Culture	-	-	-	(2,092)	(2,092)	2,092
Public works	3,413,000	3,413,000	168,861	(281,594)	(112,733)	3,525,733
<b>Total Expenditures</b>	<u>3,413,000</u>	<u>3,413,000</u>	<u>168,861</u>	<u>(283,686)</u>	<u>(114,825)</u>	<u>3,527,825</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	-	-	(803)	336,625	335,822	335,822
<b>Fund Balances Beginning of Year</b>	<u>187,732</u>	<u>187,732</u>	<u>74,919</u>	<u>(435,529)</u>	<u>(360,610)</u>	<u>(548,342)</u>
<b>Fund Balances End of Year</b>	<u>\$ 187,732</u>	<u>\$ 187,732</u>	<u>\$ 74,116</u>	<u>\$ (98,904)</u>	<u>\$ (24,788)</u>	<u>\$ (212,520)</u>

City of Ketchikan, Alaska  
 Harbor Improvements Fund  
 Project Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended December 31, 2012

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 1,917,500	\$ 1,917,500	\$ 1,039,897	\$ -	\$ 1,039,897	\$ (877,603)
Investment earnings	50	50	(10)	-	(10)	(60)
<b>Total Revenues</b>	<u>1,917,550</u>	<u>1,917,550</u>	<u>1,039,887</u>	<u>-</u>	<u>1,039,887</u>	<u>(877,663)</u>
<b>Expenditures</b>						
Port and harbors	8,170,000	8,170,000	1,028,601	1,018,450	2,047,051	6,122,949
<b>Total Expenditures</b>	<u>8,170,000</u>	<u>8,170,000</u>	<u>1,028,601</u>	<u>1,018,450</u>	<u>2,047,051</u>	<u>6,122,949</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(6,252,450)</u>	<u>(6,252,450)</u>	<u>11,286</u>	<u>(1,018,450)</u>	<u>(1,007,164)</u>	<u>5,245,286</u>
<b>Other Financing Sources</b>						
Transfers in						
Harbor	277,158	277,158	702,100	-	702,100	424,942
Bond proceeds	5,106,342	5,106,342	-	-	-	(5,106,342)
<b>Total Other Financing Sources</b>	<u>5,383,500</u>	<u>5,383,500</u>	<u>702,100</u>	<u>-</u>	<u>702,100</u>	<u>(4,681,400)</u>
<b>Net Change in Fund Balances</b>	<u>(868,950)</u>	<u>(868,950)</u>	<u>713,386</u>	<u>(1,018,450)</u>	<u>(305,064)</u>	<u>563,886</u>
<b>Fund Balances Beginning of Year</b>	<u>938,441</u>	<u>938,441</u>	<u>385,783</u>	<u>(61,138)</u>	<u>324,645</u>	<u>(613,796)</u>
<b>Fund Balances End of Year</b>	<u>\$ 69,491</u>	<u>\$ 69,491</u>	<u>\$ 1,099,169</u>	<u>\$ (1,079,588)</u>	<u>\$ 19,581</u>	<u>\$ (49,910)</u>

City of Ketchikan, Alaska  
 Community Facilities Development Fund  
 Project Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended December 31, 2012

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 413,025	\$ 413,025	\$ 4,803,785	\$ -	\$ 4,803,785	\$ 4,390,760
Investment earnings	4,000	4,000	1,973	-	1,973	(2,027)
Contributions	1,000,000	1,000,000	74,656	-	74,656	(925,344)
Miscellaneous	-	-	2,260	-	2,260	2,260
<b>Total Revenues</b>	<u>1,417,025</u>	<u>1,417,025</u>	<u>4,882,674</u>	<u>-</u>	<u>4,882,674</u>	<u>3,465,649</u>
<b>Expenditures</b>						
Public safety	1,000,000	1,000,000	2,814,987	(2,727,457)	87,530	912,470
Culture	3,137,114	3,137,114	8,738,846	(8,232,386)	506,460	2,630,654
Public works	-	583,000	2,653	-	2,653	580,347
<b>Total Expenditures</b>	<u>4,137,114</u>	<u>4,720,114</u>	<u>11,556,486</u>	<u>(10,959,843)</u>	<u>596,643</u>	<u>4,123,471</u>
<b>Excess (Deficiency) of Revenues Over (under) Expenditures</b>	<u>(2,720,089)</u>	<u>(3,303,089)</u>	<u>(6,673,812)</u>	<u>10,959,843</u>	<u>4,286,031</u>	<u>7,589,120</u>
<b>Other Financing Sources</b>						
Proceeds from the sale of bonds	2,724,089	2,724,089	4,820,003	-	4,820,003	2,095,914
Premiums from sale of bonds	-	-	414,510	-	414,510	414,510
<b>Total Other Financing Sources</b>	<u>2,724,089</u>	<u>2,724,089</u>	<u>5,234,513</u>	<u>-</u>	<u>5,234,513</u>	<u>2,510,424</u>
<b>Net Change in Fund Balances</b>	4,000	(579,000)	(1,439,299)	10,959,843	9,520,544	10,099,544
<b>Fund Balances Beginning of Year</b>	<u>2,028,122</u>	<u>2,028,122</u>	<u>6,460,929</u>	<u>(11,390,633)</u>	<u>(4,929,704)</u>	<u>(6,957,826)</u>
<b>Fund Balances End of Year</b>	<u>\$ 2,032,122</u>	<u>\$ 1,449,122</u>	<u>\$ 5,021,630</u>	<u>\$ (430,790)</u>	<u>\$ 4,590,840</u>	<u>\$ 3,141,718</u>

## GENERAL FUND

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

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

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

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

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

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

City of Ketchikan, Alaska  
 Combining Balance Sheet  
 General Fund  
 December 31, 2012

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant Fund	Totals
<b>Assets</b>							
Cash and temporary investments	\$ 4,838,307	\$ 3,898,373	\$ 6,479,119	\$ 2,625,423	\$ 142,892	\$ 6,524	\$ 17,990,638
Receivables:							
Accounts	339,505	-	-	-	-	-	339,505
Taxes	790,925	513,727	770,591	-	-	-	2,075,243
Intergovernmental	11,531	-	150,569	-	-	-	162,100
Interfund	600,450	-	-	-	-	-	600,450
Land for resale	376,517	-	-	-	-	-	376,517
<b>Total Assets</b>	<b>\$ 6,957,235</b>	<b>\$ 4,412,100</b>	<b>\$ 7,400,279</b>	<b>\$ 2,625,423</b>	<b>\$ 142,892</b>	<b>\$ 6,524</b>	<b>\$ 21,544,453</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 301,595	\$ 66,224	\$ 178,371	\$ 30,956	\$ -	\$ 6,284	\$ 583,430
Payroll payable	1,571,391	-	-	-	-	-	1,571,391
Deferred revenue	776,381	513,727	770,591	-	-	-	2,060,699
Unearned revenue	22,485	-	-	-	-	-	22,485
<b>Total Liabilities</b>	<b>2,671,852</b>	<b>579,951</b>	<b>948,962</b>	<b>30,956</b>	<b>-</b>	<b>6,284</b>	<b>4,238,005</b>
<b>Fund Balances</b>							
Nonspendable	376,517	-	-	-	-	-	376,517
Assigned:							
Subsequent years budget	1,080,218	-	1,733,675	1,657,000	6,334	-	4,477,227
Parking development and abatement of dangerous buildings	-	-	-	937,467	-	-	937,467
Hospital development and expansion	-	3,832,149	-	-	-	-	3,832,149
General government	107,329	-	98,845	-	-	240	206,414
Public safety	12,684	-	618,733	-	136,558	-	767,975
Culture and tourism	24,509	-	54,828	-	-	-	79,337
Public works	77,806	-	2,539,318	-	-	-	2,617,124
Streets, sidewalks and other public projects	-	-	1,405,918	-	-	-	1,405,918
Unassigned	2,606,320	-	-	-	-	-	2,606,320
<b>Total Fund Balances</b>	<b>4,285,383</b>	<b>3,832,149</b>	<b>6,451,317</b>	<b>2,594,467</b>	<b>142,892</b>	<b>240</b>	<b>17,306,448</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,957,235</b>	<b>\$ 4,412,100</b>	<b>\$ 7,400,279</b>	<b>\$ 2,625,423</b>	<b>\$ 142,892</b>	<b>\$ 6,524</b>	<b>\$ 21,544,453</b>

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska  
 General Fund  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 For the Year Ended December 31, 2012

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
<b>Revenues</b>							
Taxes							
Real & personal property taxes	\$ 5,005,267	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,005,267
Automobile & boat taxes	77,964	-	-	-	-	-	77,964
Penalty & interest	35,732	17,232	26,252	-	-	-	79,216
Senior citizen local contribution	(354,923)	-	-	-	-	-	(354,923)
Sales tax	2,894,745	2,894,745	4,341,713	-	-	-	10,131,203
Payments in lieu of taxes	10,332	-	-	-	-	-	10,332
	<u>7,669,117</u>	<u>2,911,977</u>	<u>4,367,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,949,059</u>
Licenses and permits							
Itinerant merchant	100	-	-	-	-	-	100
Building permits	112,705	-	-	-	-	-	112,705
Other	1,675	-	-	-	-	-	1,675
	<u>114,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,480</u>
Intergovernmental							
Federal fire grants	9,913	-	-	-	-	-	9,913
Liquor licenses tax	45,500	-	-	-	-	-	45,500
Other state revenues	1,588,011	-	-	99,915	-	-	1,687,926
Federal revenues	832	-	125,229	-	-	-	126,061
	<u>1,644,256</u>	<u>-</u>	<u>125,229</u>	<u>99,915</u>	<u>-</u>	<u>-</u>	<u>1,869,400</u>
Charges for services							
Ambulance	470,682	-	-	-	-	-	470,682
Rentals	13,860	-	-	-	-	-	13,860
Parking fees	85,905	-	-	-	-	-	85,905
Cemetery	812	-	-	-	-	-	812
Library services	438,483	-	-	-	-	-	438,483
Museum services	168,794	-	-	-	-	-	168,794
E-911 emergency dispatch services	400,227	-	-	-	-	-	400,227
Civic center services	147,554	-	-	-	-	-	147,554
Other charges	272,715	-	-	-	-	-	272,715
	<u>1,999,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,999,032</u>
Fines and forfeitures							
Parking fines	103,993	-	-	-	-	-	103,993
Other fines	8,111	-	-	-	-	-	8,111
Court deposits	37,152	-	-	-	-	-	37,152
	<u>149,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,256</u>
Investment earnings	455	574	951	5,018	22	-	7,020
Other revenue							
Miscellaneous	74,862	6,025	52,432	-	-	-	133,319
Interdepartmental charges	3,297,784	-	-	-	-	97,297	3,395,081
<b>Total Revenues</b>	<u>14,949,242</u>	<u>2,918,576</u>	<u>4,546,577</u>	<u>104,933</u>	<u>22</u>	<u>97,297</u>	<u>22,616,647</u>

City of Ketchikan, Alaska  
 General Fund  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances (Cont'd)  
 For the Year Ended December 31, 2012

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
<b>Expenditures</b>							
<b>Current:</b>							
General government							
Mayor and council	295,939	-	-	-	-	367,737	663,676
City Clerk	277,798	-	-	-	-	-	277,798
Law	326,716	-	-	-	-	-	326,716
City Manager	677,267	-	-	-	-	-	677,267
Finance	1,842,680	-	62,328	-	-	-	1,905,008
Information Technology	1,179,071	-	-	-	-	-	1,179,071
	4,599,471	-	62,328	-	-	367,737	5,029,536
Public safety							
Fire	3,153,820	-	61,878	-	-	-	3,215,698
Police	5,013,040	-	556,855	-	-	-	5,569,895
	8,166,860	-	618,733	-	-	-	8,785,593
Culture							
Library	1,326,582	-	-	-	-	-	1,326,582
Museum	814,546	-	43,721	-	-	-	858,267
Civic Center	381,586	-	11,107	-	-	-	392,693
Tourism and development	-	-	-	171,000	-	-	171,000
	2,522,714	-	54,828	171,000	-	-	2,748,542
Health and welfare							
Public Health	15,196	1,572,156	-	-	-	-	1,587,352
Public works							
Engineering	1,753,868	-	71,834	646	-	-	1,826,348
Streets	1,641,301	-	2,366,497	-	-	-	4,007,798
Cemetery	72,798	-	4,650	-	-	-	77,448
Garage	536,241	-	1,971	-	-	-	538,212
Building Maintenance	349,289	-	166,200	221,143	-	-	736,632
	4,353,497	-	2,611,152	221,789	-	-	7,186,438
<b>Total Expenditures</b>	19,657,738	1,572,156	3,347,041	392,789	-	367,737	25,337,461
<b>Excess (Deficiency) of Revenues</b>							
<b>Over (Under) Expenditures</b>	(4,708,496)	1,346,420	1,199,536	(287,856)	22	(270,440)	(2,720,814)

City of Ketchikan, Alaska  
 General Fund  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances (Cont'd)  
 For the Year Ended December 31, 2012

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
<b>Other Financing Sources (Uses)</b>							
Transfers in							
Sales tax hospital and other public works fund	420,000	(420,000)	-	-	-	-	-
Sales tax public works fund	2,000,000	-	(2,000,000)	-	-	-	-
Transient occupancy tax fund	364,000	-	-	-	-	-	364,000
Shoreline area fund	6,374	-	-	-	(6,374)	-	-
US marshall property seizure fund	20,000	-	-	-	-	-	20,000
Bayview cemetery fund	5,000	-	-	-	-	-	5,000
Special assessment guarantee fund	406,343	-	-	-	-	-	406,343
Ketchikan public utilities fund	728,000	-	-	-	-	-	728,000
Port fund	295,000	-	-	8,178	-	-	303,178
Wastewater services fund	74,000	-	-	-	-	-	74,000
Transfers out							
General obligation bond debt service fund	(534,059)	(838,750)	-	-	-	-	(1,372,809)
Community grant fund	(96,980)	(69,480)	(104,220)	-	-	270,680	-
Sale of capital assets	10,795	-	-	-	-	-	10,795
<b>Total Other Financing Sources (Uses)</b>	<b>3,698,473</b>	<b>(1,328,230)</b>	<b>(2,104,220)</b>	<b>8,178</b>	<b>(6,374)</b>	<b>270,680</b>	<b>538,507</b>
<b>Net Change in Fund Balances</b>	<b>(1,010,023)</b>	<b>18,190</b>	<b>(904,684)</b>	<b>(279,678)</b>	<b>(6,352)</b>	<b>240</b>	<b>(2,182,307)</b>
<b>Fund Balances Beginning of Year</b>	<b>5,295,406</b>	<b>3,813,959</b>	<b>7,356,001</b>	<b>2,874,145</b>	<b>149,244</b>	<b>-</b>	<b>19,488,755</b>
<b>Fund Balances End of Year</b>	<b>\$ 4,285,383</b>	<b>\$ 3,832,149</b>	<b>\$ 6,451,317</b>	<b>\$ 2,594,467</b>	<b>\$ 142,892</b>	<b>\$ 240</b>	<b>\$ 17,306,448</b>

City of Ketchikan, Alaska  
*Sales Tax Hospital and Other Public Works Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual*  
*For the Year Ended December 31, 2012*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Taxes	\$ 2,886,000	\$ 2,886,000	\$ 2,894,745	\$ -	\$ 2,894,745	\$ 8,745
Penalties and interest	13,500	13,500	17,232	-	17,232	3,732
Investment earnings	5,000	5,000	574	-	574	(4,426)
Miscellaneous	-	-	6,025	-	6,025	6,025
<b>Total Revenues</b>	<u>2,904,500</u>	<u>2,904,500</u>	<u>2,918,576</u>	<u>-</u>	<u>2,918,576</u>	<u>14,076</u>
<b>Expenditures</b>						
<b>Current:</b>						
Health and welfare	1,098,300	2,438,659	1,572,156	110,182	1,682,338	756,321
Wastewater	-	14,160	-	-	-	14,160
<b>Total Expenditures</b>	<u>1,098,300</u>	<u>2,452,819</u>	<u>1,572,156</u>	<u>110,182</u>	<u>1,682,338</u>	<u>770,481</u>
<b>Excess of Revenues Over Expenditures</b>	<u>1,806,200</u>	<u>451,681</u>	<u>1,346,420</u>	<u>(110,182)</u>	<u>1,236,238</u>	<u>784,557</u>
<b>Other Financing Uses</b>						
Transfers out						
General fund	(420,000)	(420,000)	(420,000)	-	(420,000)	-
Community grant fund	(69,480)	(69,480)	(69,480)	-	(69,480)	-
General obligation debt service fund	(838,750)	(838,750)	(838,750)	-	(838,750)	-
<b>Total Other Financing Uses</b>	<u>(1,328,230)</u>	<u>(1,328,230)</u>	<u>(1,328,230)</u>	<u>-</u>	<u>(1,328,230)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	477,970	(876,549)	18,190	(110,182)	(91,992)	784,557
<b>Fund Balances Beginning of Year</b>	<u>3,076,017</u>	<u>3,076,017</u>	<u>3,813,959</u>	<u>(724,438)</u>	<u>3,089,521</u>	<u>13,504</u>
<b>Fund Balances End of Year</b>	<u>\$ 3,553,987</u>	<u>\$ 2,199,468</u>	<u>\$ 3,832,149</u>	<u>\$ (834,620)</u>	<u>\$ 2,997,529</u>	<u>\$ 798,061</u>

City of Ketchikan, Alaska  
Sales Tax Public Works Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2012

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Taxes	\$ 4,329,000	\$ 4,329,000	\$ 4,341,713	\$ -	\$ 4,341,713	\$ 12,713
Penalties and interest	25,000	25,000	26,252	-	26,252	1,252
Intergovernmental	37,500	174,564	125,229	-	125,229	(49,335)
Investment earnings	10,000	10,000	951	-	951	(9,049)
Contributions	-	14,931	52,432	-	52,432	37,501
Miscellaneous	4,800	4,800	-	-	-	(4,800)
<b>Total Revenues</b>	<b>4,406,300</b>	<b>4,558,295</b>	<b>4,546,577</b>	<b>-</b>	<b>4,546,577</b>	<b>(11,718)</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government						
Finance	45,000	45,000	62,328	(44,426)	17,902	27,098
Public safety						
Fire	50,000	64,931	61,878	-	61,878	3,053
Police	580,000	596,990	556,855	22,641	579,496	17,494
Culture						
Museum	60,000	60,000	43,721	4,691	48,412	11,588
Civic Center	85,000	85,000	11,107	(7,874)	3,233	81,767
Public works						
Engineering	301,000	301,000	71,834	198,549	270,383	30,617
Streets	2,851,200	3,394,434	2,366,497	(628,512)	1,737,985	1,656,449
Cemetery	-	-	4,650	(4,350)	300	(300)
Garage	50,000	50,000	1,971	-	1,971	48,029
Building Maintenance	1,334,100	1,334,100	166,200	83,656	249,856	1,084,244
<b>Total Expenditures</b>	<b>5,356,300</b>	<b>5,931,455</b>	<b>3,347,041</b>	<b>(375,625)</b>	<b>2,971,416</b>	<b>2,960,039</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(950,000)</b>	<b>(1,373,160)</b>	<b>1,199,536</b>	<b>375,625</b>	<b>1,575,161</b>	<b>2,948,321</b>
<b>Other Financing Uses</b>						
<b>Transfer out</b>						
General fund	(2,000,000)	(2,000,000)	(2,000,000)	-	(2,000,000)	-
Community grant fund	(104,220)	(104,220)	(104,220)	-	(104,220)	-
<b>Total Other Financing Uses</b>	<b>(2,104,220)</b>	<b>(2,104,220)</b>	<b>(2,104,220)</b>	<b>-</b>	<b>(2,104,220)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(3,054,220)</b>	<b>(3,477,380)</b>	<b>(904,684)</b>	<b>375,625</b>	<b>(529,059)</b>	<b>2,948,321</b>
<b>Fund Balances Beginning of Year</b>	<b>5,758,241</b>	<b>5,758,241</b>	<b>7,356,001</b>	<b>(1,436,218)</b>	<b>5,919,783</b>	<b>161,542</b>
<b>Fund Balances End of Year</b>	<b>\$ 2,704,021</b>	<b>\$ 2,280,861</b>	<b>\$ 6,451,317</b>	<b>\$ (1,060,593)</b>	<b>\$ 5,390,724</b>	<b>\$ 3,109,863</b>

City of Ketchikan, Alaska  
*Economic Development & Parking Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual*  
*For the Year Ended December 31, 2012*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ -	\$ 100,000	\$ 99,915	\$ -	99,915	(85)
Advances	1,297,000	1,297,000	-	1,283,762	1,283,762	(13,238)
Investment earnings	6,000	6,000	5,018	-	5,018	(982)
<b>Total Revenues</b>	<b>1,303,000</b>	<b>1,403,000</b>	<b>104,933</b>	<b>1,283,762</b>	<b>1,388,695</b>	<b>(14,305)</b>
<b>Expenditures</b>						
<b>Current:</b>						
Economic tourism and development	171,000	171,000	171,000	-	171,000	-
Public works						
Engineering	750,000	750,000	646	513,975	514,621	235,379
Building maintenance	-	287,915	221,143	75,971	297,114	(9,199)
	921,000	1,208,915	392,789	589,946	982,735	226,180
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>382,000</b>	<b>194,085</b>	<b>(287,856)</b>	<b>693,816</b>	<b>405,960</b>	<b>211,875</b>
<b>Other Financing Sources</b>						
Transfers in						
Port fund	-	-	8,178	-	\$ 8,178	\$ 8,178
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>8,178</b>	<b>-</b>	<b>8,178</b>	<b>8,178</b>
<b>Net Change in Fund Balances</b>	<b>382,000</b>	<b>194,085</b>	<b>(279,678)</b>	<b>693,816</b>	<b>414,138</b>	<b>220,053</b>
<b>Fund Balances Beginning of Year</b>	<b>1,579,453</b>	<b>1,579,453</b>	<b>2,874,145</b>	<b>(1,283,862)</b>	<b>1,590,283</b>	<b>10,830</b>
<b>Fund Balances End of Year</b>	<b>\$ 1,961,453</b>	<b>\$ 1,773,538</b>	<b>\$ 2,594,467</b>	<b>\$ (590,046)</b>	<b>\$ 2,004,421</b>	<b>\$ 230,883</b>

City of Ketchikan, Alaska  
 Shoreline Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended December 31, 2012

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Investment earnings	\$ 250	\$ 250	\$ 22	\$ -	\$ 22	\$ (228)
<b>Expenditures</b>						
<b>Current:</b>						
Public safety	15,000	15,000	-	-	-	15,000
<b>Total Expenditures</b>	15,000	15,000	-	-	-	15,000
<b>Excess of Revenues Over Expenditures</b>	(14,750)	(14,750)	22	-	22	14,772
<b>Other Financing Sources (Uses)</b>						
General fund	(6,374)	(6,374)	(6,374)	-	(6,374)	-
<b>Net Change in Fund Balances</b>	(21,124)	(21,124)	(6,352)	-	(6,352)	14,772
<b>Fund Balances Beginning of Year</b>	149,335	149,335	149,244	-	149,244	(91)
<b>Fund Balances End of Year</b>	<u>\$ 128,211</u>	<u>\$ 128,211</u>	<u>\$ 142,892</u>	<u>\$ -</u>	<u>\$ 142,892</u>	<u>\$ 14,681</u>

City of Ketchikan, Alaska  
 Community Grant Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended December 31, 2012

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 69,797	\$ 97,297	\$ 97,297	\$ -	\$ 97,297	\$ -
<b>Total Revenues</b>	69,797	97,297	97,297	-	97,297	-
<b>Expenditures</b>						
<b>Current:</b>						
Mayor and council	312,977	367,977	367,737	-	367,737	240
<b>Deficiency of Revenues Under Expenditures</b>	(243,180)	(270,680)	(270,440)	-	(270,440)	240
<b>Other Financing Sources</b>						
Transfers in						
General fund	69,480	96,980	96,980	-	96,980	-
Hospital sales tax fund	69,480	69,480	69,480	-	69,480	-
Public works sales tax fund	104,220	104,220	104,220	-	104,220	-
	243,180	270,680	270,680	-	270,680	-
<b>Net Change in Fund Balances</b>	-	-	240	-	240	240
<b>Fund Balances Beginning of Year</b>	-	-	-	-	-	-
<b>Fund Balances End of Year</b>	\$ -	\$ -	\$ 240	\$ -	\$ 240	\$ 240

## MAJOR ENTERPRISE FUNDS

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

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

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

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
**Comparative Statements of Net Position**  
**December 31, 2012 and 2011**

	2012	2011
<b>Assets</b>		
<b>Current assets</b>		
Cash and temporary investments	\$ 16,757,889	\$ 13,845,368
Restricted cash, cash equivalents and investments:		
Revenue bond redemption fund cash	699,217	980,160
Accounts receivable	\$ 2,433,067	
Less uncollectible accounts	(150,000)	2,283,067
Due from other governments	2,789,655	5,134,497
Prepaid expenses	23,866	23,986
Inventory of materials	2,599,564	3,116,612
Unbilled revenue	1,059,422	910,979
<b>Total Current Assets</b>	<b>26,212,680</b>	<b>26,327,030</b>
<b>Noncurrent assets</b>		
Restricted investments:		
Revenue bond reserve fund investments	1,987,186	1,959,852
Accrued interest receivable - bond reserve fund	8,682	23,554
Total noncurrent restricted assets	1,995,868	1,983,406
Deferred charges:	318,463	490,288
Utility plant in service:		
Land	2,674,616	2,674,616
Other non-depreciable assets	937,269	937,269
Construction work in progress	8,123,495	17,131,918
Plant in service	192,884,448	177,983,369
Less accumulated depreciation	(115,481,010)	(112,576,926)
Total capital assets (net of accumulated depreciation)	89,138,818	86,150,246
<b>Total noncurrent assets</b>	<b>91,453,149</b>	<b>88,623,940</b>
<b>Total Assets</b>	<b>\$ 117,665,829</b>	<b>\$ 114,950,970</b>

City of Ketchikan, Alaska  
 Ketchikan Public Utilities Fund  
 Comparative Statements of Net Position  
 December 31, 2012 and 2011

	2012	2011
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 4,022,298	\$ 3,638,344
Accrued interest payable	84,249	89,549
Compensated absences payable	74,876	511,489
Customer deposits	337,280	309,110
Unearned revenue	50,723	54,445
Unamortized premiums	33,801	49,402
Revenue bonds payable	1,830,339	2,570,000
<b>Total current liabilities</b>	6,433,566	7,222,339
<b>Noncurrent liabilities</b>		
Accrued interest payable	107,055	-
Unamortized bond premium	93,269	171,271
Compensated absences payable	673,886	72,871
Revenue bonds payable	14,737,920	16,264,880
<b>Total noncurrent liabilities</b>	15,612,130	16,509,022
<b>Total liabilities</b>	22,045,696	23,731,361
<b>Net Position</b>		
Net investment in capital assets	72,654,785	67,447,195
Restricted for bond retirement	2,695,086	2,963,566
Unrestricted	20,270,262	20,808,848
<b>Total net Position</b>	95,620,133	91,219,609
<b>Total liabilities and net position</b>	\$ 117,665,829	\$ 114,950,970

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
**Comparative Statements of Revenues, Expenses and**  
**Changes in Net Position - by Service**  
**For the Years Ended December 31, 2012 and 2011**

	<u>Total</u>		<u>Electric</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>				
Services	\$34,289,783	\$33,644,583	\$16,767,415	\$16,244,690
Other	512,965	528,358	464,797	442,410
<b>Total Operating Revenues</b>	<u>34,802,748</u>	<u>34,172,941</u>	<u>17,232,212</u>	<u>16,687,100</u>
<b>Operating Expenses</b>				
Operation and maintenance	21,992,642	19,997,855	12,016,316	11,158,630
Administration and general	5,408,961	6,097,427	1,546,798	2,032,081
Depreciation	6,872,767	5,892,449	2,874,730	2,514,083
<b>Total Operating Expenses</b>	<u>34,274,370</u>	<u>31,987,731</u>	<u>16,437,844</u>	<u>15,704,794</u>
<b>Operating Income (Loss)</b>	<u>528,378</u>	<u>2,185,210</u>	<u>794,368</u>	<u>982,306</u>
<b>Non-Operating Revenues (Expenses)</b>				
Operating grants	196,172	183,667	70,798	65,172
Interest earnings	107,125	80,209	62,977	69,382
Revenue bond interest expense	(672,839)	(577,681)	(359,095)	(423,958)
Other interest expense	(15,875)	(14,517)	(11,618)	(10,698)
Amortization of debt discount	(31,204)	(35,285)	(21,101)	(22,522)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(416,621)</u>	<u>(363,607)</u>	<u>(258,039)</u>	<u>(322,624)</u>
<b>Net Income (Loss) Before Contributions, Grants and Transfers</b>	<u>111,757</u>	<u>1,821,603</u>	<u>536,329</u>	<u>659,682</u>
Capital contributions	127,204	494,770	110,504	463,079
Capital grants	4,889,563	4,146,232	2,948,603	1,972,971
Transfers out - payment in lieu of taxes	(728,000)	(728,000)	(343,266)	(353,954)
<b>Total Contributions, Grants and Transfers</b>	<u>4,288,767</u>	<u>3,913,002</u>	<u>2,715,841</u>	<u>2,082,096</u>
<b>Change in Net Position</b>	<u>4,400,524</u>	<u>5,734,605</u>	<u>\$3,252,170</u>	<u>\$2,741,778</u>
<b>Net Position Beginning of Year</b>	<u>91,219,609</u>	<u>85,485,004</u>		
<b>Net Position End of Year</b>	<u>\$95,620,133</u>	<u>\$91,219,609</u>		

Telecommunications		Water	
2012	2011	2012	2011
\$14,586,914	\$14,500,541	\$2,935,454	\$2,899,352
-	-	48,168	85,948
<u>14,586,914</u>	<u>14,500,541</u>	<u>2,983,622</u>	<u>2,985,300</u>
8,070,658	7,077,698	1,905,668	1,761,527
3,483,492	3,594,593	378,671	470,753
2,995,763	2,549,692	1,002,274	828,674
<u>14,549,913</u>	<u>13,221,983</u>	<u>3,286,613</u>	<u>3,060,954</u>
<u>37,001</u>	<u>1,278,558</u>	<u>(302,991)</u>	<u>(75,654)</u>
107,971	101,224	17,403	17,271
2,770	7,505	41,378	3,322
(2,074)	(2,451)	(311,670)	(151,272)
(4,257)	(3,819)	-	-
(139)	(139)	(9,964)	(12,624)
<u>104,271</u>	<u>102,320</u>	<u>(262,853)</u>	<u>(143,303)</u>
141,272	1,380,878	(565,844)	(218,957)
16,700	31,691	-	-
-	-	1,940,960	2,173,261
<u>(192,065)</u>	<u>(191,027)</u>	<u>(192,669)</u>	<u>(183,019)</u>
<u>(175,365)</u>	<u>(159,336)</u>	<u>1,748,291</u>	<u>1,990,242</u>
<u>(\$34,093)</u>	<u>\$1,221,542</u>	<u>\$1,182,447</u>	<u>\$1,771,285</u>

City of Ketchikan, Alaska  
 Ketchikan Public Utilities Fund  
 Comparative Statements of Cash Flows  
 For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and users	\$ 34,682,944	\$ 34,422,872
Cash payments to employees for services	(9,586,564)	(9,631,607)
Cash payments to suppliers for goods and services	<u>(17,216,753)</u>	<u>(16,830,973)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>7,879,627</u>	<u>7,960,292</u>
<b>Cash Flows from Noncapital Financing Activity</b>		
Operating grant from other governments	196,172	183,667
Payment in lieu of taxes to the general fund	<u>(728,000)</u>	<u>(728,000)</u>
<b>Net Cash Used by Noncapital Financing Activities</b>	<u>(531,828)</u>	<u>(544,333)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital grant received from other governments	6,368,951	4,199,918
Capital debt proceeds	556,376	2,151,914
Principal paid on revenue bonds	(1,830,339)	(2,570,000)
Interest paid on revenue bonds	(542,664)	(480,697)
Payments for capital acquisitions and construction	<u>(9,273,626)</u>	<u>(9,600,001)</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(4,721,302)</u>	<u>(6,298,866)</u>
<b>Cash Flows from Investing Activities</b>		
Investment earnings	58,433	79,479
Purchase of bond reserve fund investments	<u>(53,352)</u>	<u>(9,240)</u>
<b>Net Cash Flows Provided by Investing Activities</b>	<u>5,081</u>	<u>70,239</u>
<b>Net Increase in Cash and Cash Equivalents</b>	2,631,578	1,187,332
<b>Cash and Cash Equivalents Beginning of Year</b>	14,825,528	13,638,196
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 17,457,106</u>	<u>\$ 14,825,528</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>		
Cash and temporary investments - current assets	16,757,889	13,845,368
Revenue bond redemption fund - restricted	<u>699,217</u>	<u>980,160</u>
	<u>\$ 17,457,106</u>	<u>\$ 14,825,528</u>

(continued)

City of Ketchikan, Alaska  
 Ketchikan Public Utilities Fund  
 Comparative Statements of Cash Flows  
 For the Years Ended December 31, 2012 and 2011

(continued)

	2012	2011
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<b>Operating Income</b>	\$ 528,378	\$ 2,185,210
<b>Adjustments:</b>		
Depreciation	6,872,767	5,892,449
Other	103,344	83,170
<b>(Increase) Decrease in Assets:</b>		
Accounts receivable	32,361	305,715
Unbilled revenue	(148,443)	(36,850)
Prepaid expenses	120	(23,986)
Inventory	517,048	(814,031)
Customer deposits	28,170	48,352
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	(214,798)	366,880
Compensated absences payable	164,402	(27,683)
Unearned revenue	(3,722)	(18,934)
<b>Net Cash Provided by Operating Activities</b>	\$ 7,879,627	\$ 7,960,292
 <b>Noncash investing, capital and financing activities</b>		
Fair value of non-cash investments	\$ (26,018)	\$ (5,722)
Revenue bond arbitrage	(89,582)	(4,965)

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
**Comparative Schedules of Revenues**  
**For the Years Ended December 31, 2012 and 2011**

	2012		2011	
	Amount	Total	Amount	Total
<b>Electric Department</b>				
Revenue from Services:				
Residential	\$7,240,637		\$6,929,817	
Boats	318,564		293,654	
Commercial	6,673,188		6,404,792	
Industrial	1,862,015		1,767,912	
Demand	481,321		443,170	
Area Lighting	48,974		48,890	
Street Lighting	126,239		124,978	
Diesel Surcharge	16,477	\$16,767,415	231,477	\$16,244,690
Other Revenue:				
Service Charges	109,967		119,815	
Late Payment Charges	95,628		102,611	
Rentals - Interdepartmental	155,177		140,136	
Other	104,025	464,797	79,848	442,410
<b>Total Electric</b>		<b>17,232,212</b>		<b>16,687,100</b>
<b>Telecommunications Department</b>				
Local Network Services:				
Basic Local Service	991,787		1,108,641	
Local Private Line	805,882		788,998	
Other Local Exchange	333,682	2,131,351	296,891	2,194,530
Network Access Services:				
Interstate End User	776,114		1,010,480	
Switched Access	5,069,718		5,702,015	
Special Access	939,327		672,524	
State Access	1,614,690	8,399,849	1,206,767	8,591,786
Other Revenues:				
Directory Revenue	344,641		323,634	
Other	145,186	489,827	129,546	453,180
Nonregulated Revenues	3,565,887	3,565,887	3,261,045	3,261,045
<b>Total Telecommunications</b>		<b>14,586,914</b>		<b>14,500,541</b>

**City of Ketchikan, Alaska**  
*Ketchikan Public Utilities Fund*  
 Comparative Schedules of Revenues (Cont'd)  
 For the Years Ended December 31, 2012 and 2011

	2012		2011	
	Amount	Total	Amount	Total
<b>Water Department</b>				
Revenue from Services:				
Residential	\$1,300,147		\$1,277,902	
Apartments	258,792		250,519	
Commercial	998,294		1,003,574	
Industrial	231,401		243,127	
Port	146,820	\$2,935,454	124,230	\$2,899,352
Other Revenue:				
Service Charges	62		31	
Late Payment Charges	13,639		16,395	
Other	34,467	48,168	69,522	85,948
<b>Total Water</b>		<u>2,983,622</u>		<u>2,985,300</u>
<b>Total Revenue</b>		<u><u>\$34,802,748</u></u>		<u><u>\$34,172,941</u></u>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
*Comparative Schedules of Operation and Maintenance Expenses*  
*For the Years Ended December 31, 2012 and 2011*

	2012		2011	
	Amount	Total	Amount	Total
<b>Electric Department</b>				
<b>Hydroelectric Generation</b>				
Operation				
Supervision & Engineering	\$1,000,250		\$915,065	
Hydraulic Expenses	36,748		57,232	
Electric Expenses	15,616	1,052,614	117,634	1,089,931
Maintenance				
Structures	72,926		71,622	
Reservoirs & Dams	177,416		111,858	
Electric Plant	106,205		104,925	
Other	85,362	441,909	64,207	352,612
<b>Total Hydroelectric Generation</b>		<u>1,494,523</u>		<u>1,442,543</u>
<b>Diesel Generation</b>				
Operation				
Fuel	564,303		798,940	
Generation	31,385		50,150	
Other	487,943	1,083,631	523,715	1,372,805
Maintenance				
Supervision and Engineering	120,646		115,214	
Structures	38,134		39,734	
Electric Plant	90,814		158,485	
Other	167,774	417,368	169,882	483,315
<b>Total Diesel Generation</b>		<u>1,500,999</u>		<u>1,856,120</u>
Purchased Power		5,976,876		5,093,489
Automation Control System		338,163		263,993
<b>Total Generation</b>		<u>9,310,561</u>		<u>8,656,145</u>
<b>Transmission</b>				
Operation				
Overhead and Underground Lines	\$13,154	13,154	\$35,052	35,052
<b>Total Transmission</b>		<u>\$13,154</u>		<u>\$35,052</u>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
*Comparative Schedules of Operation and Maintenance Expenses (Cont'd)*  
*For the Years Ended December 31, 2012 and 2011*

	2012		2011	
	Amount	Total	Amount	Total
<b>Distribution</b>				
Operation				
Supervision & Engineering	\$823,936		\$707,507	
Station Equipment	35,714		162,351	
Overhead & Underground Lines	64,756		76,000	
Street Lighting	113,701		104,016	
Meter Expenses	502,362		476,142	
Customer Installations	3,374		1,843	
Other	27,936	\$1,571,779	116,681	\$1,644,540
Maintenance				
Station Equipment	65,417		158,403	
Overhead & Underground Lines	910,217		544,314	
Line Transformers	48,688		43,362	
Other	96,500	1,120,822	76,814	822,893
<b>Total Distribution</b>		<u>2,692,601</u>		<u>2,467,433</u>
<b>Total Electric</b>		<u>12,016,316</u>		<u>11,158,630</u>
<b>Telecommunications Department</b>				
Plant Specific Operations:				
Network Support	70,000		79,767	
General Support	176,063		105,549	
Central Office Switching	569,980		692,338	
Central Office Transmission	846,675		508,583	
Cable and Wire Facilities Expense	1,141,662	2,804,380	939,365	2,325,602
Plant Nonspecific Operations				
Network Operations Expense	1,922,298	1,922,298	1,882,235	1,882,235
Customer Operations				
Customer Operations-Services	100,127	100,127	99,863	99,863
Nonregulated Operations Expenses	\$3,243,853	3,243,853	\$2,769,998	2,769,998
<b>Total Telecommunications</b>		<u>\$8,070,658</u>		<u>\$7,077,698</u>

**City of Ketchikan, Alaska**  
*Ketchikan Public Utilities Fund*  
**Comparative Schedule of Operation and Maintenance Expenses (Cont'd)**  
*For the Years Ended December 31, 2012 and 2011*

	2012		2011	
	Amount	Total	Amount	Total
<b>Water Department</b>				
Source of Supply				
Operation and Maintenance	\$259,083	\$259,083	\$232,238	\$232,238
Chlorination				
Labor and Supplies	97,374		97,634	
Maintenance	136,497	233,871	119,807	217,441
Distribution				
Supervision & Operation of Mains	234		3,715	
Maps & Records	407,611		227,855	
Customer Service	5,702	413,547	6,711	238,281
Maintenance				
Mains & Equipment	610,192		593,743	
Hydrants	14,901		28,238	
Valves & Structures	33,362		13,217	
Pump Stations	83,343		42,966	
PH Adjustment Facility	246,429		349,371	
Reservoirs	\$10,940	999,167	\$46,032	1,073,567
<b>Total Water</b>		<u>1,905,668</u>		<u>1,761,527</u>
<b>Total Operation and Maintenance</b>		<u>\$21,992,642</u>		<u>\$19,997,855</u>

**City of Ketchikan, Alaska**  
*Ketchikan Public Utilities Fund*  
**Comparative Schedules of Administrative and General Expenses**  
*For the Years Ended December 31, 2012 and 2011*

	2012	2011
Customer Service	\$1,650,997	\$1,652,943
General Accounting	796,444	726,822
Administrative Expenses	1,978,467	2,416,002
Engineering Services	107,305	384,992
Information Technology	631,843	630,347
Insurance & Claims	243,905	286,321
<b>Total</b>	<b>\$5,408,961</b>	<b>\$6,097,427</b>

**City of Ketchikan, Alaska**  
**Port Fund**  
**Comparative Statements of Net Position**  
**December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and temporary investments	\$ 2,285,517	\$ 2,373,808
Restricted cash, cash equivalents and investments:		
Debt service	884,059	901,505
Accounts receivable	3,080,061	2,382,100
Prepaid Expense	955,622	782,959
<b>Total Current Assets</b>	<u>7,205,259</u>	<u>6,440,372</u>
<b>Noncurrent assets</b>		
Restricted investments:		
Repair and replacement investments	2,613,392	2,088,610
Bond reserve investments	2,577,481	2,602,488
Accrued interest on bond reserve investments	7,165	31,321
<b>Total restricted assets</b>	<u>5,198,038</u>	<u>4,722,419</u>
Deferred charges	<u>382,120</u>	<u>404,383</u>
Capital assets		
Land	1,775,740	1,775,740
Other non-depreciable assets	100,750	100,750
Construction work in progress	5,066,048	5,531,746
Port facilities	60,014,127	55,083,085
Accumulated depreciation	(14,023,091)	(14,838,185)
<b>Total capital assets (net of accumulated depreciation)</b>	<u>52,933,574</u>	<u>47,653,136</u>
<b>Total noncurrent assets</b>	<u>58,513,732</u>	<u>52,779,938</u>
<b>Total Assets</b>	<u>\$ 65,718,991</u>	<u>\$ 59,220,310</u>

**City of Ketchikan, Alaska**  
**Port Fund**  
**Comparative Statements of Net Position**  
**December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 238,890	\$ 685,648
Accrued interest payable	152,431	156,428
Compensated absences payable	2,647	24,184
Unamortized premiums	28,561	28,561
General obligation bonds payable	270,000	270,000
Revenue bonds payable	810,000	775,000
<b>Total current liabilities</b>	<u>1,502,529</u>	<u>1,939,821</u>
<b>Noncurrent liabilities</b>		
Accrued interest payable		13,752
Compensated absences payable	23,823	323
Unamortized bond premium	625,961	654,522
Advances from other funds		1,283,762
General obligation bonds payable		270,000
Revenue bonds payable	33,505,000	34,315,000
<b>Total noncurrent liabilities</b>	<u>34,154,784</u>	<u>36,537,359</u>
<b>Total liabilities</b>	<u>35,657,313</u>	<u>38,477,180</u>
<b>Net position</b>		
Net investment in capital assets	17,694,052	11,340,053
Restricted repair and replacement funds	2,613,392	2,088,610
Restricted for bond retirement	3,316,274	3,378,886
Unrestricted	6,437,960	3,935,581
<b>Total net position</b>	<u>30,061,678</u>	<u>20,743,130</u>
<b>Total Liabilities and Net Postion</b>	<u>\$ 65,718,991</u>	<u>\$ 59,220,310</u>

City of Ketchikan, Alaska  
 Port Fund  
 Comparative Statements of Revenues, Expenses and  
 Changes in Net Position  
 For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Charges for services		
Docking	\$1,741,242	\$1,702,405
Passenger wharfage fee	6,183,922	5,786,811
Rental income	385,918	189,055
Water	195,760	165,640
Other	85,413	142,493
<b>Total Operating Revenues</b>	<u>8,592,255</u>	<u>7,986,404</u>
<b>Operating Expenses</b>		
Operation and maintenance		
Personnel services	975,006	854,808
Supplies and services	317,833	621,397
Financial service	168,471	185,453
Insurance	260,505	237,881
Utilities	227,634	224,661
Property Taxes	142,575	152,762
Lease payments	1,934,707	1,833,709
Depreciation	1,359,513	1,401,754
<b>Total Operating Expenses</b>	<u>5,386,244</u>	<u>5,512,425</u>
<b>Operating Income</b>	<u>3,206,011</u>	<u>2,473,979</u>
<b>Non-Operating Revenues (Expenses)</b>		
Operating grants - CPV funds	1,982,570	-
Operating grants	35,595	29,536
Interest earnings	9,722	51,165
Interest expense	(1,804,325)	(1,917,927)
Amortization of debt discount	(22,263)	(22,263)
Loss on sale of capital assets	-	(184,315)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>201,299</u>	<u>(2,043,804)</u>
<b>Net Income Before Grants and Transfers</b>	3,407,310	430,175
Capital grants	<u>6,214,416</u>	<u>4,654,981</u>
<b>Net Income Before Transfers</b>	9,621,726	5,085,156
<b>Transfers Out</b>		
Payment in lieu of taxes to general fund	(295,000)	(295,000)
Economic development and parking fund	(8,178)	-
<b>Total Transfers Out</b>	<u>(303,178)</u>	<u>(295,000)</u>
<b>Change in Net Position</b>	9,318,548	4,790,156
<b>Net Position Beginning of Year</b>	<u>20,743,130</u>	<u>15,952,974</u>
<b>Net Position End of Year</b>	<u>\$30,061,678</u>	<u>\$20,743,130</u>



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City of Ketchikan, Alaska  
 Port Fund  
 Comparative Statements of Cash Flows  
 For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and users	\$ 8,592,255	\$ 7,986,404
Cash payments to employees for services	(973,044)	(851,661)
Cash payments to suppliers for goods and services	<u>(3,268,064)</u>	<u>(3,257,237)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>4,351,147</u>	<u>3,877,506</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating grant from other governments	2,018,165	29,536
Payment in lieu of taxes to the general fund	<u>(295,000)</u>	<u>(295,000)</u>
<b>Net Cash Used by Noncapital Financing Activities</b>	<u>1,723,165</u>	<u>(265,464)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital grant received from other governments	5,516,455	2,374,691
Principal paid on general obligation bonds, advances and equipment contracts	(1,553,762)	(921,238)
Principal paid on revenue bonds	(775,000)	(740,000)
Interest paid on general obligation bonds	(9,462)	(214,148)
Interest paid on revenue bonds	(1,827,421)	(1,825,877)
Payments for capital acquisitions and construction	<u>(7,036,654)</u>	<u>(4,010,995)</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(5,685,844)</u>	<u>(5,337,567)</u>
<b>Cash Flows from Investing Activities</b>		
Investment earnings	(23,423)	45,237
Sale of investments	54,000	194,015
Purchase of investments	<u>(524,782)</u>	<u>(521,882)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(494,205)</u>	<u>(282,630)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(105,737)	(2,008,155)
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>3,275,313</u>	<u>5,283,468</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 3,169,576</u>	<u>\$ 3,275,313</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>		
Cash and temporary investments - current assets	2,285,517	2,373,808
Revenue bond redemption fund - restricted	<u>884,059</u>	<u>901,505</u>
	<u>\$ 3,169,576</u>	<u>\$ 3,275,313</u>

(continued)

City of Ketchikan, Alaska  
 Port Fund  
 Comparative Statements of Cash Flows  
 For the Years Ended December 31, 2012 and 2011

(continued)

	2012	2011
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<b>Operating Income</b>	\$ 3,206,011	\$ 2,473,979
<b>Adjustments:</b>		
Depreciation	1,359,513	1,401,754
<b>(Increase) Decrease in Assets:</b>		
Prepaid expenses	(172,662)	(30,103)
<b>Increase in Liabilities:</b>		
Accounts payable	(43,677)	28,729
Compensated absences payable	1,962	3,147
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 4,351,147</b>	<b>\$ 3,877,506</b>
<b>Noncash investing, capital and financing activities</b>		
Fair value of non-cash investments	\$ 23,643	\$ (22,665)

**City of Ketchikan, Alaska**  
**Wastewater Services Fund**  
*Comparative Statements of Net Position*  
*December 31, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and temporary investments	\$ -	\$ 1,389,943
Accounts receivable		
Intergovernmental	1,601,620	1,083,952
Unbilled revenue	106,465	102,530
<b>Total current assets</b>	<u>1,708,085</u>	<u>2,576,425</u>
<b>Noncurrent assets</b>		
Deferred charges	5,000	4,416
Capital assets		
Construction work in progress	2,301,917	1,069,333
Wastewater facilities	20,821,336	19,236,129
Accumulated depreciation	(6,656,893)	(6,301,168)
Total capital assets (net of accumulated depreciation)	<u>16,466,360</u>	<u>14,004,294</u>
<b>Total noncurrent assets</b>	<u>16,471,360</u>	<u>14,008,710</u>
<b>Total Assets</b>	<u>\$ 18,179,445</u>	<u>\$ 16,585,135</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 560,482	\$ 132,786
Interfund payable	86,909	-
Accrued interest	2,234	-
Compensated absences payable	3,321	28,141
General obligation bonds payable	39,336	-
<b>Total current liabilities</b>	<u>692,282</u>	<u>160,927</u>
<b>Noncurrent liabilities</b>		
Accrued interest payable	8,999	-
Compensated absences payable	29,886	-
General obligation bonds payable	4,697,109	-
Revenue bonds payable	363,210	4,560,222
<b>Total noncurrent liabilities</b>	<u>5,099,204</u>	<u>4,560,222</u>
<b>Total liabilities</b>	<u>5,791,486</u>	<u>4,721,149</u>
<b>Net position</b>		
Net investment in capital assets	11,366,705	9,444,072
Unrestricted	1,021,254	2,419,914
<b>Total net position</b>	<u>12,387,959</u>	<u>11,863,986</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 18,179,445</u>	<u>\$ 16,585,135</u>

City of Ketchikan, Alaska  
Wastewater Services Fund  
Comparative Statements of Revenues, Expenses and  
Changes in Net Position  
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Charges for services	\$ 2,215,314	\$ 2,117,793
Other	9,894	1,363
<b>Total Operating Revenues</b>	<u>2,225,208</u>	<u>2,119,156</u>
<b>Operating Expenses</b>		
Operation and maintenance		
Personnel services	773,795	719,783
Supplies and services	859,502	710,382
Engineering services	296,430	246,524
Financial service	155,109	175,947
Insurance	24,598	33,160
Utilities	188,590	189,276
Depreciation	381,748	326,599
<b>Total Operating Expenses</b>	<u>2,679,772</u>	<u>2,401,671</u>
<b>Operating Loss</b>	<u>(454,564)</u>	<u>(282,515)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Operating grants	10,943	7,873
Interest earnings	142	822
Interest expense	(54,992)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(43,907)</u>	<u>8,695</u>
<b>Net Loss Before Grants and Transfers</b>	(498,471)	(273,820)
<b>Grants and Transfers</b>		
Capital grants	1,096,444	612,871
Transfers out - payment in lieu of taxes	(74,000)	(74,000)
<b>Total Grants and Transfers</b>	<u>1,022,444</u>	<u>538,871</u>
<b>Change in Net Postion</b>	523,973	265,051
<b>Net Position Beginning of Year</b>	<u>11,863,986</u>	<u>11,598,935</u>
<b>Net Position End of Year</b>	<u>\$12,387,959</u>	<u>\$11,863,986</u>

City of Ketchikan, Alaska  
Wastewater Services Fund  
Comparative Statements of Cash Flows  
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and users	\$ 2,221,273	\$ 2,113,715
Cash payments to employees for services	(768,729)	(707,220)
Cash payments to suppliers for goods and services	(1,495,226)	(1,343,175)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(42,682)</u>	<u>63,320</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating grant from other governments	10,943	7,873
Cash overdraft assumed to be financed	86,909	-
Payment in lieu of taxes to the general fund	(74,000)	(74,000)
Cash overdraft payments	-	(1,743,706)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>23,852</u>	<u>(1,809,833)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital grant received from other governments	585,289	980,811
Capital debt proceeds	548,928	3,229,862
Principal paid on general obligation bonds and equipment contracts	(16,593)	-
Interest paid on general obligation bonds and equipment contracts	(43,759)	-
Proceeds of the disposition of capital assets		
Payments for capital acquisitions and construction	(2,445,120)	(1,075,039)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(1,371,255)</u>	<u>3,135,634</u>
<b>Cash Flows from Investing Activities</b>		
Investment earnings	142	822
<b>Net Cash Provided by Investing Activities</b>	<u>142</u>	<u>822</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,389,943)	1,389,943
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>1,389,943</u>	<u>-</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ -</u>	<u>\$ 1,389,943</u>

(continued)

City of Ketchikan, Alaska  
Wastewater Services Fund  
Comparative Statements of Cash Flows  
For the Years Ended December 31, 2012 and 2011

(continued)

	2012	2011
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>		
<b>Operating Loss</b>	\$ (454,564)	\$ (282,515)
<b>Adjustments:</b>		
Depreciation	381,748	326,599
<b>(Increase) Decrease in Assets:</b>		
Unbilled revenue	(3,935)	(5,441)
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	29,003	12,114
Compensated absences payable	5,066	12,563
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ (42,682)	\$ 63,320



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## INTERNAL SERVICE FUNDS

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

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

City of Ketchikan, Alaska  
 Combining Statement of Net Position  
 Internal Service Funds  
 December 31, 2012

	<u>Self-Insurance</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 1,451,660	\$ 1,226,720	\$ 2,678,380
Prepaid insurance	551,185	-	551,185
<b>Total Assets</b>	<u>\$ 2,002,845</u>	<u>\$ 1,226,720</u>	<u>\$ 3,229,565</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	84,055	-	84,055
Compensated absences payable	-	122,672	122,672
Claims payable	250,000	-	250,000
<b>Total Current Liabilities</b>	334,055	122,672	456,727
<b>Long-Term Liabilities:</b>			
Compensated absences payable (net of current portion)	-	1,104,048	1,104,048
<b>Total Liabilities</b>	<u>334,055</u>	<u>1,226,720</u>	<u>1,560,775</u>
<b>Net Position</b>			
Unrestricted	<u>\$ 1,668,790</u>	<u>\$ -</u>	<u>\$ 1,668,790</u>

**City of Ketchikan, Alaska**  
**Combining Statement of Revenues,**  
**Expenses and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended December 31, 2012**

	<u>Self-Insurance</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
<b>Operating Revenues</b>			
Charges for services	\$ 1,290,159	\$ 1,380,567	\$ 2,670,726
Miscellaneous income	-	-	-
	<u>1,290,159</u>	<u>1,380,567</u>	<u>2,670,726</u>
<b>Operating Expenses</b>			
Compensated absences	-	1,380,567	1,380,567
Insurance	1,127,056	-	1,127,056
Claims	163,103	-	163,103
	<u>1,290,159</u>	<u>1,380,567</u>	<u>2,670,726</u>
<b>Total Operating Expenses</b>	<u>1,290,159</u>	<u>1,380,567</u>	<u>2,670,726</u>
<b>Operating Loss</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	-	-	-
<b>Net Position Beginning of Year</b>	<u>1,668,790</u>	<u>-</u>	<u>1,668,790</u>
<b>Net Position End of Year</b>	<u>\$ 1,668,790</u>	<u>\$ -</u>	<u>\$ 1,668,790</u>

City of Ketchikan, Alaska  
 Combining Statement of Cash Flows  
 Internal Service Funds  
 For the Year Ended December 31, 2012

	<u>Self-Insurance</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers and users	\$ 1,290,159	\$ 1,380,567	\$ 2,670,726
Cash payments for insurance and claims	(1,192,663)	-	(1,192,663)
Cash payments for compensated absences	-	(1,064,180)	(1,064,180)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>97,496</u>	<u>316,387</u>	<u>413,883</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	97,496	316,387	413,883
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>1,354,164</u>	<u>910,333</u>	<u>2,264,497</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 1,451,660</u>	<u>\$ 1,226,720</u>	<u>\$ 2,678,380</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>			
<b>Operating Loss</b>	\$ -	\$ -	\$ -
<b>Increase in Assets:</b>			
Prepaid expenses	32,645	-	32,645
<b>Increase (Decrease) in Liabilities:</b>			
Accounts payable	64,851	-	64,851
Compensated absences payable	-	316,387	316,387
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 97,496</u>	<u>\$ 316,387</u>	<u>\$ 413,883</u>

CITY OF KETCHIKAN, ALASKA

(Page 1 of 2)

COMBINED SCHEDULE OF CASH AND INVESTMENTS BALANCES - ALL FUNDS

Year Ended December 31, 2012

**Cash and Investment Balances**

Cash in Revenue Bond Redemption Accounts	\$1,579,693
Cash in Petty Cash Funds	9,820
Cash in Other Accounts	<u>47,536,259</u>

<b>Total Cash</b>	<u><u>49,125,772</u></u>
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**Investments**

Investments with Financial Institutions	<u>10,573,486</u>
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<b>Total Investments</b>	<u><u>\$10,573,486</u></u>
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<b>Total Cash and Investments</b>		<u><u>\$59,699,258</u></u>
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**General Fund**

\$4,838,307

**Special Revenue Funds**

Sales Tax Hospital Fund	\$3,898,373
Sales Tax Public Works Fund	6,479,119
Economic Development Parking Fund	2,625,423
Transient Tax Fund	52,078
Solid Waste Services Fund	3,968,934
Ketchikan Boat Harbor Fund	828,982
Bayview Cemetery Fund	134,064
Federal and State Grant Fund	-
US Marshall Property Seizure Fund	5,270
Community Grant Fund	6,524
Shoreline Fund	<u>142,892</u>

18,141,659

**Capital Project Funds**

Major Capital Improvement Fund	46,004
Community Facilities Development Fund	5,516,162
Harbor Improvements Fund	<u>\$674,005</u>

\$6,236,171

CITY OF KETCHIKAN, ALASKA

(Page 2 of 2)

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

Year Ended December 31, 2012

**Enterprise Funds**

Wastewater Service Fund		
Unrestricted Funds	\$0	
Ketchikan Port Fund:		
Unrestricted Funds	2,285,517	
Revenue Bond Redemption Funds	884,059	
Repair & Replacement Funds	2,613,392	
Revenue Bond Reserve Funds	2,577,481	
Ketchikan Public Utilities Fund:		
Unrestricted Funds	16,757,889	
Revenue Bond Redemption Funds	699,217	
Revenue Bond Reserve Funds	<u>1,987,186</u>	\$27,804,741

**Internal Service Funds**

Self-Insurance Fund	1,451,660	
Compensated Leave Fund	<u>\$1,226,720</u>	<u>2,678,380</u>

**Total Cash and Investments**

\$59,699,258

CITY OF KETCHIKAN, ALASKA

COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS  
Year Ended December 31, 2012

		<i>Interest Rate</i>	<i>Maturity Date</i>	<i>Amount</i>
<b>BAR HARBOR SOUTH FUND INVESTMENTS</b>				
Wells Fargo Advisors				
	Cash and Money Funds			<u>408,065</u>
<b>KETCHIKAN PUBLIC UTILITIES - REVENUE BOND RESERVE FUND INVESTMENTS</b>				
Wells Fargo Advisors				
SERIES T	US Treasury Note	4.875%	8/15/2016	462,908
	Cash and Money Funds			<u>935,583</u>
				<u>1,398,491</u>
SERIES U, V and W	US Treasury Note	2.125%	11/30/2014	248,503
	US Treasury Note	2.250%	1/31/2015	104,094
	Cash and Money Funds			<u>236,098</u>
				<u>588,695</u>
<b>KETCHIKAN PORT - REVENUE BOND RESERVE FUND INVESTMENTS</b>				
Wells Fargo Advisors				
	US Treasury Note	1.375%	1/15/2013	795,342
	US Treasury Note	0.025%	2/15/2015	1,782,019
	Cash and Money Funds			<u>120</u>
				<u>2,577,481</u>
<b>FIRE STATION CONSTRUCTION FUND</b>				
Wells Fargo Advisors				
	Cash and Money Funds			<u>1,996,942</u>
<b>LIBRARY FACILITIES CONSTRUCTION FUND</b>				
Wells Fargo Advisors				
	Cash and Money Funds			<u>990,420</u>
<b>PORT OF KETCHIKAN REPAIR &amp; REPLACEMENT FUND</b>				
Certificate of Deposit				
	First Bank	0.120%	10/31/2013	<u>1,945,727</u>
<b>KETCHIKAN PORT - BERTH IV REPLACEMENT ACCOUNT</b>				
Certificate of Deposit				
	First Bank	0.120%	11/30/2013	<u>667,665</u>
				<u>10,573,486</u>
<b>TOTAL ALL FUNDS</b>				<u><u>10,573,486</u></u>



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# STATISTICAL SECTION

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

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**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2003; tables presenting government-wide information include information in that year. The City implemented GASB Statement 44 in 2006; schedules presenting government-wide information include information beginning in that year.



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## GOVERNMENT-WIDE INFORMATION

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

Net Asset by Component .....	Table 1
Changes in Net Assets .....	Table 2

(Un-Audited)

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Net investment in capital assets	\$ 62,798,957	\$ 75,935,038	\$ 78,949,802	\$ 82,946,674
Restricted	12,240,493	8,607,990	8,208,471	8,500,972
Unrestricted	18,305,072	19,398,137	19,680,452	21,842,202
Total governmental activities net position	<u>\$ 93,344,522</u>	<u>\$ 103,941,165</u>	<u>\$ 106,838,725</u>	<u>\$ 113,289,848</u>
Business-type activities				
Net investment in capital assets	\$ 91,114,100	\$ 64,294,258	\$ 64,103,610	\$ 65,014,842
Restricted	2,997,278	2,946,928	3,045,731	8,528,058
Unrestricted	19,706,095	22,345,814	23,415,765	23,371,639
Total business-type activities net position	<u>\$ 113,817,473</u>	<u>\$ 89,587,000</u>	<u>\$ 90,565,106</u>	<u>\$ 96,914,539</u>
Primary Government				
Net investment in capital assets	\$ 153,913,057	\$ 140,229,296	\$ 143,053,412	\$ 147,961,516
Restricted	15,237,771	11,554,918	11,254,202	17,029,030
Unrestricted	38,011,167	41,743,951	43,096,217	45,213,841
Total primary government net position	<u>\$ 207,161,995</u>	<u>\$ 193,528,165</u>	<u>\$ 197,403,831</u>	<u>\$ 210,204,387</u>

Table 1

<u>2007</u>	<u>Restated 2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 100,387,358	\$ 102,795,408	\$ 105,240,716	\$ 109,138,701	\$ 118,331,373	\$ 124,187,486
8,635,185	7,867,366	9,302,674	7,975,618	8,010,280	7,668,494
24,554,392	24,486,577	22,137,657	21,265,521	22,791,652	20,128,038
<u>\$ 133,576,935</u>	<u>\$ 135,149,351</u>	<u>\$ 136,681,047</u>	<u>\$ 138,379,840</u>	<u>\$ 149,133,305</u>	<u>\$ 151,984,018</u>
\$ 65,421,421	\$ 68,944,529	\$ 75,194,012	\$ 78,533,777	\$ 88,231,320	\$ 101,715,542
7,819,498	9,173,772	8,695,571	8,196,207	8,431,062	8,624,752
26,243,152	28,054,404	23,958,481	26,306,929	27,164,343	27,729,476
<u>\$ 99,484,071</u>	<u>\$ 106,172,705</u>	<u>\$ 107,848,064</u>	<u>\$ 113,036,913</u>	<u>\$ 123,826,725</u>	<u>\$ 138,069,770</u>
\$ 165,808,779	\$ 171,739,937	\$ 180,434,728	\$ 187,672,478	\$ 206,562,693	\$ 225,903,028
16,454,683	17,041,138	17,998,245	16,171,825	16,441,342	16,293,246
50,797,544	52,540,981	46,096,138	47,572,450	49,955,995	47,857,514
<u>\$ 233,061,006</u>	<u>\$ 241,322,056</u>	<u>\$ 244,529,111</u>	<u>\$ 251,416,753</u>	<u>\$ 272,960,030</u>	<u>\$ 290,053,788</u>

(Un-Audited)

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

	2003	2004	2005	2006	2007
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,087,654	\$ 1,978,792	\$ 2,511,022	\$ 1,959,927	\$ 2,042,750
Public safety	5,769,570	5,995,211	6,717,659	6,835,651	7,288,610
Culture	2,708,198	2,263,549	2,396,342	2,566,929	2,551,355
Health and welfare	3,571,529	3,496,922	5,048,556	3,485,604	3,975,894
Public works	4,969,949	5,318,235	4,866,229	5,617,473	6,033,515
Harbor	1,308,310	964,677	1,301,859	1,418,733	1,642,466
Interest	484,226	428,702	355,271	344,778	321,854
Total governmental activities expenses	<u>20,899,436</u>	<u>20,446,088</u>	<u>23,196,938</u>	<u>22,229,095</u>	<u>23,856,444</u>
Business-type activities					
Ketchikan Public Utilities					
Electric	\$ 14,155,717	\$ 14,143,404	\$ 12,828,046	\$ 14,057,328	\$ 15,044,569
Telecommunications	9,516,699	10,654,717	10,880,155	11,835,693	12,512,416
Water	2,599,234	2,639,732	2,786,789	2,834,098	2,886,251
Ketchikan Port	1,609,211	1,687,219	2,837,681	4,097,435	4,723,553
Wastewater Service	1,451,845	1,503,572	1,702,546	1,680,328	2,013,615
Total business-type activities expenses	<u>29,332,706</u>	<u>30,628,644</u>	<u>31,035,217</u>	<u>34,504,882</u>	<u>37,180,404</u>
Total primary government expenses	<u>\$ 50,232,142</u>	<u>\$ 51,074,732</u>	<u>\$ 54,232,155</u>	<u>\$ 56,733,977</u>	<u>\$ 61,036,848</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Ambulance	\$ 270,774	\$ 404,331	\$ 405,636	\$ 369,017	\$ 389,500
Library services	415,434	423,126	418,034	420,246	435,876
Mental Health & Substance Abuse	801,354	742,503	831,529	618,937	472,351
Solid Waste	2,606,100	2,603,511	2,719,019	2,833,419	2,821,632
Harbor	816,720	818,228	894,569	940,106	973,142
Other activities	1,019,196	1,172,438	1,242,098	1,413,971	1,296,568
Operating grants and contributions	2,340,875	1,426,884	1,814,834	1,776,296	1,846,610
Capital grants and contributions	89,726	8,269,434	233,637	2,324,529	170,663
Total governmental activities program revenues	<u>8,360,179</u>	<u>15,860,455</u>	<u>8,559,356</u>	<u>10,696,521</u>	<u>8,406,342</u>
Business-type activities					
Charges for services					
Electric	\$ 12,892,785	\$ 13,011,150	\$ 13,232,075	\$ 14,468,144	\$ 14,779,712
Telecommunications	12,675,818	12,168,008	12,335,107	14,032,603	13,431,826
Water	1,507,395	1,538,193	1,582,841	1,718,781	1,924,163
Port	1,560,141	5,000,010	7,096,948	6,427,207	7,895,063
Wastewater	1,856,079	1,861,283	1,894,718	1,942,529	2,038,361
Operating grants and contributions	122,721	30,100	57,037	107,582	126,032
Capital grants and contributions	16,818,457	1,152,821	218,491	2,137,467	3,563,444
Total business-type activities program revenues	<u>47,433,396</u>	<u>34,761,565</u>	<u>36,417,217</u>	<u>40,834,313</u>	<u>43,758,601</u>
Total primary government program revenues	<u>\$ 55,793,575</u>	<u>\$ 50,622,020</u>	<u>\$ 44,976,573</u>	<u>\$ 51,530,834</u>	<u>\$ 52,164,943</u>

Table 2

<u>Restated 2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 2,385,231	\$ 2,103,140	\$ 2,365,376	\$ 1,928,342	\$ 2,290,233
8,004,100	7,803,886	7,751,934	8,368,059	8,965,252
3,336,986	2,896,827	2,822,040	2,862,064	3,066,214
4,011,821	2,947,696	1,875,578	1,272,680	2,547,424
8,888,160	10,003,285	7,788,434	8,015,271	9,423,324
1,639,600	2,066,607	2,057,164	2,169,152	2,154,270
296,709	278,749	256,909	478,822	757,879
<u>28,562,607</u>	<u>28,100,190</u>	<u>24,917,435</u>	<u>25,094,390</u>	<u>29,204,596</u>
\$ 17,331,151	\$ 17,451,474	\$ 16,036,369	\$ 16,141,172	\$ 16,808,858
11,901,997	13,447,338	12,321,547	13,172,392	14,500,383
2,902,139	2,846,215	2,833,765	3,221,650	3,605,047
7,176,395	9,026,767	8,929,902	7,452,615	7,212,832
2,297,544	2,583,454	2,228,373	2,401,671	2,734,764
<u>41,609,226</u>	<u>45,355,248</u>	<u>42,349,956</u>	<u>42,389,500</u>	<u>44,861,884</u>
<u>\$ 70,171,833</u>	<u>\$ 73,455,438</u>	<u>\$ 67,267,391</u>	<u>\$ 67,483,890</u>	<u>\$ 74,066,480</u>
\$ 434,934	\$ 385,373	\$ 516,049	\$ 521,621	\$ 470,682
436,601	421,585	351,494	381,162	471,662
381,844	596,067	140,862		
2,881,079	2,776,619	2,816,287	2,940,490	2,948,507
1,103,677	1,156,343	1,116,361	1,159,273	1,250,292
1,634,340	1,610,935	1,252,815	1,573,835	1,431,758
2,169,658	1,220,785	963,699	1,173,178	1,153,337
375,443	4,125,310	2,840,226	10,529,822	6,878,384
<u>9,417,576</u>	<u>12,293,017</u>	<u>9,997,793</u>	<u>18,279,381</u>	<u>14,604,622</u>
\$ 17,699,413	\$ 16,619,118	\$ 15,370,110	\$ 16,223,890	\$ 16,746,615
12,958,489	13,727,676	14,390,486	14,444,541	14,530,914
2,024,614	2,247,801	2,532,659	2,896,152	2,932,254
8,839,267	8,922,228	8,000,492	7,986,404	8,592,255
2,038,287	2,029,614	2,009,767	2,117,793	2,215,314
257,948	149,270	111,337	221,076	2,225,280
4,304,943	2,991,174	5,361,548	9,908,854	12,327,627
<u>48,122,961</u>	<u>46,686,881</u>	<u>47,776,399</u>	<u>53,798,710</u>	<u>59,570,259</u>
<u>\$ 57,540,537</u>	<u>\$ 58,979,898</u>	<u>\$ 57,774,192</u>	<u>\$ 72,078,091</u>	<u>\$ 74,174,881</u>

(Un-Audited)

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (12,539,257)	\$ (4,585,633)	\$ (14,637,582)	\$ (11,532,574)	\$ (15,450,102)
Business-type activities	18,100,690	4,132,921	5,382,000	6,329,431	6,578,197
Total primary government net (expense) revenue	\$ 5,561,433	\$ (452,712)	\$ (9,255,582)	\$ (5,203,143)	\$ (8,871,905)
<b>Governmental Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 3,594,115	\$ 3,618,089	\$ 3,660,138	\$ 3,895,032	\$ 4,073,391
Sales taxes	7,916,500	8,550,572	9,045,296	9,203,890	9,663,743
Transient taxes	301,833	353,376	383,036	346,341	526,915
Intergovernmental - unrestricted	355,612	184,725	215,211	484,967	701,006
Investment earnings	246,262	491,952	837,639	1,234,797	1,425,411
Contributions of capital assets not restricted	-	1,113,560	-	-	-
Miscellaneous	124,470	117,902	196,137	212,911	1,209,209
Special Item	-	-	-	-	-
Transfers	752,100	752,100	3,197,685	2,605,759	6,324,169
Total governmental activities	\$ 13,290,892	\$ 15,182,276	\$ 17,535,142	\$ 17,983,697	\$ 23,923,844
Business-type activities:					
Investment earnings	\$ 311,026	\$ 294,750	\$ 744,364	\$ 1,816,783	\$ 1,873,235
Miscellaneous	671,053	404,552	482,311	808,978	442,269
Special Item	-	(28,310,596)	-	-	-
Extraordinary Item	-	-	(2,432,884)	-	-
Transfers	(752,100)	(752,100)	(3,197,685)	(2,605,759)	(6,324,169)
Total business-type activities	229,979	(28,363,394)	(4,403,894)	20,002	(4,008,665)
Total primary government	\$ 13,520,871	\$ (13,181,118)	\$ 13,131,248	\$ 18,003,699	\$ 19,915,179
<b>Change in Net Position</b>					
Governmental activities	\$ 751,635	\$ 10,596,643	\$ 2,897,560	\$ 6,451,123	\$ 8,473,742
Business-type activities	18,330,669	(24,230,473)	978,106	6,349,433	2,569,532
Total primary government	\$ 19,082,304	\$ (13,633,830)	\$ 3,875,666	\$ 12,800,556	\$ 11,043,274

Table 2 - (Continued)

Restated 2008	2009	2010	2011	2012
\$ (19,145,031)	\$ (15,807,173)	\$ (14,919,642)	\$ (6,815,009)	\$ (14,599,974)
6,513,735	1,331,633	5,426,443	11,409,210	14,708,375
\$ (12,631,296)	\$ (14,475,540)	\$ (9,493,199)	\$ 4,594,201	\$ 108,401
\$ 4,482,595	\$ 4,634,797	\$ 4,681,027	\$ 4,808,930	\$ 4,802,508
10,441,027	9,568,759	9,477,890	9,883,856	10,140,108
449,708	355,729	391,089	377,583	358,343
794,368	729,325	810,802	1,137,762	744,301
1,175,583	469,839	157,012	101,754	9,488
-				
1,316,542	615,419	77,615	161,589	290,761
507,229				
1,550,395	965,000	1,023,000	1,097,000	1,105,178
\$ 20,717,447	\$ 17,338,868	\$ 16,618,435	\$ 17,568,474	\$ 17,450,687
\$ 1,214,525	\$ 671,967	\$ 182,542	\$ 132,196	\$ 116,989
408,670	636,759	602,864	345,406	522,859
102,099				
-				
(1,550,395)	(965,000)	(1,023,000)	(1,097,000)	(1,105,178)
174,899	343,726	(237,594)	(619,398)	(465,330)
\$ 20,892,346	\$ 17,682,594	\$ 16,380,841	\$ 16,949,076	\$ 16,985,357
\$ 1,572,416	\$ 1,531,695	\$ 1,698,793	\$ 10,753,465	\$ 2,850,713
6,688,634	1,675,359	5,188,849	10,789,812	14,243,045
\$ 8,261,050	\$ 3,207,054	\$ 6,887,642	\$ 21,543,277	\$ 17,093,758



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## FINANCIAL TRENDS

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

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

(Un-Audited)

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Reserved	\$ 996,009	\$ 1,020,868	\$ 631,383	\$ 721,656
Unreserved	4,661,291	4,584,905	4,896,236	4,868,556
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total general fund	<u>\$ 5,657,300</u>	<u>\$ 5,605,773</u>	<u>\$ 5,527,619</u>	<u>\$ 5,590,212</u>
All Other Governmental Funds				
Reserved	\$ 6,896,481	\$ 7,086,697	\$ 5,922,076	\$ 6,399,364
Unreserved, reported in:				
Designated	447,925	-	-	-
Special revenue funds	10,623,568	11,836,793	12,613,716	13,782,467
Capital project funds	4,913,332	1,441,768	1,793,046	2,269,925
Debt service funds	-	-	-	-
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total all other governmental funds	<u>\$ 22,881,306</u>	<u>\$ 20,365,258</u>	<u>\$ 20,328,838</u>	<u>\$ 22,451,756</u>

*This schedule presents the reported fund balances with the implementation of GASB Statement 54 for calendar year 2011, and 2010, as restated. Prior years 2002 through 2009 have not been restated.*

Table 3

2007	2008	2009	Restated 2010	2011	2012
\$ 804,983	\$ 633,594	\$ 602,723			
4,523,852	4,436,748	4,046,686	\$ 391,593	\$ 382,742	\$ 376,517
			\$ 14,025,344	15,834,417	14,323,611
			3,298,478	3,271,596	2,606,320
<u>\$ 5,328,835</u>	<u>\$ 5,070,342</u>	<u>\$ 4,649,409</u>	<u>\$ 17,715,415</u>	<u>\$ 19,488,755</u>	<u>\$ 17,306,448</u>
\$ 3,919,777	\$ 6,516,387	\$ 6,320,258			
-	-	-			
15,715,623	14,173,319	13,577,367			
5,428,243	2,996,186	4,154,046			
-	-	-			
			\$ 7,270,633	\$ 4,368,168	\$ 2,992,632
			455,846	1,107,501	
			7,962,654	7,056,295	7,742,208
<u>\$ 25,063,643</u>	<u>\$ 23,685,892</u>	<u>\$ 24,051,671</u>	<u>\$ 15,689,133</u>	<u>\$ 12,531,964</u>	<u>\$ 10,734,840</u>

(Un-Audited)

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

	2003	2004	2005	2006
<b>Revenues</b>				
Taxes	\$ 11,916,936	\$ 12,452,287	\$ 13,166,875	\$ 13,354,456
Licenses and permits	59,586	106,820	122,894	109,732
Intergovernmental	3,198,432	2,636,198	2,650,245	4,563,268
Charges for services	5,668,823	5,878,921	6,184,437	6,246,819
Fines and forfeitures	201,169	178,396	174,372	144,904
Investments earnings	230,034	261,456	523,444	990,881
Contributions				
Interdepartmental charges	2,159,171	2,268,147	2,313,773	2,711,378
Miscellaneous	124,470	117,902	207,460	223,378
<b>Total revenues</b>	<b>23,558,621</b>	<b>23,900,127</b>	<b>25,343,500</b>	<b>28,344,816</b>
<b>Expenditures</b>				
General government	\$ 3,660,347	\$ 3,693,662	\$ 3,850,434	\$ 4,292,014
Public safety	5,775,177	6,364,126	6,592,719	6,842,820
Culture	2,751,846	2,205,221	2,426,921	2,316,367
Health and welfare	3,594,265	7,016,756	4,931,566	3,371,208
Public works	5,427,426	5,838,869	8,080,031	8,246,265
Harbor	1,611,338	1,316,216	1,961,213	2,997,601
Non-Departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Bond issuance costs	-	-	95,572	-
Interest and fiscal charges	486,303	430,333	314,428	347,152
Principal retirement	973,942	473,734	624,156	505,130
<b>Total expenditures</b>	<b>24,280,644</b>	<b>27,338,917</b>	<b>28,877,040</b>	<b>28,918,557</b>
Excess of revenues over (under) expenditures	(722,023)	(3,438,790)	(3,533,540)	(573,741)
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	\$ 111,689	\$ 19,115	\$ 6,200	\$ 49,129
Proceeds of refunded bonds	-	-	7,105,051	-
Proceeds from sale of bonds	-	-	-	-
Premiums from sale of bonds	-	-	-	-
Proceeds from transfer of net assets from other governments	-	-	-	-
Payments to refunded bond agent	-	-	(6,920,463)	-
Capital lease	-	-	30,493	104,364
Transfers in	9,149,324	5,015,903	7,506,561	6,871,876
Transfers out	(8,327,224)	(4,193,803)	(4,308,876)	(4,266,117)
<b>Total other financing sources (uses)</b>	<b>933,789</b>	<b>841,215</b>	<b>3,418,966</b>	<b>2,759,252</b>
<b>Net change in fund balances</b>	<b>\$ 211,766</b>	<b>\$ (2,597,575)</b>	<b>\$ (114,574)</b>	<b>\$ 2,185,511</b>
Debt service as a percentage of noncapital expenditures	6.36%	4.14%	4.29%	3.62%

Table 4

2007	2008	2009	2010	2011	2012
\$ 14,199,771	\$ 15,325,083	\$ 14,525,068	\$ 14,343,068	\$ 15,128,079	\$ 15,311,798
122,275	104,742	90,922	119,522	276,275	114,480
3,109,206	3,704,389	5,553,375	4,515,036	12,834,694	8,694,716
6,083,444	6,494,421	6,520,335	6,050,968	6,082,885	6,208,863
169,049	284,085	237,599	136,681	159,574	167,553
1,134,288	1,159,148	1,495,589	101,960	208,321	9,488
		913,284	86,054	1,598	74,656
2,663,164	3,001,060	3,029,714	3,048,226	3,175,838	3,395,081
1,211,136	1,561,193	592,694	223,768	196,281	291,613
<u>28,692,333</u>	<u>31,634,121</u>	<u>32,958,580</u>	<u>28,625,283</u>	<u>38,063,545</u>	<u>34,268,248</u>
\$ 4,158,340	\$ 4,700,644	\$ 4,636,560	\$ 4,635,116	\$ 4,694,767	\$ 5,029,536
7,221,346	8,513,209	7,943,723	9,253,467	15,794,570	11,613,580
2,342,355	3,458,592	2,705,436	3,704,718	4,256,978	11,487,388
4,260,761	3,863,755	3,325,151	1,504,139	1,553,869	2,334,980
7,076,021	9,506,008	11,453,823	9,943,954	9,862,985	10,456,004
6,833,930	3,917,652	3,073,447	2,265,892	3,136,954	2,148,053
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
324,357	301,170	283,669	264,280	454,029	598,624
563,193	573,038	589,339	575,000	800,000	930,000
<u>32,780,303</u>	<u>34,834,068</u>	<u>34,011,148</u>	<u>32,146,566</u>	<u>40,554,152</u>	<u>44,598,165</u>
(4,087,970)	(3,199,947)	(1,052,568)	(3,521,283)	(2,490,607)	(10,329,917)
\$ 114,311	\$ 13,308	\$ 32,414	\$ -	\$ 9,778	\$ 10,795
-	-	-	-	-	-
-	-	-	7,200,000	-	4,820,003
-	-	-	1,751	-	414,510
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,133,487	5,855,913	5,682,231	5,277,851	2,750,515	3,975,430
(3,809,318)	(4,305,518)	(4,717,231)	(4,254,851)	(1,653,515)	(2,870,252)
<u>6,438,480</u>	<u>1,563,703</u>	<u>997,414</u>	<u>8,224,751</u>	<u>1,106,778</u>	<u>6,350,486</u>
<u>\$ 2,350,510</u>	<u>\$ (1,636,244)</u>	<u>\$ (55,154)</u>	<u>\$ 4,703,468</u>	<u>\$ (1,383,829)</u>	<u>\$ (3,979,431)</u>
3.63%	3.00%	3.18%	3.35%	4.96%	5.20%

(Un-Audited)

Table 5

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

<b>Fiscal Year</b>	<b>Real &amp; Personal Property Taxes</b>	<b>Automobile and Boat Taxes</b>	<b>Penalty &amp; Interest</b>	<b>Senior Citizen Local Contribution</b>	<b>Sales Taxes</b>	<b>Transient Taxes</b>	<b>Payment In Lieu of Taxes</b>	<b>Total</b>
2003	3,815,152	90,808	64,435	(271,792)	7,916,500	301,833	752,100	12,669,036
2004	3,678,559	99,881	43,180	(273,281)	8,550,572	353,376	752,100	13,204,387
2005	3,823,753	94,688	73,928	(287,132)	9,066,564	395,074	752,100	13,918,975
2006	4,071,771	71,796	85,124	(292,668)	9,084,670	333,763	752,100	14,106,556
2007	4,213,607	88,723	87,502	(290,436)	9,581,723	518,652	752,100	14,951,871
2008	4,710,269	61,766	82,978	(305,235)	10,330,443	444,862	932,770	16,257,853
2009	4,845,524	63,588	71,381	(321,800)	9,491,524	366,856	972,995	15,490,068
2010	4,881,901	63,593	120,099	(336,120)	9,217,763	385,286	1,033,546	15,366,068
2011	4,920,064	76,677	124,146	(346,141)	9,965,173	378,096	1,107,064	16,225,079
2012	5,005,267	77,964	79,216	(354,923)	10,131,203	362,739	1,107,332	16,408,798
Change								
2012-2003	<b>31.19%</b>	<b>-14.14%</b>	<b>22.94%</b>	<b>30.59%</b>	<b>27.98%</b>	<b>20.18%</b>	<b>47.23%</b>	<b>29.52%</b>

## REVENUE CAPACITY

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

Direct and Overlapping Property Tax Rates .....	Table 6
Assessed Value and Actual Value of Taxable Property .....	Table 7
Principal Property Taxpayers.....	Table 8
Property Tax Levies and Collections.....	Table 9
Direct and Overlapping Sales Tax Rates .....	Table 10
Major Governmental Activities Customer Base and Charges for Services Income .....	Table 11
Major Business Type Activities Customer Base and Charges for Services Income .....	Table 12
Gross Sales by Category .....	Table 13



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(Un-Audited)

Table 6

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

<b>Fiscal Year</b>	<b>City of Ketchikan</b>	<b>Ketchikan Gateway Borough</b>	<b>Total Rate</b>
2003	6.4	7.0	13.4
2004	6.4	7.5	13.9
2005	6.4	7.5	13.9
2006	6.4	7.2	13.6
2007	6.1	6.8	12.9
2008	6.1	6.8	12.9
2009	6.1	6.0	12.1
2010	6.1	5.8	11.9
2011	6.2	5.8	12.0
2012	6.2	5.0	11.2

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

Source: Ketchikan Gateway Borough

(Un-Audited)

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

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Vacant Property <sup>(1)</sup></b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Apartment &amp; Condominium Property</b>	<b>Other Property</b>
2003	251,155,600	26,496,000	149,123,400	70,512,100	46,900,500	4,337,400
2004 <sup>(2)</sup>	251,996,800	22,388,100	173,620,400	44,495,400	45,442,700	4,137,500
2005	255,802,900	25,996,500	173,435,700	45,192,900	44,894,400	4,397,100
2006	276,260,200	27,147,700	187,371,100	44,225,000	47,212,900	8,684,600
2007	310,491,700	30,939,400	202,440,800	46,898,700	54,040,200	3,608,700
2008	347,617,900	32,621,300	219,509,300	53,346,100	61,058,900	3,778,200
2009	356,923,300	32,800,300	229,937,400	60,541,600	56,939,700	10,052,600
2010	365,177,600	32,136,200	231,054,200	63,405,300	58,391,900	9,407,200
2011	273,882,800	11,108,100	200,555,000	113,607,400	152,983,800	1,667,100
2012	370,947,500	31,244,700	297,047,800	-	61,355,800	3,743,400

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

<sup>(2)</sup> The Ketchikan Gateway Borough Assessment Department began the implementation of a computer software program that tracks each of the properties by property class. The system enabled the Borough to keep more concise information of the properties located in the City of Ketchikan, which resulted in correcting the class of industrial and commercial properties beginning in 2004.

<sup>(3)</sup> The Senior Citizen/Disabled Veteran Tax Emempt program provides up to \$150,000 of tax relief for qualified individuals.

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

Source: Ketchikan Gateway Borough, Assessment Department

Table 7

<b>Personal Property</b>	<b>Total Assessed Value</b>	<b>Tax-Exempt Property <sup>(3)</sup></b>	<b>Total Taxable Assessed Value</b>	<b>Total Tax Rate</b>
41,012,900	589,537,900	42,467,500	547,070,400	13.40
41,280,300	583,361,200	42,700,100	540,661,100	13.90
45,248,700	594,968,200	45,078,700	549,889,500	13.90
42,419,800	633,321,300	45,729,300	587,592,000	13.60
48,912,700	697,332,200	47,670,500	649,661,700	12.90
50,809,700	768,741,400	50,094,600	718,646,800	12.90
50,913,200	798,108,100	52,754,100	745,354,000	12.10
41,375,000	800,947,400	55,101,700	745,845,700	11.90
47,370,800	801,175,000	55,829,300	745,345,700	12.00
44,177,700	808,516,900	58,818,800	749,698,100	11.20

(Un-Audited)

Table 8

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

<u>Taxpayer</u>	<u>2012</u>			<u>2003</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Ketchikan Dock Company, LLC	\$ 12,427,200	1	1.54%			
Tongass Trading Company	11,116,800	2	1.37%	\$ 7,162,500	2	1.21%
Trident Seafoods Corporation	10,238,700	3	1.27%			
Landing LLC	8,086,600	4	1.00%			
Carr-Gottstein Foods Company	7,857,900	5	0.97%	5,978,900	3	1.01%
Harbor Enterprises/Petro Marine Services	7,502,900	6	0.93%	4,263,900	10	0.72%
Cape Fox Corporation	6,885,700	7	0.85%	9,760,500	1	1.66%
Wal-Mart	6,731,800	8	0.83%			
E C Phillips & Son Inc.	6,680,200	9	0.83%	5,599,600	5	0.95%
Dock Street Building Corporation	6,672,100	10	0.83%			
Alaska General Seafood Processors				5,696,900	4	0.97%
Ketchikan Plaza, Inc.				5,387,600	6	0.91%
TF Acquisition, Inc.				5,210,900	7	0.88%
Tesoro Alaska				4,638,400	8	0.79%
Swan Bay Holding, Inc.				4,362,700	9	0.74%
<b>Total</b>	<b>\$ 84,199,900</b>		<b>10.42%</b>	<b>\$ 58,061,900</b>		<b>9.84%</b>

Source: Ketchikan Gateway Borough Department of Assessment

(Un-Audited)

Table 9

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

Fiscal Year	Taxes Levied for Municipal Purposes for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	3,501,251	3,466,133	99.00%	34,793	3,500,926	99.99%
2004	3,460,231	3,407,265	98.47%	28,777	3,436,042	99.30%
2005	3,519,293	3,464,863	98.45%	45,341	3,510,204	99.74%
2006	3,760,589	3,736,346	99.36%	24,121	3,760,467	100.00%
2007	3,962,936	3,881,477	97.94%	63,859	3,945,336	99.56%
2008	4,383,745	4,338,730	98.97%	30,965	4,369,695	99.68%
2009	4,546,659	4,472,274	98.36%	59,144	4,531,418	99.66%
2010	4,549,659	4,353,276	95.68%	180,153	4,533,429	99.64%
2011	4,621,143	4,565,367	98.79%	55,720	4,621,087	100.00%
2012	4,648,128	4,590,563	98.76%	-	4,590,563	98.76%

Source: Ketchikan Gateway Borough, Assessment Department

(Un-Audited)

Table 10

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

<b>Fiscal Year</b>	<b>City of Ketchikan</b>	<b>Ketchikan Gateway Borough <sup>1</sup></b>	<b>Total Rate</b>
2003	3.5%	2.0%	5.5%
2004	3.5%	2.5%	6.0%
2005	3.5%	2.5%	6.0%
2006	3.5%	2.5%	6.0%
2007	3.5%	2.5%	6.0%
2008	3.5%	2.5%	6.0%
2009	3.5%	2.5%	6.0%
2010	3.5%	2.5%	6.0%
2011	3.5%	2.5%	6.0%
2012	3.5%	2.5%	6.0%

<sup>1</sup> The Ketchikan Gateway Borough 2.5% sales tax rate became effective July 1, 2004.

Source: Ketchikan Gateway Borough & City of Ketchikan



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(Un-Audited)

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b><u>Collected Charges for Services Revenue</u></b>				
Solid Waste	\$ 2,606,100	\$ 2,603,511	\$ 2,719,019	\$ 2,833,419
Harbor	816,720	818,228	893,870	940,106
<b><u>Number of Customers/Services Provided</u></b>				
Solid Waste Collection				
Residential	2,382	2,389	2,454	2,495
Business	204	217	225	222
Solid Waste Disposal	5,290	5,305	5,339	5,342
Harbor				
Reserved Moorage Stalls Rented	784	784	780	780

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

Table 11

	2007	2008	2009	2010	2011	2012
\$	2,821,632	\$ 2,881,079	\$ 2,776,619	\$ 2,816,287	\$ 2,940,490	\$ 2,948,507
	973,142	1,103,677	1,156,343	1,116,361	1,159,273	1,250,292
	2,516	2,479	2,454	2,402	2,524	2,558
	231	230	231	233	238	251
	5,403	5,405	5,446	5,419	5,485	5,537
	765	759	786	763	765	767

(Un-Audited)

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

	2003	2004	2005	2006
<b>Collected Charges for Services Revenue</b>				
Electric				
Residential	\$ 5,326,643	\$ 5,371,160	\$ 5,414,050	\$ 5,952,863
Boats	235,612	243,452	254,450	280,735
Commercial	5,457,759	5,505,771	5,663,099	6,126,399
Industrial	1,448,408	1,405,537	1,413,345	1,554,201
Demand	316,174	333,528	334,829	403,234
Area Lighting	42,705	44,342	45,922	43,618
Street Lighting	120,672	120,360	121,980	122,694
Diesel Surcharge				
Other	433,588	398,318	460,057	771,160
Telecommunications				
Local Network Services	3,498,508	3,411,569	3,257,503	3,237,357
Inter/Intrastate Network Access Services	7,292,077	6,825,910	6,955,054	8,403,318
Non-Regulated	1,420,466	1,398,933	1,607,548	1,856,903
Other	613,349	566,596	557,002	577,025
Water				
Residential	659,363	680,524	695,242	775,277
Apartments	133,538	136,799	136,054	153,435
Commercial	494,890	505,906	521,253	579,415
Industrial	64,266	66,788	69,007	72,726
Cannery	46,202	42,686	42,751	45,790
Fire Hydrant	7,659	7,857	7,872	8,511
Port	117,626	107,490	120,934	94,538
Other	14,905	6,705	13,805	26,411
Wastewater				
Residential Sewer Service	1,104,008	1,111,765	1,130,795	1,157,245
Business Sewer Service	741,760	739,036	753,062	774,006
Port				
Passenger Wharfage <sup>1</sup>		3,160,192	5,150,634	4,667,968
Docking	1,428,851	1,514,968	1,582,718	1,451,395
<b>Customer Base</b>				
Electric				
Residential	5,622	5,603	5,616	5,652
Commercial	1,054	1,056	1,068	1,077
Industrial	14	15	14	14
Other	488	487	504	508
Telecommunications				
Residential Access Lines	6,035	5,774	5,589	5,434
Commercial Access Lines	4,618	4,357	4,253	4,120
Water				
Residential	2,436	2,452	2,493	2,586
Apartments	15	15	15	15
Commercial	386	396	406	420
Industrial	6	6	7	6
Cannery	4	3	3	3
Fire Hydrant	4	4	4	4
Marine Vessels	39	28	33	25
Wastewater				
Residential <sup>2</sup>	2,450	2,467	2,507	2,589
Business <sup>3</sup>	401	411	420	426
Port				
Cruiseships	37	37	37	36
Stops	538	535	562	503
Passengers <sup>4</sup>	770,663	848,969	921,429	837,498

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

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

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

<sup>4</sup> Beginning in 2006, the number of passengers only include those that generate revenue. The counts reflected in prior years represent both revenue and non-revenue generating passengers.

Table 12

	2007	2008	2009	2010	2011	2012
\$	6,184,106	\$ 6,691,810	\$ 6,743,435	\$ 6,557,170	\$ 6,929,817	\$ 7,240,637
	290,847	289,017	275,352	268,981	293,654	318,564
	6,126,579	6,327,156	6,167,549	6,186,808	6,404,792	6,673,188
	1,614,368	1,615,798	1,622,961	1,758,452	1,767,912	1,862,015
	411,557	426,839	429,295	427,292	443,170	481,321
	45,733	50,145	49,019	48,833	48,890	48,974
	122,122	123,012	123,499	124,526	124,978	126,239
		2,205,971	1,228,808	18,848	231,477	16,477
	567,665	472,660	564,893	562,291	442,410	464,797
	2,854,206	2,644,869	2,442,452	2,274,624	2,194,530	2,131,351
	7,745,095	7,449,484	8,163,920	8,644,023	8,591,786	8,399,849
	2,271,838	2,361,103	2,560,799	2,967,362	3,261,045	3,565,887
	602,687	552,921	616,505	560,477	453,180	489,827
	872,455	888,236	966,755	1,110,982	1,277,902	1,300,147
	166,001	174,022	188,158	214,427	250,519	258,792
	644,746	667,522	756,319	864,542	1,003,574	998,294
	77,977	79,714	68,793	64,890	85,894	87,840
	48,862	70,376	129,648	150,887	156,455	143,560
	9,029	9,210	19,170	30,378	34,922	27,199
	116,522	148,781	141,328	128,792	124,230	146,820
	14,156	27,337	51,879	10,569	51,804	20,970
	1,239,257	1,236,392	1,230,812	1,224,650	1,269,208	1,349,227
	799,104	801,895	798,802	785,117	848,585	866,087
	5,917,231	6,484,425	6,471,647	5,725,215	5,786,811	6,183,922
	1,561,813	1,891,913	1,929,406	1,721,945	1,702,405	1,741,242
	5,677	5,731	5,731	5,756	5,757	5,808
	1,091	1,105	1,127	1,153	1,165	1,173
	14	14	14	13	12	13
	523	496	493	496	509	524
	5,036	4,265	3,804	3,554	3,397	3,235
	4,003	3,857	3,663	3,442	3,225	3,078
	2,776	2,769	2,748	2,738	2,743	2,727
	16	18	18	17	17	20
	424	422	435	436	442	451
	7	7	6	5	5	4
	3	3	4	4	5	4
	4	4	6	7	7	8
	25	31	29	26	41	29
	2,779	2,772	2,752	2,742	2,748	2,731
	431	429	441	441	447	455
	36	37	36	26	28	34
	499	502	496	429	426	467
	894,216	930,958	926,051	820,914	830,547	885,799

(Un-Audited)

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Construction	\$ 31,931,604	\$ 46,808,624	\$ 54,209,252
Financial institutions	2,466,712	2,513,620	2,866,491
Hospitality/Lodging establishments	11,675,360	12,372,609	13,327,117
Manufacturing	15,558,765	23,956,009	22,035,684
Real estate	28,456,002	28,695,384	26,967,529
Retail trade	73,555,929	77,855,877	79,712,707
Food stores	42,362,266	44,346,585	49,947,282
Eating and drinking establishments	16,332,169	16,730,479	17,577,519
Auto dealers and supplies	20,964,457	29,326,243	25,949,965
Specialty retail	20,892,908	21,683,876	22,917,692
Curio and jewelry retail stores	42,974,459	52,732,078	57,783,418
Entertainment services	4,194,436	4,759,561	4,549,563
General services	12,930,268	13,996,980	14,980,337
Professional services	6,354,739	6,268,699	6,155,813
Transportation, communications and utilities	49,582,866	52,806,018	64,972,042
<b>Total</b>	<b>\$ 380,232,940</b>	<b>\$ 434,852,642</b>	<b>\$ 463,952,411</b>
City direct sales tax rate	3.50%	3.50%	3.50%

Source: Ketchikan Gateway Borough

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





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## DEBT CAPACITY

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

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

(Un-Audited)

Table 14

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

Fiscal Year	Governmental Activities			Business-Type Activities								Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>2</sup>
	General Obligation Bonds	Capital Lease	Wastewater General Obligation Bonds <sup>3</sup>	Wastewater Revenue Bonds <sup>3</sup>	Port General Obligation Bonds	Port Revenue Bonds	KPU Junior Lien Bonds <sup>4</sup>	KPU Revenue Bonds						
2003	\$ 8,530,000	\$ 39,764	-	-	\$ 2,245,000	-	-	\$ 26,060,000	\$ 36,874,764	7.48%	4,608			
2004	8,095,000	-	-	-	2,065,000	-	-	23,960,000	34,120,000	6.72%	4,436			
2005	7,560,000	21,337	-	-	1,880,000	-	-	22,475,000	31,936,337	5.81%	4,156			
2006	7,065,000	115,571	-	-	1,685,000	\$ 38,500,000	-	20,580,000	67,945,571	11.76%	8,868			
2007	6,550,000	67,377	\$ 803,278	-	1,480,000	37,875,000	\$ 1,609,266	18,605,000	66,989,921	11.02%	8,664			
2008	6,010,000	34,339	847,507	-	1,265,000	37,220,000	2,877,106	17,600,000	65,853,952	9.68%	8,771			
2009	5,455,000	-	900,458	-	1,035,000	36,540,000	4,587,223	15,315,000	63,832,681	9.47%	8,508			
2010	12,080,000	-	4,147,967	-	795,000	35,830,000	7,298,232	12,935,000	73,086,199	10.54%	9,741			
2011	11,280,000	-	4,560,223	-	540,000	35,090,000	8,429,282	10,455,000	70,354,505	10.02%	8,740			
2012	15,175,000	-	4,736,445	\$ 363,210	270,000	34,315,000	8,673,259	7,885,000	71,417,914		8,614			

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

<sup>1</sup> See Table 18 for personal income information. The data is unavailable for 2012.

<sup>2</sup> See Table 18 for population data for the City of Ketchikan.

<sup>3</sup> ADEC Clean Water Loan Program - \$8,263,532 authorized.

<sup>4</sup> ADEC Drinking Water Loan Program - \$13,856,720 authorized.

(Un-Audited)

Table 15

**City of Ketchikan, Alaska**  
**Ratios of General Obligation Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Assessed Value <sup>1</sup></b>	<b>Population <sup>2</sup></b>	<b>Percentage of Actual Taxable Property Value</b>	<b>Per Capita</b>
2003	\$ 10,775,000	\$ 547,070,400	8,002	1.97%	\$ 1,347
2004	10,160,000	540,661,100	7,691	1.88%	1,321
2005	9,440,000	549,889,500	7,685	1.72%	1,228
2006	8,750,000	587,592,000	7,662	1.49%	1,142
2007	8,833,278	649,661,700	7,732	1.36%	1,142
2008	8,122,507	718,646,800	7,508	1.13%	1,082
2009	7,390,458	745,354,000	7,503	0.99%	985
2010	17,022,967	745,845,700	8,050	2.28%	2,115
2011	16,380,223	745,345,700	8,050	2.20%	2,035
2012	20,181,445	749,698,100	8,291	2.69%	2,434

<sup>1</sup> Source: Ketchikan Gateway Borough, Assessment Department

<sup>2</sup> Source: State of Alaska, Department of Commerce, Division of Community and Regional Affairs

(Un-Audited)

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

<b>Utility Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Gross Revenues <sup>1</sup></b>	<b>Expenses Excluding Depreciation</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Taxes &amp; Debt</b>		<b>Principal</b>	<b>Interest</b>	
2003	28,016,280	19,057,215	8,959,065	1,650,000	1,316,088	3.02
2004	27,401,477	20,013,639	7,387,838	2,100,000	1,234,693	2.22
2005	28,180,811	19,081,220	9,099,591	1,810,000	925,199	3.33
2006	32,021,949	20,823,737	11,198,212	1,895,000	961,107	3.92
2007	32,007,842	22,854,358	9,153,484	1,975,000	875,733	3.21
2008	34,271,562	25,546,774	8,724,788	2,205,000	772,045	2.93
2009	33,750,681	26,895,812	6,854,869	2,285,000	694,976	2.30
2010	33,171,040	24,664,044	8,506,996	2,415,000	512,270	2.91
2011	34,436,817	26,095,282	8,341,535	2,480,000	464,561	2.83
2012	35,106,045	27,401,603	7,704,442	2,609,722	475,663	2.50

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

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

<sup>2</sup> Other represents lease payment and payment to repair and replacement fund.

Table 16

Port Revenue Bonds							
Gross Revenue	Expenses Excluding Depreciation and Lease	Net Available Revenue	Debt Service			Coverage	
			Principal	Interest	Other <sup>2</sup>	Debt Service	Debt Service/ Lease
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,290,332	2,299,099	4,991,233	-	677,465	-	7.37	-
8,595,881	1,658,254	6,937,627	625,000	1,951,100	-	2.69	-
9,220,727	2,380,586	6,840,141	655,000	1,924,537	2,989,183	2.65	1.24
9,248,432	2,933,667	6,314,765	680,000	1,896,700	2,952,065	2.45	1.13
8,093,975	2,925,697	5,168,278	710,000	1,867,800	2,668,757	2.00	0.99
8,067,105	2,308,515	5,758,590	740,000	1,835,850	2,384,863	2.24	1.16
10,620,142	1,949,449	8,670,693	775,000	1,802,550	2,628,181	3.36	1.67

(Un-Audited)

Table 17

**City of Ketchikan, Alaska**  
*Direct and Overlapping Governmental Activities Debt*  
*As of December 31, 2012*

**Total Direct Debt**

Outstanding General Obligation Bonds - City of Ketchikan		\$ 20,181,445
Less Self Supporting Debt:		
1994 Port General Obligation Bonds		
Paid from Ketchikan Port Fund Revenues	(270,000)	
1997 Hospital Construction General Obligation Bonds (Refunded 2005)		
Paid from Sales Tax Hospital Fund Revenues	(3,650,000)	
ADEC Clean Water General Obligation Bonds		
Paid from Wastewater and Harbor Fund Revenues	(4,736,445)	\$ (8,656,445)
 Total Direct Debt Governmental Activities		 \$ 11,525,000

**Overlapping Debt of Ketchikan Gateway Borough**

Assessed Valuation - City of Ketchikan	808,516,900	
Assessed Valuation - Ketchikan Gateway Borough	1,374,340,000	
Ratio of Assessed Valuation	58.83%	

Ketchikan Gateway Borough Direct Debt<sup>2</sup>

Outstanding General Obligation Bonds		44,855,000
Less Self Supporting Debt-Sales Tax Revenues		(44,855,000)
Total Ketchikan Gateway Borough Direct Debt		-

**City of Ketchikan Share**

		58.83%
--	--	--------

Total Overlapping Debt		0
Total Direct and Overlapping Debt		\$ 11,525,000

		Ratio
Direct Debt to Property Valuation:		1.43%
Direct & Overlapping Debt Repaid with Property Taxes to Property Valuation		0.84%
Total Direct and Overlapping Debt to Property Valuation		4.73%

		Per Capita
Governmental Activities Direct Debt		\$ 1,390
Overlapping and Direct Debt		\$ 827
Estimated Actual Valuation		\$ 97,517

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

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

<sup>2</sup> The figures reported for the Ketchikan Gateway Borough reflect the amounts shown in their FY2012 Comprehensive Annual Financial Report for the year ended June 30, 2012.

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

## DEMOGRAPHIC AND ECONOMIC INFORMATION

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

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

(Un-Audited)

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

Year	Population		Personal Income <sup>(1)</sup>	Per Capita	School <sup>(3)</sup> Enrollment
	City	Ketchikan Gateway Borough		Personal Income <sup>(2)</sup>	
2003	8,002	13,525	492,649,000	37,097	2,311
2004	7,691	13,073	507,433,000	38,614	2,249
2005	7,685	13,115	550,074,000	41,758	2,274
2006	7,662	13,176	577,998,000	43,410	2,229
2007	7,732	13,166	607,842,000	46,182	2,167
2008	7,508	12,993	680,241,000	52,030	2,115
2009	7,503	12,984	674,307,000	51,850	2,110
2010	8,050	13,477	693,684,000	51,266	2,116
2011	8,142	13,686	701,814,000	51,631	2,167
2012	8,291	13,938	-	-	2,201

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

<sup>1</sup> The amount of personal income reflects the amount reflected on State of Alaska website, which provides the interface for U.S. Department of Commerce, Bureau of Economic Analysis data for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is not currently available. The information reflected in this schedule represents the most current data available and may differ from the amounts that have been reported in prior years. Information has not been released that shows this type of information for 2012.

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

<sup>3</sup> The School Enrollment figures reflects kindergarten through grade 12 enrollment from the State of Alaska website for the Ketchikan Gateway Borough as of October 1. The link for 2012 information can be accessed at <http://www.eed.state.ak.us/stats/DistrictEnrollment/2013DistrictEnrollment.pdf>. Information reflected in this schedule reflects the amounts stated for each of the respective years and may differ from the amounts that have been reported in prior years.

<sup>4</sup> The Civilian Labor Force figures are the amounts reflected on State of Alaska website, which provides the interface for U.S. Department of Commerce, Bureau of Economic Analysis data for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is not currently available. The information reflected in this schedule represents the most current data available and may differ from the amounts that have been reported in prior years.

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

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

Table 18

<b>Civilian Labor Force <sup>(4)</sup></b>			<b>Motor</b>
<b>Employed</b>	<b>Unemployed</b>	<b>Unemployment Rate</b>	<b>Vehicles Registered <sup>(5)</sup></b>
7,273	629	8.0%	15,777
7,357	591	7.4%	16,358
7,423	535	6.7%	16,359
7,591	488	6.0%	16,437
7,789	447	5.4%	16,522
7,821	471	5.7%	16,640
7,721	591	7.1%	16,670
7,530	627	7.7%	16,485
7,612	603	7.3%	16,530
7,612	552	6.8%	16,504

(Un-Audited)

Table 19

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

<u>Employer</u>	<u>2012</u>		<u>2003</u>	
	<u>Average Employment</u>	<u>Rank</u>	<u>Average Employment</u>	<u>Rank</u>
Federal Government	257	10	283	9
State Government	711	6	599	6
Local Government	1,113	3	1,055	3
Private Ownership	5,301	1	4,880	1
Natural Resource and Mining	150	13	166	13
Construction	322	9	260	10
Manufacturing	546	7	533	7
Trade, Transportation and Utilities	1,685	2	1,771	2
Information	88	14	88	14
Financial Activities	390	8	326	8
Professional & Business Services	218	11	217	11
Educational & Health Services	922	4	637	5
Leisure & Hospitality	783	5	698	4
Other Services	183	12	184	12

Due to federal confidentiality laws employer identifying information such as employment ranges, numbers or ranking are not available. Employment by NAICS Industry Category is reflected for the Ketchikan Gateway Borough.

Source: State of Alaska, Department of Labor

## OPERATING INFORMATION

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

Property Value and Construction.....	Table 20
Full-time Equivalent Employees by Function/Program .....	Table 21
Operating Indicators by Function/Program .....	Table 22
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Historical Electric Customers, Energy Sales and Operating Results .....	Table 27
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Historical Water Customers and Operating Results .....	Table 29
Utility Rates and Charges .....	Table 30
Port Fund Operating Results.....	Table 31



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(Un-Audited)

Table 20

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

Year	Construction		Real & Personal Property Value (2)
	Number of Permits (1)	Value (1)	
2003	139	20,066,660	589,537,900
2004	170	10,796,329	583,361,200
2005	190	19,441,857	594,968,200
2006	199	20,933,707	633,321,300
2007	190	12,120,861	697,332,200
2008	180	24,505,040	768,741,400
2009	198	13,981,121	798,108,100
2010	156	11,084,859	800,947,400
2011	157	106,064,282	801,175,000
2012	139	22,381,845	808,516,900

Sources:

- (1) - City of Ketchikan Building Inspection Division
- (2) - Ketchikan Gateway Borough Department of Assessment

(Un-Audited)

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

<u>Function/Program</u>	2003	2004	2005	2006
General government				
Mayor and Council	8.00	8.00	8.00	8.00
Law	2.00	2.00	2.00	2.00
Clerk	2.00	2.00	2.00	2.00
City Manager	4.50	4.50	4.50	4.50
Finance	15.50	16.13	16.00	16.00
Information Technology	7.00	7.00	7.00	8.00
Public Safety				
Fire	19.00	18.50	18.50	18.50
Police	36.30	34.80	33.80	35.30
Culture				
Library	13.82	13.86	13.86	13.86
Museum	9.20	9.20	9.20	8.45
Civic Center	3.00	3.00	3.00	3.00
Health and Welfare				
Gateway Center for Human Services <sup>1</sup>	43.05	38.29	35.34	39.24
Public Works				
Engineering	8.50	8.50	8.00	9.00
Streets	13.00	13.00	12.00	12.00
Solid Waste	9.00	9.00	9.00	10.00
Garage & Warehouse	4.00	4.00	4.00	4.00
Wastewater	7.00	7.00	7.00	7.00
Building Maintenance	1.00	1.00	1.00	2.00
Port and Harbors				
Small Boat Harbors	4.80	4.80	5.20	5.20
Port Development	3.20	3.80	3.80	3.80
Ketchikan Public Utilities				
Administration	1.50	1.50	1.50	1.50
Engineering <sup>2</sup>	7.00	8.00	7.50	7.50
Sales, Marketing & Customer Service <sup>3</sup>	12.00	12.63	12.50	12.50
Electric	42.00	42.00	40.50	42.00
Telephone	39.00	40.00	42.25	44.50
Water	6.50	6.50	6.50	7.50
<b>Total</b>	<b>321.87</b>	<b>319.01</b>	<b>313.95</b>	<b>327.35</b>

Source: City of Ketchikan Budget Records

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

<sup>2</sup> Effective January 1, 2012, the former KPU Engineering Division was dissolved and staff members were reassigned to other divisions. The number of employees in the KPU Engineering Division for calendar years 2003 through 2011 reflect the former staffing plan.

<sup>3</sup> Effective May 7, 2009 the former Customer Service Division was renamed Sales, Marketing and Customer Service Division and four Telecommunications staff members were reassigned to the newly established division. The number of employees reflected in Telecommunications and Sales, Marketing & Customer Service Divisions for calendar years 2000 through 2008 reflect the former staffing plan.

Table 21

2007	2008	2009	2010	2011	2012
8.00	8.00	8.00	8.00	8.00	8.00
2.00	2.00	2.00	2.00	2.00	1.00
2.00	2.00	2.00	2.00	2.00	2.00
4.50	4.50	4.50	4.50	4.50	4.50
16.00	16.00	16.00	16.00	16.00	16.00
8.00	9.00	8.10	7.00	7.00	7.00
18.50	19.50	20.00	20.00	19.00	19.00
35.30	35.80	35.30	36.30	36.30	36.30
13.88	13.33	13.33	11.83	11.83	12.31
8.45	8.45	8.45	7.45	7.20	7.20
3.00	3.00	3.00	3.00	3.00	3.00
39.24	36.40	19.00			
13.00	13.00	11.00	11.00	11.50	13.00
12.00	14.00	14.00	13.00	13.00	13.00
10.00	11.00	11.00	11.00	11.00	11.00
4.00	4.00	4.00	4.00	4.00	4.00
8.00	8.00	8.00	8.00	8.00	8.00
2.00	2.00	2.00	2.00	2.00	2.00
5.20	5.20	4.80	4.80	5.40	5.40
3.80	3.80	4.20	4.20	4.60	4.60
1.50	1.50	1.50	1.50	1.50	2.50
7.50	7.50	7.50	4.50	4.50	
12.50	12.50	16.50	16.00	16.00	16.00
42.00	42.00	42.00	42.00	43.00	43.40
45.00	47.00	41.00	41.00	40.00	43.00
7.50	7.50	7.50	8.50	8.50	10.60
332.87	336.98	314.68	289.58	289.83	292.81

(Un-Audited)

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

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City Manager				
Personnel Job Postings	95	90	117	139
Information Technology				
Workstations	225	250	255	275
Portables	27	29	31	34
Printers	60	90	75	90
Public Safety				
Fire				
EMS/Rescue Responses	1,115	1,126	1,112	1,090
Fire Responses	55	61	70	48
Volunteer Fire Persons	44	42	42	35
Police				
DUI Offenses	233	237	233	243
Domestic Violence	167	152	132	143
Larceny Offenses	362	399	426	444
Culture				
Library				
Volumes in collection	64,346	67,189	71,542	65,614
Annual Circulation	159,327	170,521	174,484	161,815
Offered Programs	265	422	248	238
Program Attendance	4,378	6,701	8,826	5,577
Museum				
Tongass Historical Museum Attendance	16,683	18,069	23,122	22,264
Tongass Historical Museum Exhibit Openings	3	3	4	4
Totem Heritage Center Attendance	52,651	53,670	40,345	38,054
THC Native Arts Studies Course Offerings	15	19	18	18
Civic Center				
Days Occupied	211	196	196	219
Events	170	164	135	139
Public Works				
Engineering				
Issued Building Permits	139	170	190	199
Solid Waste				
Municipal Solid Waste - tons per day	26.15	26.82	27.49	27.07
Trash - tons per day	10.02	10.62	11.74	12.07
Incineration - tons per day	0.12	0.21	0.11	0.14
Recycle - tons per day	9.78	9.72	7.55	7.02
Port and Harbors				
Reserved Moorage Stalls Rented	784	784	780	780
Transient Moorage Feet Sold	303,341	303,494	311,390	317,299
Cruise Ship Stops	538	508	562	503
Cruise Ship Passengers	770,663	848,969	921,429	838,880
Ketchikan Public Utilities				
Customer Service				
Utility Service Orders	5,778	5,553	5,739	5,657

Sources: Various City Departments

Table 22

2007	2008	2009	2010	2011	2012
111	130	81	85	137	130
281	287	291	318	318	327
39	42	45	52	52	48
96	103	107	91	91	87
1,175	1,242	1,256	1,158	1,196	1,404
51	60	52	46	434	198
33	35	39	27	27	25
198	162	142	130	122	62
154	197	221	365	181	72
408	367	395	400	415	316
66,057	68,054	68,879	69,968	74,228	84,049
169,743	160,698	151,826	190,186	177,454	158,364
254	282	243	262	243	245
5,233	6,877	1,658	6,733	6,230	6,076
21,549	21,116	25,529	20,818	21,451	20,534
3	4	4	4	4	4
36,659	45,228	45,721	43,088	33,603	25,905
11	10	11	12	10	11
199	186	242	180	174	203
158	148	156	154	132	147
190	180	198	156	157	139
26.35	25.57	25.50	24.57	24.53	23.02
11.73	12.15	12.41	12.90	14.14	14.96
0.09	0.03	0.03	0.04	0.02	0.02
8.82	6.02	6.25	6.25	7.13	5.49
770	758	745	693	726	715
291,728	560,453	535,939	529,565	524,316	501,467
499	502	496	429	426	462
899,638	941,910	937,419	828,929	830,547	885,799
5,394	5,538	5,828	5,798	5,417	4,720

(Un-Audited)

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

<u>Function/Program</u>	2003	2004	2005	2006
Public Safety				
Fire				
Stations	3	3	3	3
Police				
Stations	1	1	1	1
Culture				
Number of Libraries	1	1	1	1
Number of Museums	2	2	2	2
Number of Civic Centers	1	1	1	1
Public Works				
Engineering				
Municipal Area in Square Miles	5	5	5	5
Streets				
Miles of Streets <sup>1</sup>	24.01	24.01	24.71	24.64
Miles of Stairways	2	2	1	1
Municipal Parking Lots	36	36	36	36
Cemetery				
Acreage Size	9	9	9	9
Port and Harbors				
Harbors <sup>2</sup>				
Harbor with Boat Launch Ramp	2	2	2	2
Harbor without Boat Launch Ramp	3	3	3	3
Boat Launch Ramp Facility	1	1	1	1
Port Berths	3	3	3	3

<sup>1</sup> The actual street mileage reported in 2006 did not change from 2005. The slight variance in reported mileage is due to the application of an applied and more defined measurement methodology.

<sup>2</sup> The information reflected in this schedule represents the most current data available and provides a more defined description of the type of harbor amenities that available for the boating public that the type of information that was reported in the prior year.

Sources: Various City Departments

Table 23

2007	2008	2009	2010	2011	2012
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
5	5	5	5	5	5
24.84	25.07	25.07	27.89	27.89	27.89
1	1	1	1	1	1
37	37	37	37	37	37
9	9	9	9	9	9
2	2	2	2	2	2
3	3	3	3	3	3
1	1	1	1	1	1
3	4	4	4	4	4

(Un-Audited)

Table 24

**CITY OF KETCHIKAN, ALASKA**  
**INSURANCE COVERAGES**  
*as of December 31, 2012*

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

(Un-Audited)

Table 25

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

Year	Number of Customers			K.W.H. Sold	Per K.W.H. Sold		Average Residential K.W.H. Used December
	Electric	Water	Telephone *		Operating Revenue	Cost	
2003	7,178	2,851	10,653	145,121,208	\$ 0.0922	\$ 0.1002	900
2004	7,161	2,876	10,131	145,395,889	0.0923	0.0997	1,045
2005	7,202	2,928	9,840	145,244,130	0.0944	0.0906	1,019
2006	7,251	3,034	9,554	152,159,932	0.1003	0.0946	1,095
2007	7,305	3,230	9,039	154,802,805	0.0992	0.0995	1,111
2008	7,346	3,223	8,122	159,340,267	0.1142	0.1049	1,187
2009	7,365	3,217	7,467	158,146,666	0.1088	0.1068	1,196
2010	7,418	3,207	6,996	156,985,441	0.1016	0.0991	1,087
2011	7,617	3,216	6,622	164,713,929	0.1013	0.0954	1,218
2012	7,698	3,215	6,408	172,190,266	0.0969	0.0912	1,222

\* Average number of revenue access lines.

(Un-Audited)

**CITY OF KETCHIKAN, ALASKA**  
*Energy Demand, Peak Demand and Resources*  
*Gross Generation (kWh)*  
*Last Ten Fiscal Years*

	2003	2004	2005	2006	2007
<b>Energy Demand</b>					
Total Sales	145,121,208	145,395,889	145,244,130	152,159,932	154,802,805
System losses	13,704,492	10,430,711	13,225,370	13,044,418	10,001,995
<b>Total</b>	<b>158,825,700</b>	<b>155,826,600</b>	<b>158,469,500</b>	<b>165,204,350</b>	<b>164,804,800</b>
<b>Peak Demand</b>					
	25,900	26,700	27,000	28,900	29,000
<b>Energy Resources</b>					
KPU Hydroelectric	76,970,300	71,574,900	79,615,400	79,778,150	79,994,900
Southeast Alaska Power Agency <sup>1</sup>	80,774,400	83,385,600	77,529,600	83,596,800	82,195,200
Diesel Generation	1,081,000	866,100	1,324,500	1,829,400	2,614,700
<b>Total</b>	<b>158,825,700</b>	<b>155,826,600</b>	<b>158,469,500</b>	<b>165,204,350</b>	<b>164,804,800</b>
<b>Energy Costs (kWh)<sup>2</sup></b>					
Hydroelectric Generation	\$ 0.0180	\$ 0.0197	\$ 0.0171	\$ 0.0172	\$ 0.0185
Diesel Generation	1.5421	1.8420	1.1554	0.8133	0.7305
Purchased Power <sup>3</sup>	0.0651	0.0613	0.0580	0.0583	0.0655
<b>Total Cost of Production (kWh)</b>	<b>0.0523</b>	<b>0.0521</b>	<b>0.0466</b>	<b>0.0468</b>	<b>0.0533</b>

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

<sup>2</sup> Cost per kWh include operations and maintenance and depreciation.

<sup>3</sup> Purchased power cost per kWh represents includes rebates, but not line losses.

Table 26

2008	2009	2010	2011	2012
159,340,267	158,146,666	156,985,441	164,713,929	172,190,266
10,641,933	13,668,534	13,514,059	14,009,987	13,701,858
<u>169,982,200</u>	<u>171,815,200</u>	<u>170,499,500</u>	<u>178,723,916</u>	<u>185,892,124</u>
30,200	30,300	28,800	30,300	27,150
83,912,500	78,895,500	76,062,100	82,594,936	85,816,264
68,294,400	79,027,200	92,908,800	91,584,000	97,804,800
17,775,300	13,892,500	1,528,600	4,544,980	2,271,060
<u>169,982,200</u>	<u>171,815,200</u>	<u>170,499,500</u>	<u>178,723,916</u>	<u>185,892,124</u>
\$ 0.0170	\$ 0.0176	\$ 0.0222	\$ 0.0231	\$ 0.0228
0.2908	0.3027	1.0902	0.4867	0.8622
0.0656	0.0659	0.0610	0.0556	0.0611
0.0652	0.0629	0.0529	0.0515	0.0532

(Un-Audited)

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

	2003	2004	2005	2006	2007
<b>Customers (Average)</b>					
Residential	5,622	5,603	5,616	5,652	5,677
Commercial	1,054	1,056	1,068	1,077	1,091
Industrial	14	15	14	14	14
Other	488	487	504	508	523
<b>Total</b>	<b>7,178</b>	<b>7,161</b>	<b>7,202</b>	<b>7,251</b>	<b>7,305</b>
<b>Energy Sales (KWH)</b>					
Residential	56,723,524	57,332,811	56,815,618	59,870,257	62,275,248
Commercial	64,396,184	64,427,242	65,184,075	67,222,118	67,669,664
Industrial	21,001,372	20,586,598	19,919,012	21,181,708	20,865,150
Other	3,000,128	3,049,238	3,325,425	3,885,849	3,992,743
<b>Total</b>	<b>145,121,208</b>	<b>145,395,889</b>	<b>145,244,130</b>	<b>152,159,932</b>	<b>154,802,805</b>
<b>Operating Results</b>					
<b>Operating Revenues</b>					
Revenues from Energy Sales	\$12,947,973	\$13,024,150	\$13,247,675	\$14,483,744	\$14,795,312
Other Operating Revenues	433,588	398,318	460,057	771,160	567,665
<b>Total Operating Revenues</b>	<b>13,381,561</b>	<b>13,422,468</b>	<b>13,707,732</b>	<b>15,254,904</b>	<b>15,362,977</b>
<b>Operating Expenses</b>					
Hydroelectric Generation	977,868	1,003,255	945,391	951,476	1,064,215
Diesel Generation	959,193	886,755	820,779	778,303	1,230,036
Purchased Power	5,257,148	5,112,536	4,496,621	4,873,547	5,383,696
Transmission and Distribution	1,632,321	1,354,839	1,327,882	1,690,735	1,885,281
Administration and General	1,689,739	2,029,691	1,830,956	2,007,768	1,969,007
<b>Total Operating Expenses</b>	<b>10,516,269</b>	<b>10,387,076</b>	<b>9,421,629</b>	<b>10,301,829</b>	<b>11,532,235</b>
Payment In Lieu of Taxes	338,000	340,275	333,905	328,965	335,830
<b>Total Expenses</b>	<b>10,854,269</b>	<b>10,727,351</b>	<b>9,755,534</b>	<b>10,630,794</b>	<b>11,868,065</b>
<b>Net Revenue</b>	<b>\$2,527,292</b>	<b>\$2,695,117</b>	<b>\$3,952,198</b>	<b>\$4,624,110</b>	<b>\$3,494,912</b>

Table 27

2008	2009	2010	2011	2012
5,731	5,731	5,756	5,757	5,808
1,105	1,127	1,153	1,165	1,173
14	14	13	12	13
496	493	496	509	524
<u>7,346</u>	<u>7,365</u>	<u>7,418</u>	<u>7,443</u>	<u>7,518</u>
65,977,138	66,565,425	64,938,484	68,484,718	71,794,062
68,148,711	66,601,484	66,351,381	69,021,595	71,815,802
21,275,072	21,215,194	21,981,458	23,242,166	24,452,654
3,939,346	3,764,563	3,714,118	3,965,450	4,127,748
<u>159,340,267</u>	<u>158,146,666</u>	<u>156,985,441</u>	<u>164,713,929</u>	<u>172,190,266</u>
\$17,729,748	\$16,639,918	\$15,390,910	\$16,244,690	\$16,767,415
472,660	564,893	562,291	442,410	464,797
<u>18,202,408</u>	<u>17,204,811</u>	<u>15,953,201</u>	<u>16,687,100</u>	<u>17,232,212</u>
1,008,647	949,398	1,225,358	1,442,543	1,494,523
4,504,445	3,536,432	1,093,997	1,856,120	1,500,999
4,477,324	5,205,128	5,663,664	5,093,489	5,976,876
1,704,557	2,121,534	2,648,485	2,766,478	3,043,918
2,281,082	2,262,656	1,976,837	2,032,081	1,546,798
13,976,055	14,075,148	12,608,341	13,190,711	13,563,114
335,400	323,730	351,478	353,954	343,266
<u>14,311,455</u>	<u>14,398,878</u>	<u>12,959,819</u>	<u>13,544,665</u>	<u>13,906,380</u>
<u>\$3,890,953</u>	<u>\$2,805,933</u>	<u>\$2,993,382</u>	<u>\$3,142,435</u>	<u>\$3,325,832</u>

(Un-Audited)

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

	2003	2004	2005	2006	2007
<b>Access Lines</b>					
Residential	6,035	5,774	5,588	5,434	5,036
Commercial	4,618	4,357	4,252	4,120	4,003
<b>Total</b>	<b>10,653</b>	<b>10,131</b>	<b>9,840</b>	<b>9,554</b>	<b>9,039</b>
<b>Operating Results</b>					
<b>Operating Revenues</b>					
Local	\$3,498,508	\$3,411,569	\$3,257,503	\$3,237,357	\$2,854,206
Long Distance	7,292,077	6,825,910	6,955,054	8,403,318	7,745,095
Other	2,033,815	1,965,529	2,164,550	2,433,928	2,874,525
<b>Total Operating Revenues</b>	<b>12,824,400</b>	<b>12,203,008</b>	<b>12,377,107</b>	<b>14,074,603</b>	<b>13,473,826</b>
<b>Operating Expenses</b>					
Operation and Maintenance	4,609,735	5,274,881	4,957,257	5,456,256	6,818,792
Administration and General	2,497,489	2,787,422	2,959,790	3,270,553	2,747,917
<b>Total Operating Expenses</b>	<b>7,107,224</b>	<b>8,062,303</b>	<b>7,917,047</b>	<b>8,726,809</b>	<b>9,566,709</b>
Payment In Lieu of Taxes	143,000	145,795	151,840	159,575	148,643
<b>Total Expenses</b>	<b>7,250,224</b>	<b>8,208,098</b>	<b>8,068,887</b>	<b>8,886,384</b>	<b>9,715,352</b>
<b>Net Revenue</b>	<b>\$5,574,176</b>	<b>\$3,994,910</b>	<b>\$4,308,220</b>	<b>\$5,188,219</b>	<b>\$3,758,474</b>

Table 28

2008	2009	2010	2011	2012
4,265	3,804	3,441	3,347	3,235
3,857	3,663	3,553	3,225	3,078
8,122	7,467	6,994	6,572	6,313
\$2,644,869	\$2,442,452	\$2,274,624	\$2,194,530	\$2,131,351
7,449,484	8,163,920	8,644,023	8,591,786	8,399,849
2,914,024	3,177,304	3,527,839	3,714,225	4,055,714
13,008,377	13,783,676	14,446,486	14,500,541	14,586,914
6,828,519	7,627,836	6,910,034	7,077,698	8,070,658
2,928,878	3,342,355	3,281,326	3,594,593	3,483,492
9,757,397	10,970,191	10,191,360	10,672,291	11,554,150
149,770	175,837	194,376	191,027	192,065
9,907,167	11,146,028	10,385,736	10,863,318	11,746,215
\$3,101,210	\$2,637,648	\$4,060,750	\$3,637,223	\$2,840,699

(Un-Audited)

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

	2003	2004	2005	2006	2007
<b>Customers (Average)</b>					
Residential	2,436	2,452	2,493	2,586	2,776
Apartments	15	15	15	15	16
Commercial	386	396	406	420	424
Industrial	6	6	7	6	7
Cannery	4	3	3	3	3
Fire Hydrant	4	4	4	4	4
Marine Vessels	39	28	33	25	25
<b>Total</b>	<b>2,890</b>	<b>2,904</b>	<b>2,961</b>	<b>3,059</b>	<b>3,255</b>
<b>Operating Results</b>					
<b>Operating Revenues</b>					
Revenues from Water Sales	\$1,515,885	\$1,540,193	\$1,585,241	\$1,721,181	\$1,926,563
Other Operating Revenues	22,564	14,562	21,677	34,922	23,185
<b>Total Operating Revenues</b>	<b>1,538,449</b>	<b>1,554,755</b>	<b>1,606,918</b>	<b>1,756,103</b>	<b>1,949,748</b>
<b>Operating Expenses</b>					
Source of Supply	216,697	240,098	264,837	309,422	252,829
Chlorination/Disinfection	168,716	184,506	195,091	183,419	203,440
Distribution	217,469	259,499	270,334	270,097	246,039
Maintenance	565,222	557,802	696,121	675,119	693,646
Administration and General	265,618	322,355	316,161	357,042	359,460
<b>Total Operating Expenses</b>	<b>1,433,722</b>	<b>1,564,260</b>	<b>1,742,544</b>	<b>1,795,099</b>	<b>1,755,414</b>
Payment In Lieu of Taxes	169,000	163,930	164,255	161,460	165,527
<b>Total Expenses</b>	<b>1,602,722</b>	<b>1,728,190</b>	<b>1,906,799</b>	<b>1,956,559</b>	<b>1,920,941</b>
<b>Net Revenue</b>	<b>(\$64,273)</b>	<b>(\$173,435)</b>	<b>(\$299,881)</b>	<b>(\$200,456)</b>	<b>\$28,807</b>

Table 29

2008	2009	2010	2011	2012
2,769	2,748	2,738	2,743	2,727
18	18	17	17	20
422	435	436	442	451
7	6	5	5	4
3	4	4	5	4
4	6	7	7	8
31	29	26	28	29
<u>3,254</u>	<u>3,246</u>	<u>3,233</u>	<u>3,247</u>	<u>3,243</u>
\$2,028,651	\$2,251,001	\$2,535,859	\$2,899,352	\$2,935,454
36,547	71,049	39,608	85,948	48,168
<u>2,065,198</u>	<u>2,322,050</u>	<u>2,575,467</u>	<u>2,985,300</u>	<u>2,983,622</u>
261,141	265,409	330,625	232,238	259,083
231,838	247,069	228,238	217,441	233,871
255,369	268,791	241,667	238,281	413,547
640,274	639,739	718,571	1,073,567	999,167
447,091	429,465	345,242	470,753	378,671
<u>1,835,713</u>	<u>1,850,473</u>	<u>1,864,343</u>	<u>2,232,280</u>	<u>2,284,339</u>
<u>164,830</u>	<u>175,433</u>	<u>182,146</u>	<u>183,019</u>	<u>192,669</u>
<u>2,000,543</u>	<u>2,025,906</u>	<u>2,046,489</u>	<u>2,415,299</u>	<u>2,477,008</u>
<u>\$64,655</u>	<u>\$296,144</u>	<u>\$528,978</u>	<u>\$570,001</u>	<u>\$506,614</u>



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Table 30

**CITY OF KETCHIKAN, ALASKA**  
*Utility Rates and Charges*  
 For the Year Ending December 31, 2012

Electric			
Residential	\$6.40	plus \$0.0958 per kWh	
Harbor service	11.75	plus \$0.0958 per kWh	
Commercial	36.30	plus \$0.0897 per kWh plus a demand charge of \$2.91 per kW in excess of 25 kW this flat fee in effect April through September	
Industrial	53.35	plus \$0.0831 per kWh plus a demand charge of \$2.91 per kW in excess of 25 kW	
Telecommunications			
Residential	9.40	line charge plus \$6.50 for FCC subscriber line charge	
	24.95	DSL Lite (Download Speed 128K and Upload Speed 64K)	
	49.95	DSL Regular (Download Speed 1M and Upload Speed 512K)	
Business	17.95	per single or multi-business line plus \$9.20 for FCC subscriber line charge	
	34.95	DSL Lite (Download Speed 128K and Upload Speed 64K)	
	59.95	DSL Regular (Download Speed 1M and Upload Speed 512K)	
Customer Premise Visit	35.00		
Water			
Residential			
Homes & Trailers	40.87	per unit	
1-4 apartments	40.87	per unit	
5-24 apartments	37.24	per unit	
25+ apartments	31.95	per unit	
Business			
	42.60	plus size of line charges as follows	
1 inch	28.39		
1-1/4 inch	85.18		
1-1/2 inch	163.28		
2 inch	296.67		
2-1/2 inch	459.69		
3 inch	695.67		
4 inch	1,181.96		
Industrial			
	<u>Line Charges</u>	<u>Canneries</u>	
5/8 and 3/4 inch	56.78	Per Season	
1 inch	85.18	5/8 and 1 inch	\$608.78
1-1/4 inch	141.98	1 1/4 inch	1,093.18
1-1/2 inch	221.82	1-1/2 inch	1,459.75
2 inch	338.97	2 inch	4,366.14
2-1/2 inch	514.87		
3 inch	778.17		
4 inch	1,272.43		
6 inch	2,120.75		
8 inch	2,351.46		
Over 8 inch	by special contract		

(Un-Audited)

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

	2003	2004	2005	2006	2007
<b>Assets</b>					
Cash	\$ 2,895,450	\$ 5,121,067	\$ 7,066,674	\$ 4,529,687	\$ 8,471,112
Port Facilities (net)	10,282,618	10,072,444	9,762,409	10,405,568	41,226,714
Construction Work in Progress	2,276,353	2,686,197	1,632,135	26,082,665	3,493,927
Restricted Assets				19,872,348	4,743,690
Prepaid Expense					
Other Assets	129,455	99,752	47,113	515,697	560,772
<b>Total assets</b>	<b>15,583,876</b>	<b>17,979,460</b>	<b>18,508,331</b>	<b>61,405,965</b>	<b>58,496,215</b>
<b>Liabilities and Net Position</b>					
General Obligation Bonds Payable	2,245,000	2,065,000	1,880,000	1,685,000	1,480,000
Revenue Bonds Payable				38,500,000	37,875,000
Other Liabilities	3,261,000	2,541,005	3,759,032	7,105,081	5,130,176
<b>Total liabilities</b>	<b>5,506,000</b>	<b>4,606,005</b>	<b>5,639,032</b>	<b>47,290,081</b>	<b>44,485,176</b>
<b>Net Position</b>	<b>\$ 10,077,876</b>	<b>\$ 13,373,455</b>	<b>\$ 12,869,299</b>	<b>\$ 14,115,884</b>	<b>\$ 14,011,039</b>
<b>Operating Revenues</b>	<b>\$ 1,774,457</b>	<b>\$ 5,000,010</b>	<b>\$ 7,096,948</b>	<b>\$ 6,427,207</b>	<b>\$ 7,895,063</b>
<b>Operating Expenses</b>					
Operation and Maintenance	\$ 828,052	\$ 792,954	\$ 1,945,688	\$ 2,299,099	\$ 1,506,749
Depreciation	610,454	632,143	618,708	657,485	985,775
Payment in Lieu of Taxes/Taxes	102,100	102,100	102,100	102,100	102,100
<b>Total operating expenses</b>	<b>1,540,606</b>	<b>1,527,197</b>	<b>2,666,496</b>	<b>3,058,684</b>	<b>2,594,624</b>
<b>Operating Income</b>	<b>233,851</b>	<b>3,472,813</b>	<b>4,430,452</b>	<b>3,368,523</b>	<b>5,300,439</b>
<b>Non-Operating Revenue (Expense)</b>	<b>(22,824)</b>	<b>(183,706)</b>	<b>(68,390)</b>	<b>(310,285)</b>	<b>(1,697,827)</b>
<b>Income Before Contributions, Extraordinary Item &amp; Transfers</b>					
Contributions	211,027	3,289,107	4,362,062	3,058,238	3,602,612
Capital Grants	41,004	6,872	12,251	42,006	1,864,611
Extraordinary Item			(2,432,884)		
Special Item					
Transfers			(2,445,585)	(1,853,659)	(5,572,069)
Loss on sale of capital assets					
<b>Change in Net Position</b>	<b>\$ 252,031</b>	<b>\$ 3,295,979</b>	<b>\$ (504,156)</b>	<b>\$ 1,246,585</b>	<b>\$ (104,846)</b>
Revenue Bond Debt Coverage:					
1.25 x Annual Debt Service	N/A	N/A	N/A	7.37	2.69
1.0 x Annual Debt Service/Reserves Account/Repair and Replacement Fund/SPH Lease Payments					
	N/A	N/A	N/A	N/A	N/A
# of Ships	37	37	37	36	36
# of Calls/Stops	538	535	562	503	499
# of Water Passengers	770,663	848,969	921,429	838,880	899,638

Table 31

2008	2009	2010	2011	2012
\$ 4,939,650	\$ 4,827,125	\$ 4,364,226	\$ 2,373,808	\$ 2,285,517
46,312,527	44,947,620	43,642,947	42,121,390	47,867,526
832,620	963,018	1,116,782	5,531,746	5,066,048
4,215,908	4,819,708	5,307,521	5,623,924	6,082,097
1,002,572	1,019,538	752,856	782,959	955,622
1,100,476	710,905	528,456	2,786,483	3,462,181
<u>58,403,753</u>	<u>57,287,914</u>	<u>55,712,788</u>	<u>59,220,310</u>	<u>65,718,991</u>
1,265,000	1,035,000	795,000	540,000	270,000
37,220,000	36,540,000	35,830,000	35,090,000	34,315,000
4,191,404	3,147,957	3,134,814	2,847,180	1,072,313
<u>42,676,404</u>	<u>40,722,957</u>	<u>39,759,814</u>	<u>38,477,180</u>	<u>35,657,313</u>
<u>\$ 15,727,349</u>	<u>\$ 16,564,957</u>	<u>\$ 15,952,974</u>	<u>\$ 20,743,130</u>	<u>\$ 30,061,678</u>
\$ 8,839,267	\$ 8,922,228	\$ 8,000,492	\$ 7,986,404	\$ 8,592,255
\$ 3,653,251	\$ 5,522,050	\$ 5,486,471	\$ 4,110,674	\$ 4,746,731
1,390,850	1,460,265	1,446,527	1,401,754	1,359,513
282,770	290,000	295,000	295,000	295,000
<u>5,326,871</u>	<u>7,272,315</u>	<u>7,227,998</u>	<u>5,807,428</u>	<u>6,401,244</u>
<u>3,512,396</u>	<u>1,649,913</u>	<u>772,494</u>	<u>2,178,976</u>	<u>2,191,011</u>
<u>(1,933,922)</u>	<u>(1,738,365)</u>	<u>(1,917,727)</u>	<u>(1,889,022)</u>	<u>(1,096,866)</u>
1,578,474	(88,452)	(1,145,233)	289,954	1,094,145
740,672	366,424	14,306	29,536	2,018,165
	559,636	518,944	4,654,981	6,214,416
14,789				
(617,625)			(184,315)	(8,178)
<u>\$ 1,716,310</u>	<u>\$ 837,608</u>	<u>\$ (611,983)</u>	<u>\$ 4,790,156</u>	<u>\$ 9,318,548</u>
2.65	2.45	2.00	2.24	3.36
1.24	1.13	0.99	1.16	1.67
37	36	26	28	34
502	496	429	426	467
941,910	937,419	828,929	830,547	885,799



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**KPU Telecommunications**

2970 Tongass Avenue  
Ketchikan, AK 99901

Phone (907) 225-1000

Fax (907) 225-1788

The City of Ketchikan d/b/a Ketchikan Public Utilities (KPU), study area code 613013, files an annual ETC report in compliance with Alaska Administrative Code (AAC). KPU submitted our last compliance report to the Regulatory Commission of Alaska on March 15, 2013. Our company's adherence to regulations is required for certification and our compliance to State standards is presented in our annual ETC report.

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

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

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

**KPU Telecommunications**

2970 Tongass Avenue  
Ketchikan, AK 99901

Phone (907) 225-1000

Fax (907) 225-1788

The City of Ketchikan d/b/a Ketchikan Public Utilities (KPU), study area code 613013, files an annual ETC report in compliance with Alaska Administrative Code (AAC). KPU submitted our last compliance report to the Regulatory Commission of Alaska on March 15, 2013. Our company's adherence to regulations is required for certification and our compliance to State standards is presented in our annual ETC report.

#### Line (600) Functionality in Emergency Situations

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

(12) a certification that the common carrier has and will continue to take steps to remain functional in emergency situations by

(A) maintaining at least eight hours of backup power to ensure functionality without local alternating current (AC) commercial power;

(B) establishing to the extent feasible the ability to reroute traffic around damaged facilities and to manage traffic spikes resulting from emergency situations; and

(C) establishing procedures for employees to follow in an emergency to prevent or minimize interruption or impairment of telecommunications services.



## Tribal Engagement Obligations

WC Docket 10-90 – per CFR 54.313(a)(9)

**10-15-12** – Letter sent to Steve Rhyner –Director of Communications - Ketchikan Indian Community (KIC) – Exhibit A – page 1

**10-15-12** – Letter sent to Lee Wallace – President/Tribal Chief – Organized Village of Saxman (OVS) –Exhibit A – page 2

**11-08-12** - KPU/KIC Tribal Engagement meeting

KIC Attendees: Rod Short, KIC IT Director  
Michelle Short, KIC CFO  
Steve Rhyner, KIC Marketing

KPU Attendees: Ed Cushing, Telecommunications Division Manager  
Dan Lindgren, Telecommunications Division Assistant Manager  
Kim Simpson, Division Manager of Sales, Marketing & Customer Service

Items Discussed:

- Specialized Needs and Deployment Planning: Tribal discounts; Strengthen community through filming; Celebration filming.
- Feasibility and Sustainability Planning: Dedicated channel for Natives/KIC
- Marketing: Add KIC to the blue section (government section) of the directory; add KIC to the map section as a landmark building
- Rights of Way, Land Use, Cultural and Environmental Preservation – NA - Landless Tribe
- Compliance with Tribal Business or License Requirements: NA
- Other: Partner with KIC on WiFi hotspots – at 306 Main St, 2960 Tongass, and 615 Deermount locations. Online advertising – KPU Webcam page.

**12-06-12** - Email sent by Michelle O'Brien – Marketing Manager – to Lee Wallace – President /Tribal Chief – OVS – and OVS response - Exhibit A – page 3

- No further contact from OVS or from KPU to OVS.



Telecommunications  
2417 Tongass Ave  
Ketchikan, AK 99901  
Phone (907) 228-5458  
Fax (907) 247-1888  
[kimm@city.ketchikan.ak.us](mailto:kimm@city.ketchikan.ak.us)

October 15, 2012

TO: Steve Rhyner  
Director of Communications  
Ketchikan Indian Community

FROM: Kim Simpson   
Division Manager, Sales, Marketing and Customer Service  
KPU Telecommunications

RE: KPU Tribal Engagement Meeting

Beginning in 2012 Telecommunications entities are required by the FCC to communicate regularly with tribal organizations within their serving area.

As the major Telecommunications provider in Ketchikan, KPU would like to set up a meeting with you and other KIC representatives to ensure that we are meeting the communication requirements of KIC and the native people of Ketchikan.

Some of the items we would like to cover are:

1. Services we provide to Native Alaskans
2. Plans for future services.
3. Specialized marketing materials
4. Information regarding right of ways, cultural and environmental preservation, land use permitting and business licensing requirements.

Although KPU and KIC currently enjoy a very positive working relationship, we would still like to meet to ensure that we are doing everything possible to provide for the needs of your members.

Ed Cushing, Division Head for KPU Telecommunications, Dan Lindgren, KPU Telecommunications Regulatory Manager and I would be the KPU representatives. I spoke to Rod Short a few weeks ago and he recommended you as the point of contact at KIC. Please give me a call or email me as to convenient times for your organization. I would also appreciate knowing in advance any other KIC representatives/employees that you feel should attend this meeting.

Thank You!



**Telecommunications**  
 2417 Tongass Ave  
 Ketchikan, AK 99901  
 Phone (907) 228-5458  
 Fax (907) 247-1888  
[kimm@city.ketchikan.ak.us](mailto:kimm@city.ketchikan.ak.us)

October 15, 2012

**TO:** Lee Wallace  
 President, Tribal Chief  
 Organized Village of Saxman

**FROM:** Kim Simpson   
 T'akdeintaan/Raven  
 Division Manager, Sales, Marketing and Customer Service  
 KPU Telecommunications

**RE:** KPU Tribal Engagement Meeting

Beginning in 2012 Telecommunications entities are required by the FCC to communicate regularly with tribal organizations within their serving area.

As the major Telecommunications provider in Ketchikan, KPU would like to set up a meeting with you and other Saxman representatives to ensure that we are meeting the communication requirements of Saxman residents.

Some of the items we would like to cover are:

1. Services we provide to Native Alaskans
2. Plans for future services.
3. Specialized marketing materials
4. Information regarding right of ways, cultural and environmental preservation, land use permitting and business licensing requirements.

Although KPU currently provides extensive telecommunications services in the City of Saxman, including phone, internet and TV via state of the art fiber-optic cable, we would like to ensure that we are doing everything possible to provide for the needs of your tribal members.

Ed Cushing, Division Head for KPU Telecommunications, Dan Lindgren, KPU Telecommunications Regulatory Manager and I would be the KPU representatives. We would like to meet with you and whomever else you would think would be appropriate. Please give me a call or email me as to convenient times for your organization. Thank You-I look forward to hearing from you!

**From:** "Michelle O'Brien" <mhoutcooper@gmail.com>  
**To:** Linda Lichty <lindal@city.ketchikan.ak.us>, Kim McCord <kimm@city.ketchi...>  
**Date:** 3/12/2013 10:02 AM  
**Subject:** Fwd: KPU Meeting Request

----- Forwarded message -----  
 From: Michelle Obrien <mhoutcooper@gmail.com>  
 Date: Thu, Dec 6, 2012 at 12:53 PM  
 Subject: Re: KPU Meeting Request  
 To: Lee Wallace <iragovt@kpunet.net>

Lee we are required and happy to comply with meeting with tribal governments to discuss telecommunications. We have already met with KIC. If you call Kim Simpson at 2285474 she would be able offer more detail. I simply offered to reach out since I know you from school board meetings. Technically this meeting is in an area that is outside my scope of operations.

Sent from my iPhone

On Dec 6, 2012, at 12:17 PM, "Lee Wallace" <iragovt@kpunet.net> wrote:

> Michelle,  
 > What would the meeting be about?  
 > Lee  
 >  
 > -----Original Message-----  
 > From: Michelle O'Brien [mailto:mhoutcooper@gmail.com]  
 > Sent: Thursday, December 06, 2012 11:43 AM  
 > To: iragovt@kpunet.net  
 > Subject: KPU Meeting Request  
 >  
 > Lee,  
 >  
 > I have been asked to contact you so that we can schedule a meeting between  
 > OVS and KPU sometime in the next few weeks. Would you be available for  
 > this? I believe one of our management team is out of town next week, but  
 > the following week would work.  
 >  
 > Thanks so much, and hope you are having a great holiday season.  
 > --  
 > Michelle O'Brien  
 > Sales & Marketing  
 > Host/Producer, Local Content  
 >  
 > KPU CommVision/KPU Telecommunications  
 > 2417 Tongass Avenue, #119D  
 > Ketchikan, Alaska 99901  
 > (907) 228-5486 direct  
 > (907) 254-8909 cellular & text  
 > michelleo@city.ketchikan.ak.us  
 >  
 > "Like" us on Facebook @ Live In Ketchikan "Friend" us on Facebook @ KPU  
 > Telecommunications  
 >