



CITY OF  
*Ketchikan*  
A L A S K A

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended December 31, 2013

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

For the Year Ended  
December 31, 2013

Prepared by:

**FINANCE DEPARTMENT**

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Michelle L. Johansen  
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**City of Ketchikan, Alaska**  
**Comprehensive Annual Financial Report**  
**For The Year Ended December 31, 2013**

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# LETTER OF TRANSMITTAL



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July 7, 2014

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, 2013. 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 1, 2014 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, 2013, 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, 2013 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 8,313 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 depends 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 local 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 938,000 in 2013. The latest forecast for 2014 estimates that 28 ships will make 450 stops and bring approximately 900,000 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 three of a \$26 million four-phase project to replace Berths I and II. Phase four will be completed in 2015. Upon completion of phase four, the City will have completely rebuilt its port infrastructure.

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 \$20.7 million.

The City is located within the boundaries of the Ketchikan Gateway Borough, which had a population of 13,856 in 2013. Approximately 60 percent of the community's population, or 8,313 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. In 2013, the Ketchikan Gateway Borough School District reported an enrollment of 2,210 pupils.

The shift in the local economy from timber to tourism has resulted in a labor force that has become more seasonal. In 2013, the monthly employment varied between 6,778 and 9,142. 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 2013 was 7,668 with employment peaking at 9,142 in July. The unemployment rate for 2013 was 6.1 percent, a decrease from the 6.8 percent that was reported for 2012. Per capita income for 2010, 2011, and 2012 was \$52,209, \$54,462 and \$56,477, respectively. No figures were available for 2013.

After four years of little or no growth, assessed property values rose by 6% in 2013 to \$857.4 million. In 2014, assessed values increased again by 1.3% to \$868.3 million. Gross retail sales decreased from \$629.1 million in 2012 to \$568.4 million in 2013, or 9.6 percent. The decrease did not impact taxable retail sales, which remained essentially unchanged from 2012. The City collected 10.2 million in sales tax revenues in 2013, or about 1 percent more than 2012. Sales tax revenues are projected to increase to \$11.2 million in 2014, primarily due to the City's decision to raise its sales tax rate from 3.5% to 4, effective April 1, 2014.

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

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

- Minimize the local tax burden and support reasonable and equitable fees for local government services.

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

**Harbors Development** – The community's five harbors serve the boating public, commercial fishermen and other commercial marine enterprises. These harbors used to be owned and maintained by the State of Alaska until they were transferred to the City over the course of 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 2014 – 2018 Capital Improvement Program for the Harbor Department is \$8.6 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 plans to issue up to \$5 million in general obligation bonds and has already dedicated its share of the state raw fish tax for harbor improvements. In order to provide for the debt service on the general obligation bonds, the City Council has adopted a plan to increase harbor rates as the bonds are issued. In 2013, a 7% rate increase was approved and a second 7% rate increase for 2014 was recently approved. So far the City has issued \$3 million in general obligation bonds for improvements that are currently in the design stage.

**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 in October 2013 the voters authorized the issuance of a \$43 million general obligation bond 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. The bond was issued in June 2014 and construction has commenced.

**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 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 (SEAPA). 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 completion of the \$26 million Whitman Lake Hydroelectric Project, support of the raising the dam at the Swan Lake Hydroelectric Project, and development of the Metlakatla-Ketchikan Intertie as its top priorities.

The first phase of the Whitman Lake Hydroelectric Project is nearing completion. The second phase, which involves the construction of the Achilles Diversion, should be completed by December 2014. The Whitman Lake Hydroelectric Project is capable of providing up to 16 million kWh of energy annually. The project was partially funded by a \$15 million municipal utility revenue bond. 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.

Raising the dam at SEAPA's Swan Lake Hydroelectric Project is estimated to cost approximately \$12.3 million and when completed will increase storage capacity by 25% and provide the resources for 12 million kWh of energy annually. If grant and bond funding can be secured in a timely manner, SEAPA expects to complete the project by 2016. The City supported SEAPA's request for a state grant for this project and this effort was partially rewarded with a \$3.25 million appropriation from the Alaska State Legislature. The City supports this project because it has the potential to displace up to 800,000 gallons of diesel fuel annually and avoids the need to implement a diesel surcharge to recover this cost from the rate payers of its municipally owned electric utility.

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 and a half submarine cable crossing. The overhead transmission line was completed in 2013. The estimated cost of the submarine cable crossing is \$7 million. Efforts are under way by MP&L to seek funding for the submarine cable. Once the funding is in place, it will take a minimum of 18 months to construct the submarine cable. Current MP&L generation is marginal, so the long-term goal is to coordinate the use of this generation with yet to be developed hydroelectric projects at Triangle and Todd Lakes 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. The policy has been successful for the 24 years. Since 1990, the City has only raised its mill rate twice.

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 2013, 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 \$43 million. The proceeds will be used to fund a new wing for the Ketchikan Medical Center that will become the basis for improving the delivery of health care in our community. Successfully lobbied for a \$15 million grant from the State of Alaska for this project. This \$58 million project will be completed in 2016.
- Completed the long overdue \$1.3 million renovation of the boat launch ramp at Bar Harbor. This project will improve access to Bar Harbor and resolves one of the deferred maintenance issues that was identified when the City took over the harbor from the State.
- Issued a \$13.3 million municipal utility revenue bond through the Alaska Municipal Bond Bank to partially finance the \$26 million Whitman Lake Hydroelectric Project. This project will reduce the community's reliance on diesel generation and result in lower rates for energy.

- Acquired an infeasible right to use an undersea fiber optic cable from GCI Communications Corp. The fiber optic cable lies between Ketchikan, Alaska and Seattle, Washington will be used in the operations of the City's telecommunication utility, KPU Telecom, to improve its Internet service and provide capacity for future growth.
- Awarded a \$6.1 million contract for Bar Harbor drive down float facility. This new facility will allow vehicular access to marine vessels for the purpose of loading and unloading supplies and materials. The drive down float will be used by the general public and the commercial fishing fleet.
- Hired a new director for the Museum Department.
- Completed the second phase of a four-phase \$26 million project to replace the wooden portions of Berths I and II with a concrete deck and steel piling. This phase of the project cost \$10 million and replaced facilities that were in various stages of structural deterioration and the Ketchikan Visitors Bureau building.

**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, 2012. This was the thirty-fourth 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



Government Finance Officers Association

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

Presented to

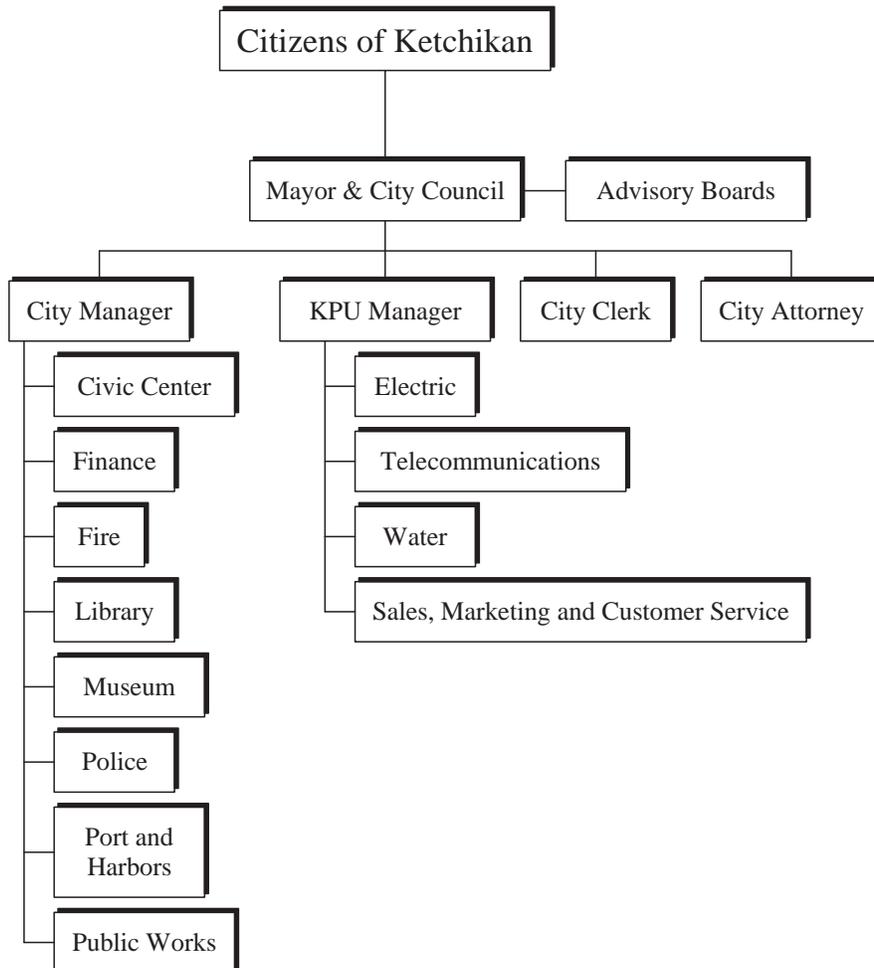
**City of Ketchikan  
Alaska**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2012**

Executive Director/CEO

**CITY OF KETCHIKAN, ALASKA**  
**ORGANIZATIONAL CHART**  
**DECEMBER 31, 2013**



# CITY OF KETCHIKAN, ALASKA

## PRINCIPAL CITY OFFICIALS

*December 31, 2013*

### MAYOR AND CITY COUNCIL

<i>City Mayor</i>	<i>Lew Williams III</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>
<i>City Councilmember</i>	<i>Judy Zenge</i>
<i>City Councilmember</i>	<i>Vacant</i>

### CITY STAFF

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

1734 TONGASS AVENUE  
KETCHIKAN, ALASKA 99901  
(907) 225-9688  
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, 2013, 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, 2013, 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 Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2014 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*

Ketchikan, Alaska  
July 7, 2014



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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, 2013. 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 \$310.6 million (net position) for the calendar year reported.
- Total net position is comprised of the following:
  - 1) Net investment in capital assets of \$242.8 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 \$17.3 million are restricted by constraints imposed from outside the City such as debt covenants, granting agencies, laws, or regulations.
  - 3) Unrestricted resources of \$50.5 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 \$26.9 million this year. This compares to the prior year ending fund balance of \$28 million showing a decrease of \$1.1 million during the current year.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$3.4 million, or 14.1 percent of total General Fund expenditures. This was an increase of \$744 thousand from the prior year. The General Fund also reported an operating deficit of \$217 thousand.
- The City's proprietary funds reported total ending net position of \$158.7 million this year. This compares to the prior year ending net position, as restated, of \$137.7 million, an increase of \$21 million.
- The City's mill rate increased to 6.7. The City has only increased its mill rate twice in past 24 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

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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.

***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, 2013 and 2012 totaled \$310.6 million and \$289.6 million, as restated, respectively. The net position for the City as a whole increased by \$21 million. The following table summarizes the net position of the City's governmental and business-type activities:

*(This page continued on the subsequent page)*

City of Ketchikan's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated
Current and other assets	\$ 35,712,438	\$ 37,024,597	\$ 47,595,777	\$ 42,344,830	\$ 83,308,215	\$ 79,369,427
Capital assets	136,879,120	136,824,677	185,691,495	158,538,752	322,570,615	295,363,429
Deferred outflows of resources	81,183	101,479	129,454	211,296	210,637	312,775
<b>Total assets &amp; def. outflows</b>	<b>172,672,741</b>	<b>173,950,753</b>	<b>233,416,726</b>	<b>201,094,878</b>	<b>406,089,467</b>	<b>375,045,631</b>
Current and other liabilities	5,362,395	5,491,531	\$ 10,175,550	\$ 8,541,468	15,537,945	14,032,999
Long-term liabilities	15,427,703	16,587,250	64,528,523	54,866,118	79,956,226	71,453,368
<b>Total liabilities</b>	<b>20,790,098</b>	<b>22,078,781</b>	<b>74,704,073</b>	<b>63,407,586</b>	<b>95,494,171</b>	<b>85,486,367</b>
Net position:						
Net investment in capital assets	123,952,440	124,187,486	118,874,119	101,715,542	242,826,559	225,903,028
Restricted	8,148,212	7,668,494	9,098,473	8,624,752	17,246,685	16,293,246
Unrestricted	19,781,991	20,015,992	30,740,061	27,346,998	50,522,052	47,362,990
<b>Total net position</b>	<b>\$ 151,882,643</b>	<b>\$ 151,871,972</b>	<b>\$ 158,712,653</b>	<b>\$ 137,687,292</b>	<b>\$ 310,595,296</b>	<b>\$ 289,559,264</b>

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 78.1 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 \$16.9 million. The net investment in capital assets for the City's business-type activities increased by \$17.2 million and the net investment in capital assets for governmental type activities decreased by \$235 thousand.

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 \$50.5 million, or 16.3 percent of total net position. This is an increase of \$3.2 million from 2012. Unrestricted net position reported for the City's governmental activities decreased by \$234 thousand. The unrestricted net position of the City's business-type activities increased \$3.4 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 \$310.6 million. Over the past eleven years, the City's financial position has improved by \$103.4 million, or 50 percent.

**Changes in Net Position**

The City's net position increased \$21 million in 2013. The net position for governmental and business-type activities increased \$10,671 and \$21 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	
	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated
Revenues:						
Program:						
Charges for services	\$ 6,428,833	\$ 6,572,901	\$ 48,761,367	\$ 45,017,352	\$ 55,190,200	\$ 51,590,253
Operating grants and contributions	1,562,913	1,153,337	2,280,470	2,225,280	3,843,383	3,378,617
Capital grants and contributions	2,736,373	6,878,384	20,670,211	12,327,627	23,406,584	19,206,011
General:						
Taxes	16,099,913	15,300,959	-	-	16,099,913	15,300,959
Other	739,077	1,044,550	494,470	639,848	1,233,547	1,684,398
Total revenues	<u>27,567,109</u>	<u>30,950,131</u>	<u>72,206,518</u>	<u>60,210,107</u>	<u>99,773,627</u>	<u>91,160,238</u>
Expenses:						
General government	2,472,898	2,290,233	-	-	2,472,898	2,290,233
Public safety	8,807,683	8,964,646	-	-	8,807,683	8,964,646
Culture	3,445,959	3,097,918	-	-	3,445,959	3,097,918
Health and welfare	747,893	2,541,676	-	-	747,893	2,541,676
Public works	10,840,175	9,423,324	-	-	10,840,175	9,423,324
Harbor	1,851,082	2,154,270	-	-	1,851,082	2,154,270
Interest	655,947	757,879	-	-	655,947	757,879
KPU	-	-	38,140,800	34,886,316	38,140,800	34,886,316
Port	-	-	9,133,140	7,194,938	9,133,140	7,194,938
Wastewater	-	-	2,642,018	2,735,348	2,642,018	2,735,348
Total expenses	<u>28,821,637</u>	<u>29,229,946</u>	<u>49,915,958</u>	<u>44,816,602</u>	<u>78,737,595</u>	<u>74,046,548</u>
Increase in net position before transfers	(1,254,528)	1,720,185	22,290,560	15,393,505	21,036,032	17,113,690
Transfers	<u>1,265,199</u>	<u>1,105,178</u>	<u>(1,265,199)</u>	<u>(1,105,178)</u>	<u>-</u>	<u>-</u>
Increase in net position	10,671	2,825,363	21,025,361	14,288,327	21,036,032	17,113,690
Net position - January 1	<u>151,871,972</u>	<u>149,046,609</u>	<u>137,687,292</u>	<u>123,398,965</u>	<u>289,559,264</u>	<u>272,445,574</u>
Net position - December 31	<u>\$151,882,643</u>	<u>\$151,871,972</u>	<u>\$158,712,653</u>	<u>\$137,687,292</u>	<u>\$310,595,296</u>	<u>\$289,559,264</u>

**Governmental Activities.** The City's net position from governmental activities increased \$10,671. This increase is \$2.8 million less than the increase that occurred in 2012. The key elements in the change in net position from the prior year are as follows:

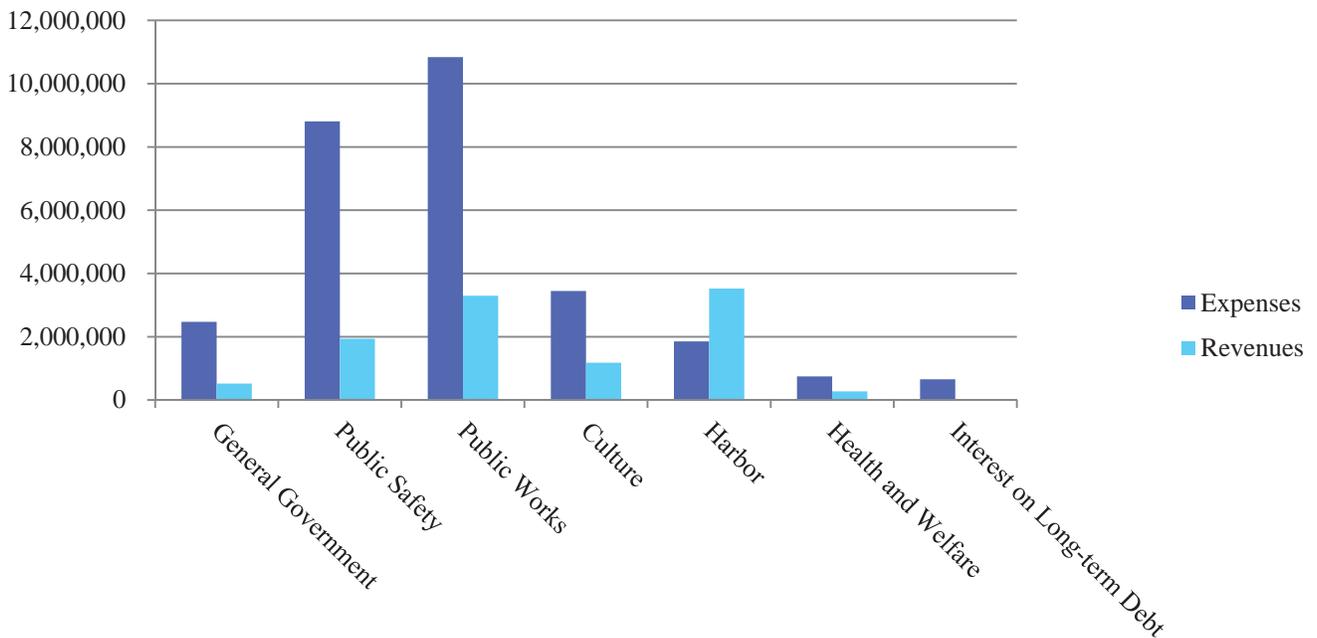
- Capital grants and contributions decreased \$4.1 million. The decrease occurred because the City wrapped up two major grant funded capital projects when it completed the new downtown fire station and Copper Ridge Lane library facility.

- Tax revenues increased by \$799 thousand. The increase occurred because assessed property values rose by 6 percent to \$857.4 million and the property tax mill rate increased from 6.2 to 6.7.
- Health and welfare expenses decreased \$1.8 million. Unanticipated interim repairs were required in 2012 for the heating, ventilating and air conditioning system in the surgical suite at the Ketchikan Medical Center. This expenditure did not reoccur in 2013. As part of an agreement to transfer Gateway Center for Human Services, a mental health and substance abuse clinic formerly operated by the City, to a non-profit health care provider, the City was required to pay a \$1.4 million subsidy over a three-year period. The last payment required under this agreement was made in 2012.
- Public works expenses increased \$1.4 million. The increase was driven primarily by the project undertaken to address water infiltration issues at City Hall and renovate its first floor.

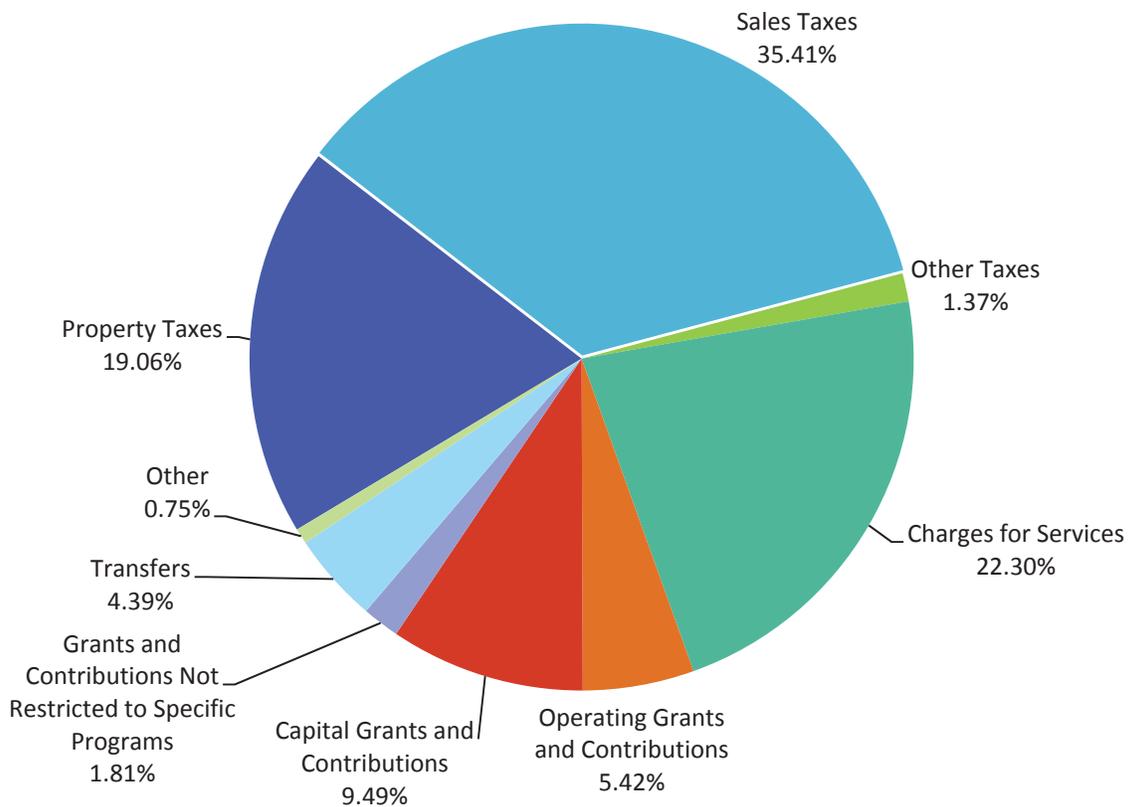
The following graphs compare program revenues with expenses and illustrate the revenues by source for governmental activities.

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**EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES**



**REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES**



**Business-type Activities.** The City's net position from business-type activities increased \$21 million. This increase is \$6.8 million more than the increase that occurred in 2012. 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 \$3.7 million. The table below summarizes charges of services by business-type activity.

	<u>2013</u>	<u>2012</u>
Electric	\$18,879,166	\$16,687,415
Telecommunications	15,209,277	14,586,914
Water	3,075,204	2,935,454
Wastewater	2,451,800	2,215,314
Port	9,145,920	8,592,255
	<u>\$48,761,367</u>	<u>\$45,017,352</u>

Electric utility revenues increased \$2.2 million. All of this increase came from a diesel surcharge implemented to recover from the ratepayers the incremental costs of diesel generation. Telecommunication utility revenues increased because of increased customer demand for non-regulated services such as Internet and television. Water and wastewater revenues increased due to rate increases of 5% and 10%, respectively. Port revenues increased \$554 thousand primarily because of an increase in passengers arriving by cruise ship. The number of passengers increased from 886,000 in 2012 to 938,000 in 2013.

Capital grants and contributions increased \$8.3 million due to the continuation of a number of multi-year capital improvements projects and one new project that was started in 2013. Nearly all of the increase is attributed to four projects that are in various stages of construction. Included are the Whitman Lake Hydroelectric project, the second and third phases of the Berth I and II Replacement project, and the Jackson/Monroe sewer and water main replacement project. The hydroelectric project is an improvement for the electric utility system, the berth projects will improve port facilities and the sewer and water main project is a joint project of the wastewater and water utilities.

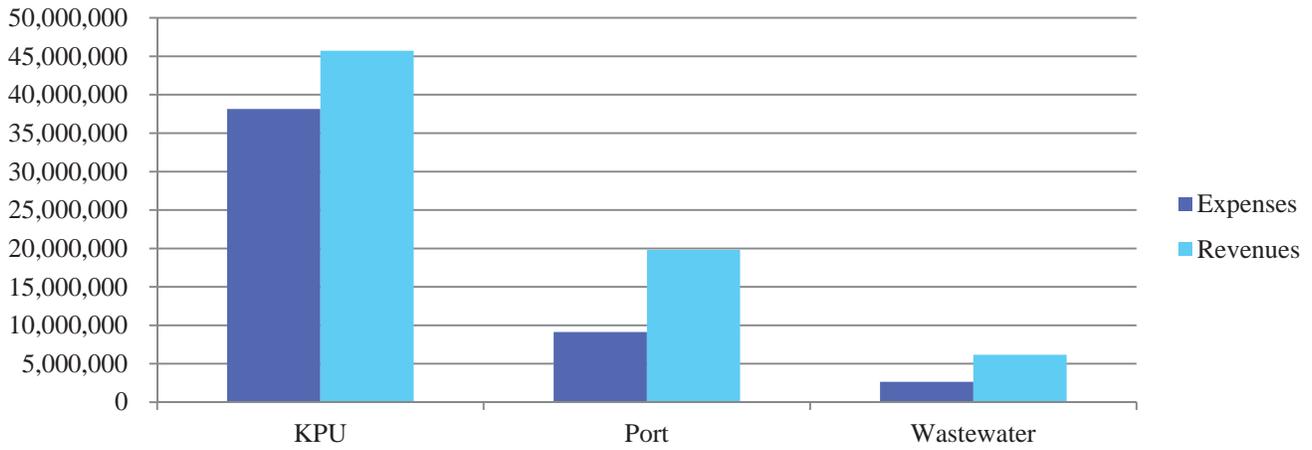
The overall expenses of the City's business-type activities for 2013 increased from \$44.8 million to \$49.9 million, or \$5.1 million. The table summarizes expenses by business-type activity

	<u>2013</u>	<u>2012 Restated</u>
Electric	\$19,685,532	\$16,770,604
Telecommunications	14,429,057	14,523,544
Water	4,026,211	3,592,168
Wastewater	2,642,018	2,735,348
Port	9,133,140	7,194,938
	<u>\$49,915,958</u>	<u>\$44,816,602</u>

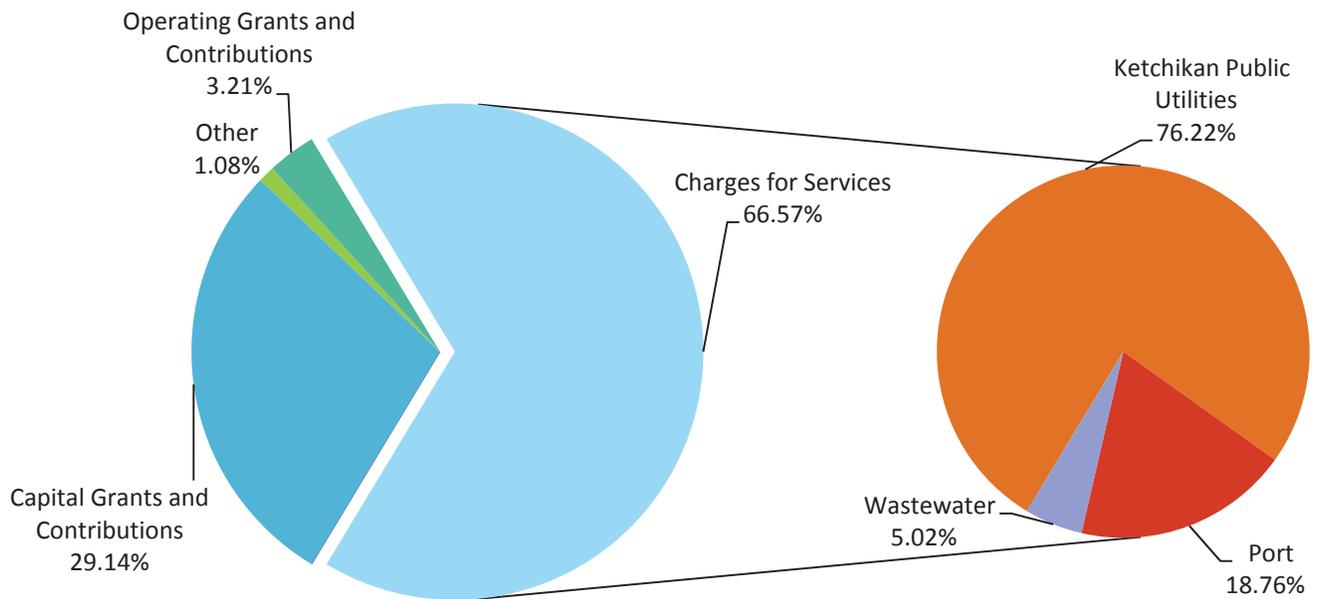
The expenses of the electric utility increased in 2013 by \$2.9 million. Nearly all of the increase was due to the need to operate the diesel generators to meet consumer demand for electric energy. The expenses of the water utility increased \$425 thousand because the placement of plant in service increased depreciation expense and the settlement of lawsuit arising from a water main replacement project. The expenses of the port increased \$1.94 million due to additional depreciation expense arising from putting a berth into service and rising lease payments for Berth IV. The lease payments are based on passenger volume, which rose in 2013. The port also reported a \$1.2 million loss on the disposal of assets that were demolished as part of the Berths I and II Replacement Project.

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**



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## 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 \$26.9 million, a decrease of \$1.17 million or 4.2%, from last year. Nonspendable fund balances total \$392 thousand and consists entirely of land held for resale. Restricted fund balances total \$10,857. Assigned fund balances total \$23.1 million and includes \$1.7 million for subsequent year's budget deficit, \$4.9 million for streets and sidewalks maintenance and other public works projects, \$5.3 million for public health, \$3.3 million for solid waste, \$1.6 million for abatement of dangerous buildings and parking development, and \$1.7 million for harbors.

The general fund is the primary operating fund of the City through which all receipts of and payments for City operations are processed unless they are required to be accounted for in another fund. By definition, it is a major governmental fund under generally accepted accounting principles. Total general fund revenues for 2013 amounted to \$23.2 million, an increase of \$571 thousand from 2012. Property tax revenues accounted for nearly all of the increase. Assessed property values rose by 6 percent from 2012 and the mill rate increased from 6.2 to 6.7. Total general fund expenditures for 2013 amounted to \$23.8 million, a decrease of \$1.5 million from 2012. Most of the decrease in expenditures occurred in the health and welfare function. In 2012, the City was required to make emergency repairs to the surgical unit at Ketchikan Medical Center. This cost did not occur in 2013. In 2012, the City also made a final payment under a three-year agreement to pay a \$1.4 million operating subsidy to the new operator of Gateway Center for Human Services. This facility previously operated as a department of the City. The total fund balance of the general fund decreased from \$17.3 million in 2012 to \$17.1 million in 2013. The unassigned fund balance increased from \$2.6 million to \$3.4 million.

**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 legally adopted 2013 budget for the general fund does not include all the City funds that must be accounted for as part of the General Fund as defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. For more information on the City's general fund, please see the combining statements for the general fund.

The adopted 2013 Budget for the general fund projected annual revenues of \$15.67 million and was subsequently amended to \$15.97 million. Nearly all the amendments involved the acceptance of public safety grant awards for fire and police activities. Actual revenues totaled \$15.86 million.

The adopted 2013 Budget for general fund included appropriations for expenditures totaling \$19.64 million. During the year, the 2013 Budget was amended to increase appropriations for expenditure by \$295,868. The City Council also authorized transfers totaling \$214,248 from reserves to appropriations for expenditures. The amendments and the transfers increased appropriations for expenditures to 20.15 million. Nearly all of the amendments provided appropriations for spending the proceeds from grants awards for fire and police activities. The transfers were used to providing additional funding for overtime, utilities, and professional and technical services. Actual expenditures totaled \$18.64 million. Vacancies, mild winter weather and City departments generally spending less than the amount appropriated for their department contributed to a positive budget variance. In 2012, the general fund operated at a \$1 million deficit and, as a result, departments were encouraged to control their spending in 2013.

## 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, 2013, amounts to \$322.6 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 \$27.2 million or 9.2 percent. The City's investment in governmental activities increased \$54 thousand and business-type activities capital assets increased by \$27.15 million. See Note 4-E for additional information about changes in capital assets during the calendar year and the amount outstanding at the end of the year. The following table provides a summary of capital asset activity.

*(This page continued on the subsequent page)*

Capital Assets

	Governmental Activities		Business Activities		Total	
	2013	2012	2013	2012	2013	2012
Non-depreciable assets:						
Land	\$ 28,904,498	\$ 27,270,186	\$ 4,450,356	\$ 4,450,356	\$ 33,354,854	\$ 31,720,542
Construction in progress	6,087,334	15,896,246	40,159,571	15,491,460	46,246,905	31,387,706
Intangibles and other	100,750	100,750	981,630	1,038,019	1,082,380	1,138,769
Total non-depreciable	<u>\$ 35,092,582</u>	<u>\$ 43,267,182</u>	<u>\$ 45,591,557</u>	<u>\$ 20,979,835</u>	<u>\$ 80,684,139</u>	<u>\$ 64,247,017</u>
Depreciable assets:						
Utility plants	\$ -	\$ -	\$ 215,603,673	\$ 213,705,784	\$ 215,603,673	\$ 213,705,784
Port facilities	-	-	67,104,874	60,014,127	67,104,874	60,014,127
Land improvements	1,554,203	1,421,304	-	-	1,554,203	1,421,304
Buildings	74,783,310	65,061,425	-	-	74,783,310	65,061,425
Machinery and equipment	16,086,706	15,728,708	-	-	16,086,706	15,728,708
Infrastructure	58,548,007	58,264,734	-	-	58,548,007	58,264,734
Total depreciable assets	150,972,226	140,476,171	282,708,547	273,719,911	433,680,773	414,196,082
Less accum. depreciation	<u>(49,185,688)</u>	<u>(46,918,676)</u>	<u>(142,608,609)</u>	<u>(136,160,994)</u>	<u>(191,794,297)</u>	<u>(183,079,670)</u>
Net depreciable assets	<u>\$ 101,786,538</u>	<u>\$ 93,557,495</u>	<u>\$ 140,099,938</u>	<u>\$ 137,558,917</u>	<u>\$ 241,886,476</u>	<u>\$ 231,116,412</u>
Percentage depreciated	<u>33%</u>	<u>33%</u>	<u>50%</u>	<u>50%</u>	<u>44%</u>	<u>44%</u>
Book value - all assets	<u>\$ 136,879,120</u>	<u>\$ 136,824,677</u>	<u>\$ 185,691,495</u>	<u>\$ 158,538,752</u>	<u>\$ 322,570,615</u>	<u>\$ 295,363,429</u>

Major capital assets under construction during 2013 included the following:

- Ketchikan Medical Center addition - \$283,000
- Berths I and II replacement – Phase III - \$4,346,000
- Whitman Lake hydroelectric plant - \$18,249,000
- Jackson and Monroe water main replacement - \$1,631,000
- Jackson and Monroe sewer main replacement - \$1,453,575
- 4G/LTE/Microwave telecommunication network - \$2,789,000
- Bar Harbor drive down float - \$1,463,000

Major capital assets completed during 2013 included the following:

- Library building replacement - \$10,999,000
- Bar Harbor launch ramp and grid replacement - \$1,489,000
- Ketchikan Visitors Bureau building replacement - \$2,092,000
- Berth I and II replacement – Phase II - \$6,185,000

At December 31, 2013, the depreciable capital assets for governmental activities were 33 percent depreciated. At December 31, 2012 and 2011, capital assets were 33 and 35 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 50 percent depreciated at December 31, 2013 compared to 51 and 53 percent for 2012 and 2011, 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, 2013, the City had \$81.6 million in outstanding bonded debt and other long-term debt, an increase of \$7.2 million from 2012. Total general obligation bonded debt decreased from \$20.2 million to \$16.8 million, or 16.8 percent. Total revenue bonded debt increased from \$51.2 million to \$61.7 million, or 20.1 percent. The following table provides a summary of outstanding long-term debt:

**Outstanding Long-term Debt**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$14,035,000	\$15,175,000	\$2,750,427	\$5,006,445	\$16,785,427	\$20,181,445
Revenue bonds	-	-	61,714,415	51,246,470	61,714,415	51,246,470
Landfill closure costs	951,540	947,520	-	-	951,540	947,520
Compensated absences	1,300,924	1,226,720	852,444	808,439	2,153,368	2,035,159
<b>Total</b>	<b>\$ 16,287,464</b>	<b>\$ 17,349,240</b>	<b>\$ 65,317,286</b>	<b>\$ 57,061,354</b>	<b>\$ 81,604,750</b>	<b>\$ 74,410,594</b>

In August 2007, the City issued a \$6.5 million junior lien municipal utility revenue bond through the Alaska Department of Environmental Conservation's (ADEC) Drinking Water Loan Program to finance the construction of a disinfection treatment facility for the City's municipal water utility. The amount of bond was subsequently reduced to \$5.5 million. The proceeds from this loan were disbursed to the City as it incurred construction costs. As of December 31, 2013, the City had incurred construction costs of \$3.53 million that were eligible for reimbursement from this loan program. The City does not expect to borrow more than \$5.5 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 amount of the bond was subsequently increased to \$3.58 million. The proceeds from this loan were disbursed to the City as it incurred construction costs. In 2013, the project was completed and the amount of the loan totaled \$3.41 million of which \$2.78 million was forgiven under the American Recovery and Reinvestment Act of 2009. The final loan amount was \$626,884 and the City began making debt service payments in May 2014.

In January 2010, the City issued a \$1.22 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 were disbursed to the City as it incurred construction costs. In 2013, the project was completed and the final amount of the loan totaled \$1.22 million. The City began making debt service payments in May 2014.

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 were disbursed to the City as it incurs construction costs. In 2013, the project was completed and the amount of the loan totaled \$1.07 million of which \$965,696 was forgiven under the American Recovery and Reinvestment Act of 2009. The final loan amount was \$107,230 and the City began making debt service payments in May 2014.

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 were distributed to the City as it incurred construction costs. As of December 31, 2013, City had incurred construction costs of \$1.28 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 were disbursed to the City as it incurred construction costs. In 2013, the project was completed and the amount of the loan totaled \$363,307 of which \$54,496 was forgiven by the Alaska Department of Environmental Conservation. The final loan amount was \$308,811 and the City began making debt service payments in May 2014.

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 were disbursed to the City as it incurred construction costs. In 2013, the project was completed and the amount of the loan totaled \$656,883 of which \$323,441 was forgiven by the Alaska Department of Environmental Conservation. The final loan amount was \$323,442 and the City began making debt service payments in May 2014.

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 were distributed to the City as it incurred construction costs. As of December 31, 2013, the City had incurred construction costs of \$1.6 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 June 2013, the City issued a \$13.28 million municipal utility revenue bond through the Alaska Municipal Bond Bank to finance the construction of the Whitman Lake Hydroelectric Facility. This \$28 million facility is also being funded in part by grants from the State of Alaska and the Ketchikan Gateway Borough.

All of the City's general obligation and municipal revenue bonds have been issued through the Alaska Municipal Bond Bank, the Alaska Department of Environmental Conservation or Bank of America. The rating agencies have not separately rated these bonds. The City's general obligation bonded indebtedness is not subject to a legal debt ceiling. The City is required to maintain debt service coverage that generates net revenue from its utilities and port operations that is equal to or greater than 1.25 times annual debt service. The City has complied with all general obligation and revenue bond covenants. As of December 31, 2013, the City's total direct general obligation bond debt per capita was \$1,749.

See Note 4-I for additional information about the City's long-term debt. The landfill closure and postclosure care liability are discussed in Note 4-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 the following year the national recession hit the industry particularly hard and by 2010, the number of ships servicing Southeast Alaska had declined to 26 and the number of passengers visiting Ketchikan had decreased to 829,000. Fortunately, the industry has since rebounded and a new record was set in 2013 when 29 ships made 475 stops in Ketchikan and brought 938,000 passengers to the community. Businesses experienced a significant improvement in retail sales and local governments saw sales tax revenues increase. The City, which operates the Port of Ketchikan, realized additional revenues from its passenger wharfage and berthing fees. The forecast for the 2014 season is a slight decrease in cruise ship traffic due mechanical problems affecting the schedule of one of the ships that was originally planning to make 20 stops in Ketchikan. The schedule for this ship has been revised downward to 5 stops.

As we have seen with the national economy, not all segments of the local economy have recovered at the same pace. Many of the gains the community has achieved over the past several years helped to partially restore what was lost when the recession began in 2008. As a result, the City Council continues to take a very conservative approach to budgeting. During the 2014 Budget deliberations, consideration was given to reducing the City's workforce as a means to address the fact that

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the cost of operations were accelerating at a rate faster than revenue growth. Instead, the City Council opted to raise the City's sales tax from 3.5% to 4.0%, the first increase in well over 40 years, and leave the workforce intact. The new sales tax rate became effective on April 1, 2014.

Looking to 2014, the City expects the local economy to continue to improve. Economic activity from tourism is projected to be similar 2013. The maritime industry continues to show promise as Vigor Alaska, the new owner of Alaska Ship and Dry Dock pursues a contract with the State of Alaska to build at least two day-boat ferries for the Alaska Marine Highway System at its facilities in Ketchikan. The local mining industry got a big boost when the Alaska Legislature recently authorized the Alaska Industrial Development and Export Authority to loan up to \$250 million to two companies that have been working to develop mine sites located on the Prince of Wales Island. Ketchikan would play a key role in supporting the development and operations of the mines. One of the companies is considering the development of an ore processing facility at the Gravina Island Industrial Complex, which would create about 80 jobs in Ketchikan.

In June 2014, City issued general obligation bonds totaling \$43 million to finance new facilities for the Ketchikan Medical Center and \$3 million to finance the construction and installation of replacement floats at Bar Harbor South. The hospital bond will mature in 30 years and the debt service will be paid from the proceeds of the City's current 1% Hospital Sales Tax. The harbor bond will mature in 20 years and the debt service will be paid from fees assessed against the users of the City's harbors.

January 2014, the City Council approved a 4% rate increase for the City's wastewater utilities. In February 2014, an 8% rate increase for water rates was approved. 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 2014, the City Council approved a second 7% rate increase for the use of the City's harbor facilities. The rate increase will become effective September 1, 2014 and is part of a program to raise rates in order to finance the debt service on a \$5 million bond that will be issued in phases over the next three years for the construction of new harbor facilities.

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

#### **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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GOVERNMENT-WIDE  
FINANCIAL STATEMENTS

**City of Ketchikan, Alaska**  
**Statement of Net Position**  
**December 31, 2013**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and temporary investments (Note 4A)	\$ 28,247,246	\$ 23,620,818	\$ 51,868,064
Restricted cash, cash equivalents and investments	1,004,542	2,041,847	3,046,389
Receivables:			
Accounts	534,932	2,528,127	3,063,059
Advances	1,300,000	(1,300,000)	-
Taxes	2,078,015	-	2,078,015
Intergovernmental	1,516,826	7,504,435	9,021,261
Unbilled	53,832	1,450,474	1,504,306
Inventory	-	3,117,883	3,117,883
Prepaid items	585,068	1,144,154	1,729,222
<b>Total current assets</b>	<b>35,320,461</b>	<b>40,107,738</b>	<b>75,428,199</b>
<b>Noncurrent assets:</b>			
Land for resale	391,977	-	391,977
Restricted investments	-	7,485,594	7,485,594
Accrued interest on restricted assets	-	2,445	2,445
Capital Assets (Note 3E)			
Nondepreciable capital assets	35,092,582	45,591,557	80,684,139
Depreciable capital assets, net	101,786,538	140,099,938	241,886,476
<b>Total noncurrent assets</b>	<b>137,271,097</b>	<b>193,179,534</b>	<b>330,450,631</b>
<b>Total Assets</b>	<b>172,591,558</b>	<b>233,287,272</b>	<b>405,878,830</b>
<b>Deferred Outflow of Resources</b>	<b>81,183</b>	<b>129,454</b>	<b>210,637</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>172,672,741</b>	<b>233,416,726</b>	<b>406,089,467</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	1,733,700	5,970,232	7,703,932
Payroll payable	1,649,415	-	1,649,415
Accrued interest payable	233,124	484,616	717,740
Customers deposits payable	-	366,660	366,660
Unearned revenue	135,713	76,791	212,504
Claims payable	250,000	-	250,000
Compensated absences payable	130,092	85,244	215,336
General obligation bonds payable	1,230,351	67,021	1,297,372
Revenue bonds payable	-	3,124,986	3,124,986
<b>Total current liabilities</b>	<b>5,362,395</b>	<b>10,175,550</b>	<b>15,537,945</b>
<b>Noncurrent liabilities</b>			
Accrued interest payable	-	6,500	6,500
Compensated absences payable (net of current porti	1,170,832	767,200	1,938,032
Landfill closure costs (net of current portion)	951,540	-	951,540
General obligation bonds payable (net of current po	13,305,331	2,683,406	15,988,737
Revenue bonds payable (net of current portion)	-	61,071,417	61,071,417
<b>Total noncurrent liabilities</b>	<b>15,427,703</b>	<b>64,528,523</b>	<b>79,956,226</b>
<b>Total Liabilities</b>	<b>20,790,098</b>	<b>74,704,073</b>	<b>95,494,171</b>
<b>Net Position</b>			
Net investment in capital assets (Note 4K)	123,952,440	118,874,119	242,826,559
Restricted for:			
Capital and maintenance outlay	3,443,165	-	3,443,165
Repair and replacement funds	-	3,137,625	3,137,625
Bond construction funds	-	130,827	130,827
Debt service	-	5,830,021	5,830,021
Solid waste operations and maintenance	3,669,724	-	3,669,724
Harbor operations and maintenance	891,728	-	891,728
Cemetery operations and maintenance	132,738	-	132,738
US Marshall funds	10,857	-	10,857
Unrestricted	19,781,991	30,740,061	50,522,052
<b>Total Net Position</b>	<b>\$ 151,882,643</b>	<b>\$ 158,712,653</b>	<b>\$ 310,595,296</b>

See accompanying notes to the basic financial statements

**City of Ketchikan, Alaska**  
**Statement of Activities**  
**For the Year Ended December 31, 2013**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 2,472,898	\$ 119,532	\$ 401,806	\$ -
Public safety	8,807,683	1,164,982	774,409	-
Culture	3,445,959	940,629	239,703	-
Health and welfare	747,893	10,915	-	260,274
Public works	10,840,175	2,979,293	81,317	234,009
Harbor	1,851,082	1,213,482	65,678	2,242,090
Interest	655,947	-	-	-
<b>Total Governmental Activities</b>	<b>28,821,637</b>	<b>6,428,833</b>	<b>1,562,913</b>	<b>2,736,373</b>
<b>Business-Type Activities:</b>				
Electric, telecommunications and water	38,140,800	37,163,647	276,783	8,288,815
Port	9,133,140	9,145,920	1,993,212	8,676,543
Wastewater	2,642,018	2,451,800	10,475	3,704,853
<b>Total Business-Type Activities</b>	<b>49,915,958</b>	<b>48,761,367</b>	<b>2,280,470</b>	<b>20,670,211</b>
<b>Total</b>	<b>\$ 78,737,595</b>	<b>\$ 55,190,200</b>	<b>\$ 3,843,383</b>	<b>\$ 23,406,584</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, Restated**

**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>
\$ (1,951,560)	\$ -	\$ (1,951,560)
(6,868,292)	-	(6,868,292)
(2,265,627)	-	(2,265,627)
(476,704)	-	(476,704)
(7,545,556)	-	(7,545,556)
1,670,168	-	1,670,168
(655,947)	-	(655,947)
<u>(18,093,518)</u>	<u>-</u>	<u>(18,093,518)</u>
-	7,588,445	7,588,445
-	10,682,535	10,682,535
<u>-</u>	<u>3,525,110</u>	<u>3,525,110</u>
-	21,796,090	21,796,090
<u>(18,093,518)</u>	<u>21,796,090</u>	<u>3,702,572</u>
5,496,857	-	5,496,857
10,207,189	-	10,207,189
395,867	-	395,867
522,456	-	522,456
(2,470)	5,911	3,441
219,091	488,559	707,650
1,265,199	(1,265,199)	-
<u>18,104,189</u>	<u>(770,729)</u>	<u>17,333,460</u>
10,671	21,025,361	21,036,032
<u>151,871,972</u>	<u>137,687,292</u>	<u>289,559,264</u>
<u>\$ 151,882,643</u>	<u>\$ 158,712,653</u>	<u>\$ 310,595,296</u>



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# FUND FINANCIAL STATEMENTS

## GOVERNMENTAL FUNDS



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**City of Ketchikan, Alaska**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2013**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and temporary investments	\$ 17,125,317	\$ 9,073,813	\$ 26,199,130
Restricted cash - bond construction funds		1,004,542	1,004,542
Receivables:			
Accounts	415,607	119,325	534,932
Taxes	2,011,783	66,232	2,078,015
Intergovernmental	95,843	1,420,983	1,516,826
Interfund	55,996	-	55,996
Advances	1,250,000	700,000	1,950,000
Unbilled receivables	-	53,832	53,832
Land for resale	391,977	-	391,977
<b>Total Assets</b>	<u>\$ 21,346,523</u>	<u>\$ 12,438,727</u>	<u>\$ 33,785,250</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 577,087	\$ 1,150,990	\$ 1,728,077
Payroll payable	1,649,415	-	1,649,415
Interfund payable	-	55,996	55,996
Deferred revenue	2,017,997	80,883	2,098,880
Unearned revenue	12,077	123,636	135,713
Advances payable	-	1,250,000	1,250,000
<b>Total Liabilities</b>	<u>4,256,576</u>	<u>2,661,505</u>	<u>6,918,081</u>
<b>Fund Balances</b>			
Nonspendable - Land held for resale	391,977	-	391,977
Restricted for:			
Law enforcement	-	10,857	10,857
Assigned:			
Subsequent years budget	1,107,810	622,471	1,730,281
Parking development and abatement of dangerous	1,578,718	-	1,578,718
Hospital development and expansion	5,270,548	-	5,270,548
General government	200,824	2,857,700	3,058,524
Public safety	378,698	810,230	1,188,928
Culture and tourism	85,221	281,513	366,734
Public works	1,760,984	-	1,760,984
Collection and disposal of solid waste	-	3,267,558	3,267,558
Cemetery operations	-	118,738	118,738
Harbor operations	-	699,413	699,413
Streets, sidewalks and other public projects	2,965,071	-	2,965,071
Harbor construction	-	1,034,647	1,034,647
Public works projects	-	74,095	74,095
Unassigned	3,350,096	-	3,350,096
<b>Total Fund Balances</b>	<u>17,089,947</u>	<u>9,777,222</u>	<u>26,867,169</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 21,346,523</u>	<u>\$ 12,438,727</u>	<u>\$ 33,785,250</u>

See accompanying notes to the basic financial statements

**City of Ketchikan, Alaska**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2013**

<b>Total Governmental Fund Balances</b>		\$	26,867,169
<b>Amounts reported for governmental activities in the</b>			
<b>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		\$	186,064,808
Less accumulated depreciation		\$	(49,185,688)
			136,879,120
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Taxes			1,947,280
Services			151,599
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		\$	55,996
Interfund payables		\$	(55,996)
			-
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.			1,668,676
Accrued interest is not reported at the fund financial reporting level			(233,124)
Deferred charges not reported at the fund financial reporting level			
Prepaid insurance on bonds		\$	7,962
Deferred amount on refunding		\$	81,183
			89,145
Liabilities that are not due in the current period and therefore are not reported in the funds:			
General obligation bonds		\$	(14,035,000)
Premiums for GO bonds			(500,682)
Landfill closure costs		\$	(951,540)
			(15,487,222)
<b>Net Position Of Governmental Activities</b>			<b>151,882,643</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, 2013**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 15,699,352	\$ 386,230	\$ 16,085,582
Licenses and permits	91,516	-	91,516
Intergovernmental	1,739,311	2,811,588	4,550,899
Charges for services	2,132,183	4,058,899	6,191,082
Fines and forfeitures	149,543	33,019	182,562
Investment earnings	(276)	(2,080)	(2,356)
Contributions	-	105,505	105,505
Interdepartmental charges	3,149,075	-	3,149,075
Miscellaneous	227,198	180,672	407,870
<b>Total Revenues</b>	<u>23,187,902</u>	<u>7,573,833</u>	<u>30,761,735</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	4,914,708	-	4,914,708
Public safety	8,448,317	11,906	8,460,223
Culture	2,891,317	175,990	3,067,307
Health and welfare	196,980	260,274	457,254
Public works	7,383,761	3,656,896	11,040,657
Harbor	-	3,423,048	3,423,048
<b>Debt Service:</b>			
Principal retirement	-	1,140,000	1,140,000
Interest and fiscal charges	-	697,856	697,856
<b>Total Expenditures</b>	<u>23,835,083</u>	<u>9,365,970</u>	<u>33,201,053</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(647,181)</u>	<u>(1,792,137)</u>	<u>(2,439,318)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	1,639,199	1,695,466	3,334,665
Transfers out	(1,208,519)	(860,947)	(2,069,466)
<b>Total Other Financing Sources (Uses)</b>	<u>430,680</u>	<u>834,519</u>	<u>1,265,199</u>
<b>Net Change in Fund Balances</b>	(216,501)	(957,618)	(1,174,119)
<b>Fund Balances Beginning of Year</b>	<u>17,306,448</u>	<u>10,734,840</u>	<u>28,041,288</u>
<b>Fund Balances End of Year</b>	<u>\$ 17,089,947</u>	<u>\$ 9,777,222</u>	<u>\$ 26,867,169</u>

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, 2013**

<b>Net Changes In Fund Balances - Total Governmental Funds</b>		\$ (1,174,119)
<b>Amounts reported for governmental activities in the</b>	<b>statement of activities are different because</b>	
Governmental funds report capital outlays as expenditures.		
<p style="margin-left: 40px;">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.</p>		
	Depreciation expense	\$ (3,980,096)
	Capital outlay	<u>4,133,057</u> 152,961
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		
		(98,518)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
	Taxes	14,331
	Charges for Services	(59,768)
Elimination of transfers between governmental funds:		
	Transfers in	\$ (4,659,460)
	Transfers out	<u>4,659,460</u> -
Interest expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		11,854
The internal service fund is reported as a proprietary fund at the fund reporting level but the non-duplicated items are reported on the statement of activity within the governmental activities column.		
		(114)
Repayment of general obligation debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
	General obligation bonds	\$ 1,140,000
	Amortization of premiums and deferred charges	28,064
	Landfill closure costs	<u>(4,020)</u> 1,164,044
<b>Change In Net Position of Governmental Activities</b>		<u>\$ 10,671</u>
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, 2013

	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	\$ 20,646,326	\$ 2,900,167	\$ 74,325	\$ 23,620,818	\$ 2,048,116
Restricted cash, cash equivalents and investments	1,142,670	866,369	32,808	2,041,847	-
Receivables:					
Accounts	2,528,127	-	-	2,528,127	-
Advances	-	2,700,000	-	2,700,000	600,000
Intergovernmental	3,442,708	2,846,430	1,215,297	7,504,435	-
Inventory	3,117,883	-	-	3,117,883	-
Prepaid items	19,812	1,124,342	-	1,144,154	577,106
Unbilled revenue	1,332,070	-	118,404	1,450,474	-
<b>Total Current Assets</b>	<b>32,229,596</b>	<b>10,437,308</b>	<b>1,440,834</b>	<b>44,107,738</b>	<b>3,225,222</b>
<b>Noncurrent Assets:</b>					
<b>Restricted Assets:</b>					
Investments	1,758,678	5,726,916	-	7,485,594	-
Accrued interest on restricted assets	-	2,445	-	2,445	-
<b>Capital Assets:</b>					
Nondepreciable capital assets	34,394,899	7,394,252	3,802,406	45,591,557	-
Depreciable capital assets, net	74,609,716	51,714,802	13,775,420	140,099,938	-
<b>Total Noncurrent Assets</b>	<b>110,763,293</b>	<b>64,838,415</b>	<b>17,577,826</b>	<b>193,179,534</b>	<b>-</b>
<b>Total Assets</b>	<b>142,992,889</b>	<b>75,275,723</b>	<b>19,018,660</b>	<b>237,287,272</b>	<b>3,225,222</b>
<b>Deferred Outflow of Resources</b>	<b>129,454</b>	<b>-</b>	<b>-</b>	<b>129,454</b>	<b>-</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>143,122,343</b>	<b>75,275,723</b>	<b>19,018,660</b>	<b>237,416,726</b>	<b>3,225,222</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	5,008,334	894,455	67,443	5,970,232	5,623
Interfund payable	-	-	-	-	-
Accrued interest	317,860	147,440	19,316	484,616	-
Customer deposits	366,660	-	-	366,660	-
Compensated absences payable	79,281	3,152	2,811	85,244	130,092
Unearned revenue	76,791	-	-	76,791	-
General obligation bonds payable	-	-	67,021	67,021	-
Revenue bonds payable	2,238,076	873,561	13,349	3,124,986	-
Claims payable	-	-	-	-	250,000
<b>Total Current Liabilities</b>	<b>8,087,002</b>	<b>1,918,608</b>	<b>169,940</b>	<b>10,175,550</b>	<b>385,715</b>
<b>Long-Term Liabilities:</b>					
Accrued interest	4,845	-	1,655	6,500	-
Compensated absences payable (net of current port	713,531	28,372	25,297	767,200	1,170,831
Net pension obligation	-	-	-	-	-
Unamortized bond premium	-	-	-	-	-
Advances payable	4,000,000	-	-	4,000,000	-
Revenue bonds payable (net of current portion)	27,518,553	33,257,400	295,464	61,071,417	-
General obligation bonds payable (net of current po	-	-	2,683,406	2,683,406	-
<b>Total Long-Term Liabilities</b>	<b>32,236,929</b>	<b>33,285,772</b>	<b>3,005,822</b>	<b>68,528,523</b>	<b>1,170,831</b>
<b>Total Liabilities</b>	<b>40,323,931</b>	<b>35,204,380</b>	<b>3,175,762</b>	<b>78,704,073</b>	<b>1,556,546</b>
<b>Net Position</b>					
Net investment in capital assets	79,377,440	24,978,093	14,518,586	118,874,119	-
Restricted for bond retirement	2,507,519	3,310,665	11,837	5,830,021	-
Restricted for repair and replacement	-	3,137,625	-	3,137,625	-
Restricted for bond construction	130,827	-	-	130,827	-
Unrestricted	20,782,626	8,644,960	1,312,475	30,740,061	1,668,676
<b>Total Net Position</b>	<b>\$ 102,798,412</b>	<b>\$ 40,071,343</b>	<b>\$ 15,842,898</b>	<b>\$ 158,712,653</b>	<b>\$ 1,668,676</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, 2013

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service		
<b>Operating Revenues</b>					
Charges for services	\$ 37,243,647	\$ 9,145,920	\$ 2,451,800	\$ 48,841,367	\$ 2,309,696
Miscellaneous	473,668	-	14,891	488,559	8,088
<b>Total Operating Revenues</b>	<u>37,717,315</u>	<u>9,145,920</u>	<u>2,466,691</u>	<u>49,329,926</u>	<u>2,317,784</u>
<b>Operating Expenses</b>					
Operation and maintenance	25,687,131	4,582,100	2,221,142	32,490,373	-
Administration and general	5,426,532	-	-	5,426,532	-
Depreciation	6,264,041	1,636,863	398,028	8,298,932	-
Compensated absences	-	-	-	-	1,139,751
Insurance	-	-	-	-	1,133,458
Claims	-	-	-	-	44,689
<b>Total Operating Expenses</b>	<u>37,377,704</u>	<u>6,218,963</u>	<u>2,619,170</u>	<u>46,215,837</u>	<u>2,317,898</u>
<b>Operating Income (Loss)</b>	<u>339,611</u>	<u>2,926,957</u>	<u>(152,479)</u>	<u>3,114,089</u>	<u>(114)</u>
<b>Non-Operating Revenues (Expenses)</b>					
Operating grants - CPV funds	-	1,952,881	-	1,952,881	-
Operating grants	276,783	40,331	10,475	327,589	-
Interest and fiscal charges	(702,501)	(1,748,973)	(22,848)	(2,474,322)	-
Debt issuance costs	(140,595)	-	-	(140,595)	-
Gain or (loss) on disposal of capital assets	-	(1,165,204)	-	(1,165,204)	-
Investment earnings	(2,358)	8,331	(62)	5,911	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(568,671)</u>	<u>(912,634)</u>	<u>(12,435)</u>	<u>(1,493,740)</u>	<u>-</u>
<b>Income (Loss) Before Capital Contributions, Grants and Transfers</b>	<u>(229,060)</u>	<u>2,014,323</u>	<u>(164,914)</u>	<u>1,620,349</u>	<u>(114)</u>
<b>Total Contributions and Capital Grants</b>	<u>8,288,815</u>	<u>8,676,543</u>	<u>3,704,853</u>	<u>20,670,211</u>	<u>-</u>
<b>Net Income before Transfers</b>	<u>8,059,755</u>	<u>10,690,866</u>	<u>3,539,939</u>	<u>22,290,560</u>	<u>-</u>
<b>Transfers Out</b>					
Payments in lieu of taxes	(786,000)	(319,000)	(80,000)	(1,185,000)	-
Economic development and parking fund	-	(80,199)	-	(80,199)	-
<b>Total Transfers Out</b>	<u>(786,000)</u>	<u>(399,199)</u>	<u>(80,000)</u>	<u>(1,265,199)</u>	<u>-</u>
<b>Change in Net Position</b>	<u>7,273,755</u>	<u>10,291,667</u>	<u>3,459,939</u>	<u>21,025,361</u>	<u>(114)</u>
<b>Net Position Beginning of Year, Restated</b>	<u>95,524,657</u>	<u>29,779,676</u>	<u>12,382,959</u>	<u>137,687,292</u>	<u>1,668,790</u>
<b>Net Position End of Year</b>	<u>\$ 102,798,412</u>	<u>\$ 40,071,343</u>	<u>\$ 15,842,898</u>	<u>\$ 158,712,653</u>	<u>\$ 1,668,676</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, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
<b>Cash Flows from Operating Activities</b>					
Cash received from customers and users	\$ 37,350,675	\$ 9,145,920	\$ 2,454,752	\$ 48,951,347	\$ 2,317,784
Cash payments to employees for services	(12,815,846)	(978,610)	(784,556)	(14,579,012)	-
Cash payments to suppliers for goods and services	(18,881,211)	(3,646,667)	(1,488,393)	(24,016,271)	-
Cash payments for insurance and claims	-	-	-	-	(1,282,500)
Cash payments for compensated absences	-	-	-	-	(1,065,548)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>5,653,618</u>	<u>4,520,643</u>	<u>181,803</u>	<u>10,356,064</u>	<u>(30,264)</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating grant from other governments	276,783	1,993,212	10,475	2,280,470	-
Cash overdraft payments	-	-	(86,909)	(86,909)	-
Transfers out	-	(80,199)	-	(80,199)	-
Payment in lieu of taxes to the general fund	(786,000)	(319,000)	(80,000)	(1,185,000)	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(509,217)</u>	<u>1,594,013</u>	<u>(156,434)</u>	<u>928,362</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Advances	4,000,000	(2,700,000)	-	1,300,000	(600,000)
Capital grant received from other governments	6,409,363	8,910,174	1,256,958	16,576,495	-
Capital debt proceeds	16,344,858	-	833,138	17,177,996	-
Principal paid on general obligation bonds	-	(270,000)	(39,335)	(309,335)	-
Interest paid on general obligation bonds	-	(14,850)	(13,110)	(27,960)	-
Principal paid on revenue bonds	(2,115,305)	(810,000)	-	(2,925,305)	-
Interest paid on revenue bonds	(571,707)	(1,767,675)	-	(2,339,382)	-
Payments for capital acquisitions and construction	(25,111,862)	(8,342,354)	(1,955,825)	(35,410,041)	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(1,044,653)</u>	<u>(4,994,705)</u>	<u>81,826</u>	<u>(5,957,532)</u>	<u>(600,000)</u>
<b>Cash Flows from Investing Activities</b>					
Investment earnings	20,126	9,870	(62)	29,934	-
Proceeds from bond reserve fund investments	-	(11,810)	-	(11,810)	-
Purchase of bond reserve fund investments	212,016	(521,051)	-	(309,035)	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>232,142</u>	<u>(522,991)</u>	<u>(62)</u>	<u>(290,911)</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>4,331,890</u>	<u>596,960</u>	<u>107,133</u>	<u>5,035,983</u>	<u>(630,264)</u>
<b>Cash and Cash Equivalents Beginning of Year (including \$699,217 for Ketchikan Public Utilities and \$884,059 for Port reported in restricted account)</b>	<u>17,457,106</u>	<u>3,169,576</u>	<u>-</u>	<u>20,626,682</u>	<u>2,678,380</u>
<b>Cash and Cash Equivalents End of Year (including \$1,142,670 for Ketchikan Public Utilities, \$866,369 for Port and \$32,808 for Wastewater Services reported in restricted accounts)</b>	<u>\$ 21,788,996</u>	<u>\$ 3,766,536</u>	<u>\$ 107,133</u>	<u>\$ 25,662,665</u>	<u>\$ 2,048,116</u>

(continued)

City of Ketchikan, Alaska  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2013

(continued)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>					
<b>Operating Income (Loss)</b>	\$ 339,611	\$ 2,926,957	\$ (152,479)	\$ 3,114,089	\$ (114)
<b>Adjustments:</b>					
Depreciation	6,264,041	1,636,863	398,028	8,298,932	-
Other	12,188	-	-	12,188	-
<b>(Increase) Decrease in Assets:</b>					
Accounts receivable	(120,060)	-	-	(120,060)	-
Unbilled revenue	(272,648)	-	(11,939)	(284,587)	-
Prepaid expenses	15,745	(68,602)	-	(52,857)	(25,921)
Inventory	(518,319)	-	-	(518,319)	-
Customer deposits	29,380	-	-	29,380	-
<b>Increase (Decrease) in Liabilities:</b>					
Accounts payable	(166,438)	20,371	(46,708)	(192,775)	(78,432)
Compensated absences payable	44,050	5,054	(5,099)	44,005	74,203
Unearned revenue	26,068	-	-	26,068	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 5,653,618</u>	<u>\$ 4,520,643</u>	<u>\$ 181,803</u>	<u>\$ 10,356,064</u>	<u>\$ (30,264)</u>
<b>Noncash investing, capital and financing activities</b>					
Fair value of non-cash investments	\$ (16,492)	\$ 9,441			
Revenue bond arbitrage	(2,690)				

See accompanying notes to the basic financial statements



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NOTES TO THE BASIC  
FINANCIAL STATEMENTS

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

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

**1-A. Reporting Entity**

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

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

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

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

The government-wide statements, which include the statement of net position and statement of activities report information on all the 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.

The City reports the following proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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**

January 1, 2013 the City transferred the inventory of the Ketchikan Public Utilities Fund into a new accounting system using average cost. Due to the number of items in inventory it is not reasonable to determine the change in the inventory value for every item. The City reviewed a sample of items from each warehouse ranging in dollar amounts and a variety of items with high and low purchasing/issuing frequency to determine if the change in inventory value would be significant. It was determined that the change in valuation of inventory using the average cost vs FIFO is not material.

Inventories included in the Ketchikan Public Utilities Fund are valued at cost, which approximates market, using average cost 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, 2013 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, 2013 the balance on hand in the KPU Revenue Bond Redemption Fund amounted to \$1,011,843, which was \$87 more than required. The KPU Revenue Bond Reserve Fund contained \$1,758,678, which was the required amount per applicable bond ordinances. The Port Revenue Bond Redemption Fund amounted to \$866,369, which was \$551 more than required. The Port Revenue Bond Reserve Fund contained \$2,589,291, which was \$11,100 more than required by applicable bond ordinances. The Wastewater Service Fund contained \$32,808 in the Bond Redemption Fund.

The KPU Bond Construction Fund has been established in accordance with the provisions of the revenue bond indentures. These funds can only be used for the payment of costs incurred in the construction of the Whitman Hydroelectric project. The total amount available as of December 31, 2013 was \$130,827.

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, 2013 the amount required to satisfy the bond covenants and lease agreement was \$2,336,763 for the revenue bonds and \$800,862 for the long-term lease for a total of \$3,137,625.

**1-D-7 Capital Assets**

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

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

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

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

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

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

**1-D-8 Compensated Absences**

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

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

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

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

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

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

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

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

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

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

**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 debt service expenditures.

**1-D-11 Fund Equity**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***1-D-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-D-16 Deferred Outflows/Inflows of Resources***

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

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

In 2013, the City implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which amends or supersedes the accounting and financial reporting guidance for items previously reported as assets or liabilities. A restatement of net position is presented in the business-type activities and the government wide statements as applicable. See note 2A for this restatement.

***Note 2 – Change in Accounting Principles and Estimates***

***2-A Implementation of GASB Statement No. 65***

In 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, unamortized bond issuance costs for both governmental and business-type activities at the government-wide level and for the proprietary funds at the fund level were written off. This required the restatement of beginning net position at the government-wide level and at fund level for the proprietary funds. Comparative financial statements for the proprietary funds for 2012 were also required to be restated.

*(This page continued on the subsequent page)*

**Note 2 – Change in Accounting Principles (Continued)**

Proprietary Fund Restatement of Net Position

	Ketchikan Public Utilities Fund	Port Fund	Wastewater Services Fund	Total Proprietary Funds
Net position as of 12/31/2011	\$ 91,219,609	\$ 20,743,130	\$ 11,863,986	\$ 123,826,725
Write-off of unamortized bond issuance costs	(123,448)	(299,896)	(4,416)	(427,760)
Net position restated as of 12/31/2011	<u>\$ 91,096,161</u>	<u>\$ 20,443,234</u>	<u>\$ 11,859,570</u>	<u>\$ 123,398,965</u>

Government-wide Restatement of Net Position

	Governmental Activities	Business-Type Activities	Total
Net position as of 12/31/2012	\$ 151,984,018	\$ 138,069,770	\$ 290,053,788
Write-off of unamortized bond issuance costs	(112,046)	(382,478)	(494,524)
Net position restated as of 12/31/12	<u>\$ 151,871,972</u>	<u>\$ 137,687,292</u>	<u>\$ 289,559,264</u>

**2-B Changes in Useful Lives of Capital Assets**

In 2013, the Telecommunications Department of Ketchikan Public Utilities implemented a change to the useful lives of 14 asset classifications as result of depreciation study that was prepared for the department. The lives of the various asset classifications were extended from 3 years up to 21.5 years. The effect of this change created a reduction to depreciation expense and a positive effect on net position in the amount of \$470,338 in the current year.

**Note 3 – Stewardship, Compliance and Accountability**

**3-A. Budgetary Information**

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

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

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

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

On December 20, 2012, the 2013 General Government Operating and Capital Budget and the 2013 Ketchikan Public Utilities Operating and Capital Budget were adopted by the City Council with the passage of Resolution 12-2480 and Resolution 12-2481, respectively. During the year, the 2013 General Government Operating and Capital Budget was amended to provide for supplemental appropriations as follows:

- Acceptance of a grant for the fire department in the amount of \$18,474
- Acceptance of a grant for the fire department in the amount of \$160,765.
- Acceptance of a grant for the fire department in the amount of \$30,000.
- Acceptance of a grant for the fire department in the amount of \$43,750.
- Acceptance of a grant for the fire department in the amount of \$25,353.
- Acceptance of a grant for the police department in the amount of \$33,000.

**Note 3 – Stewardship, Compliance and Accountability (Continued)**

- Acceptance of a grant for the library department in the amount of \$6,600.
- Acceptance of a grant for the library department in the amount of \$7,926.
- Acceptance of a grant for the tourism and economic development department in the amount of \$50,000.
- Issuance of bonds for the wastewater department in the amount of \$192,000.
- Acceptance of a grant for the port department in the amount of \$244,100.
- Acceptance of a grant for the port department in the amount of \$1,049,602.
- Acceptance of a grant for the port department in the amount of \$175,000.
- Increase appropriations for the port department in the amount of \$65,000.
- Acceptance of a grant for the port department in the amount of \$62,198.

During the year, the 2013 Ketchikan Public Utilities Operating and Capital Budget was amended as follows:

- Acceptance of a grant for the sales and marketing department in the amount of \$40,000.
- Increase appropriations for the electric department in the amount of \$2,107,000.
- Issuance of bonds for the water department in the amount of \$62,400.
- Acceptance of a grant for the water department in the amount of \$145,600.

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.

**Note 4 - Detailed Notes on All Funds**

**4-A. Deposits and Investments**

Cash and investments for the City are comprised of governmental and business-type activities. The balances at December 31, 2013 were:

Cash on hand	\$ 9,570
Deposits with financial institutions	42,942,901
Investments	19,447,576
Total	<u>\$ 62,400,047</u>

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Unrestricted	\$ 28,247,246	\$ 23,620,818	\$ 51,868,064
Restricted	1,004,542	9,527,441	10,531,983
Total	<u>\$ 29,251,788</u>	<u>\$ 33,148,259</u>	<u>\$ 62,400,047</u>

**Note 4 - Detailed Notes on All Funds (Continued)**

The restricted cash and investments are comprised entirely of \$2,770,521, \$32,808 and \$3,455,660 for bond reserve accounts established for the City's municipal utility, wastewater services and port revenue bonds, respectively, \$1,004,543 for municipal bond construction accounts, \$130,827 for City municipal utility bond constructions accounts and \$3,137,625 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 and collateralized with eligible securities in amounts equal at least 100 percent of the book value of deposits. As of December 31, 2013, the book value of all the City deposits was \$42,942,901. 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, 2013, the weighted average maturity of the City's investment portfolio was 1.09 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, 2013, the City had investments in money market funds totaling \$15,701,718. The money market funds were invested primarily in U.S. Treasury and Agency obligations.

**Concentration of credit risk.** Of the City's total investments as of December 31, 2013, 19 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 80 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, 2013, the City had no investments that were held by either a counterparty or a counterparty's trust department or agent. The City did have funds on deposit with Bank of New York Mellon in the amount of \$1,758,678 of which \$1,508,678 were uncollateralized.

As of December 31, 2013, 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	\$ 3,745,858	\$ -	\$ 1,415,007	\$ 2,330,851	\$ -	1.09
Cash in Mutual Funds	15,701,718	15,701,718	-	-	-	0
	<u>\$ 19,447,576</u>	<u>\$ 15,701,718</u>	<u>\$ 1,415,007</u>	<u>\$ 2,330,851</u>	<u>\$ -</u>	

Portfolio weighted average maturity

1.09

**Note 4 - Detailed Notes on All Funds (Continued)**

**4-B. Receivables**

Receivables at December 31, 2013, 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, 2013, consisted of the following:

	Governmental Activities	Business- type Activities	Total
Accounts receivable	\$ 4,320,305	\$ 11,633,036	\$ 15,953,341
Allowance for doubtful accounts	(136,700)	(150,000)	(286,700)
Net accounts receivable	<u>\$ 4,183,605</u>	<u>\$ 11,483,036</u>	<u>\$ 15,666,641</u>

**4-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.

**4-D. Leases**

**4-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, 2003 and 2013, 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.

**Note 4 - Detailed Notes on All Funds (Continued)**

In 2004, the State of Alaska transferred, at no cost, to the City of Ketchikan thirteen tidelands leases. The following is a schedule of investment in property held for lease and the minimum future rentals as of December 31, 2013:

	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
2014	\$ 48,491
2015	48,491
2016	48,491
2017	38,691
2018	38,691
2019-2023	193,455
2024-2028	164,426
2029-2033	162,975
2034-2038	107,266
2039-2043	73,070
2044-2048	67,250
2049-2053	44,900
2054-2058	30,000
2059-2063	30,000
Total minimum future lease rentals	\$ 1,096,197

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 2016 while the lease with the longest remaining term expires in 2063.

The City is a lessee in the following operating lease:

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

*(This page continued on the subsequent page)*

**Note 4 - Detailed Notes on All Funds (Continued)**

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

<u>Year Ending December 31</u>	<u>Amount</u>
2014	\$ 1,800,000
2015	1,800,000
2016	1,800,000
2017	1,800,000
2018	1,800,000
2019-2023	9,000,000
2022-2028	9,000,000
2029-2033	9,000,000
2034-2037	7,200,000
Total future minimum lease payments	<u>\$ 43,200,000</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 2013, the City paid the minimum lease of \$1,800,000 plus a contingent lease payment of \$528,920 for a total of \$2,328,920

**4-E. Capital Assets**

Capital asset activity for the year ended December 31, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 27,270,186	\$ 1,634,312	\$ -	\$ 28,904,498
Construction in progress	15,896,247	2,223,522	12,032,435	6,087,334
Other capital assets	100,750	-	-	100,750
Total nondepreciable capital assets	<u>43,267,183</u>	<u>3,857,834</u>	<u>12,032,435</u>	<u>35,092,582</u>
Depreciable capital assets:				
Land improvements	1,421,304	132,899	-	1,554,203
Buildings	65,061,425	9,758,874	36,989	74,783,310
Machinery and equipment	15,115,373	682,255	335,628	15,462,000
Infrastructure	58,264,734	1,722,259	1,438,985	58,548,008
Software	613,335	11,370	-	624,705
Total depreciable capital assets	<u>140,476,171</u>	<u>12,307,657</u>	<u>1,811,602</u>	<u>150,972,226</u>
Total capital assets	<u>183,743,354</u>	<u>16,165,491</u>	<u>13,844,037</u>	<u>186,064,808</u>
Accumulated depreciation:				
Land improvements	1,102,277	92,205	-	1,194,482
Buildings	16,749,130	1,201,230	25,892	17,924,468
Machinery and equipment	7,891,648	957,599	264,326	8,584,921
Infrastructure	20,781,640	1,656,395	1,422,867	21,015,168
Software	393,982	72,667	-	466,649
Total accumulated depreciation	<u>46,918,677</u>	<u>3,980,096</u>	<u>1,713,085</u>	<u>49,185,688</u>
Governmental activities capital assets, net	<u>\$ 136,824,677</u>	<u>\$ 12,185,395</u>	<u>\$ 12,130,952</u>	<u>\$ 136,879,120</u>

Note 4 - Detailed Notes on All Funds (Continued)

Governmental activities depreciation expense

General government	\$ 70,180
Public safety	697,374
Public works	1,756,352
Health and welfare	564,109
Harbor	712,853
Culture	179,228
	<u>179,228</u>
Total governmental activities depreciation expense	<u>\$ 3,980,096</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	68,611	125,000	981,630
Construction in progress	15,491,460	29,125,929	4,457,818	40,159,571
	<u>20,979,835</u>	<u>29,194,540</u>	<u>4,582,818</u>	<u>45,591,557</u>
Total non-depreciable capital assets				
Depreciable capital assets:				
Electric utility plant	89,605,378	816,269	398,456	90,023,191
Telecommunications utility plant	54,644,301	2,363,826	1,182,391	55,825,736
Water utility plant	48,634,769	290,236	600	48,924,405
Wastewater utility plant	20,821,336	9,005	-	20,830,341
Port facilities	60,014,127	8,525,834	1,435,087	67,104,874
	<u>273,719,911</u>	<u>12,005,170</u>	<u>3,016,534</u>	<u>282,708,547</u>
Total depreciable capital assets				
Total capital assets	<u>294,699,746</u>	<u>41,199,710</u>	<u>7,599,352</u>	<u>328,300,104</u>
Accumulated depreciation:				
Electric utility plant	59,537,602	2,502,345	398,456	61,641,491
Telecommunications utility plant	42,099,007	2,529,229	1,182,391	43,445,845
Water utility plant	13,844,401	1,232,467	587	15,076,281
Wastewater utility plant	6,656,894	398,028	-	7,054,922
Port facilities	14,023,090	1,636,863	269,883	15,390,070
	<u>136,160,994</u>	<u>8,298,932</u>	<u>1,851,317</u>	<u>142,608,609</u>
Total accumulated depreciation				
Business-type activities capital assets, net	<u>\$ 158,538,752</u>	<u>\$ 32,900,778</u>	<u>\$ 5,748,035</u>	<u>\$ 185,691,495</u>

**Note 4 - Detailed Notes on All Funds (Continued)**

**4-F. Commitments**

The City has the following commitments as of December 31, 2013:

	Operational	Capital	Total
Governmental Funds			
General	\$ 332,515	\$ 2,065,952	\$ 2,398,467
Non-major special revenue funds	74,746	1,543,924	1,618,670
Non-major capital projects funds	-	4,658,413	4,658,413
Total Governmental Funds	<u>\$ 407,261</u>	<u>\$ 8,268,289</u>	<u>\$ 8,675,550</u>
Enterprise Funds			
KPU	\$ 827,079	\$ 8,089,154	\$ 8,916,233
Port	57,109	5,023,139	5,080,248
Wastewater	28,330	423,164	451,494
Total Enterprise Funds	<u>\$ 912,518</u>	<u>\$ 13,535,457</u>	<u>\$ 14,447,975</u>

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

Interfund balances at December 31, 2013, consisted of the \$55,996 for governmental activities and represents reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year except where noted.

Interfund transfers for the year ended December 31, 2013, consisted of the following:

Transfers from	Transfers to:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 1,208,519	\$ 1,208,519
KPU Fund	786,000	-	786,000
Port Fund	399,199	-	399,199
Wastewater Fund	80,000	-	80,000
Nonmajor governmental funds	<u>374,000</u>	<u>486,947</u>	<u>860,947</u>
Total	<u>\$ 1,639,199</u>	<u>\$ 1,695,466</u>	<u>\$ 3,334,665</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.

**4-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 2013, the City did not have any current expenditures for landfill closure costs nor any post-closure care costs. The total estimated liability for

**Note 4 - Detailed Notes on All Funds (Continued)**

landfill closure and postclosure care costs are reported on the government-wide statement of net position.

During 2013, the future closure and postclosure costs were reevaluated and adjusted to reflect current conditions. As of December 31, 2013, the estimated liability for landfill closure and postclosure care costs totaled \$951,540, an increase of \$4,020 from the estimated liability as of December 31, 2012.

The estimated liability is based on an engineer's estimate taking into account various factors including used capacity. As of December 31, 2013 used capacity was approximately 58.59%. It is estimated that an additional \$748,460 will be recognized as closure and postclosure care expenses between the date of the balance sheet, and the year 2037, in 25 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, 2013. 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, 2013.

**4-1. 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:

**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%, due in semiannual installments through November 1, 2033. As of December 31, 2013, the City had incurred \$3,088,580 of which 90% was forgiven for satisfying the requirements of the American Recovery Act of 2009.

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

**Wastewater General Obligation Bonds, ADEC Clean Water Fund 481101** – issued to finance the replacement of a portion of the Jackson/Monroe Avenue sewer main, bearing an interest rate of 1.5%. The amount authorized is \$2,603,505. As of December 31, 2013, the City had incurred \$1,279,015 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 4 - Detailed Notes on All Funds (Continued)**

Annual debt service requirements to amortize general obligation bonds outstanding, as of December 31, 2013 follow:

Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 1,180,000	\$ 655,506	\$ 1,835,506	\$ 67,023	\$ 35,156	\$ 102,179
2015	1,230,000	608,225	1,838,225	68,032	20,812	88,844
2016	1,275,000	555,250	1,830,250	69,056	19,787	88,843
2017	1,330,000	498,693	1,828,693	70,096	18,748	88,844
2018	535,000	437,943	972,943	71,152	17,692	88,844
2019-2023	2,980,000	1,795,985	4,775,985	372,153	72,066	444,219
2024-2028	3,555,000	1,002,600	4,557,600	401,025	43,193	444,218
2029-2033	1,950,000	159,135	2,109,135	352,877	12,672	365,549
Total	\$ 14,035,000	\$ 5,713,337	\$ 19,748,337	\$ 1,471,414	\$ 240,126	\$ 1,711,540

This amortization schedule does not include \$1,279,015 for Wastewater Clean Water Loan Funds because the projects are not complete.

**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, 2002, Series V** – issued to partially refund 1994 Series S, dated December 1, 2002, refunded June 19, 2013, due in annual installments through December 1, 2014 bearing interest rate of 2.00%.

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

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

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

**KPU Revenue Bonds, ADEC Drinking Water Fund 481051**– issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of a water treatment facility, due in semiannual installments through November 1, 2033. The amount authorized is \$5.5 million. As of December 31, 2013 the City had incurred \$3,532,579 in constructions costs of which \$3,531,178 has been put into a loan schedule. An additional \$1,401 in construction costs eligible for funding from this loan program has been incurred as of December 31, 2013. The additional amount to be borrowed and 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, due in semiannual installments through November 1, 2033.

**Note 4 - Detailed Notes on All Funds (Continued)**

**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, due in semiannual installments through November 1, 2033. As of December 31, 2013, the City had incurred \$1,072,996 of which 90% was forgiven for satisfying the requirements of the American Recovery Act of 2009.

**KPU Revenue Bonds, ADEC Drinking Water Fund 481121**– issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Baranof reservoir replacement, due in semiannual installments through November 1, 2033. As of December 31, 2013, the City had incurred \$646,883 of which 50% was forgiven for satisfying the requirements of the American Recovery Act of 2009.

**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, 2013 the City incurred \$1,592,412 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.

**Port Revenue Bonds, 2006 Series** – issued to finance the 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%.

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

Annual debt service requirements to amortize revenue bonds outstanding, as of December 31, 2013 follow:

Year	Principal	Interest	Total
2014	\$ 2,973,652	\$ 2,827,099	\$ 5,800,751
2015	2,943,450	2,503,238	5,446,688
2016	3,063,320	2,392,081	5,455,401
2017	3,178,263	2,278,923	5,457,186
2018	1,968,281	2,177,915	4,146,196
2019-2023	11,044,353	9,593,975	20,638,328
2024-2028	13,451,623	6,868,004	20,319,627
2029-2033	16,702,660	3,450,767	20,153,427
2034-2035	4,795,000	362,500	5,157,500
<b>Total</b>	<b>\$ 60,120,602</b>	<b>\$ 32,454,502</b>	<b>\$ 92,575,104</b>

This amortization schedule does not include \$1,593,813 for KPU Water Drinking Water Loan Funds because the projects are not complete.

(This page continued on the subsequent page)

**Note 4 - 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, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	in One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 15,175,000	\$ -	\$ 1,140,000	\$ 14,035,000	\$ 1,180,000
Plus deferred amounts:					
For issuance premiums	551,032	-	50,350	500,682	50,351
Total bonds payable	15,726,032	-	1,190,350	14,535,682	1,230,351
Landfill closure costs	947,520	4,020		951,540	-
Compensated absences	1,226,720	1,139,751	1,065,547	1,300,924	130,092
<b>Total Governmental Activities</b>	<b>\$ 17,900,272</b>	<b>\$ 1,143,771</b>	<b>\$ 2,255,897</b>	<b>\$ 16,788,146</b>	<b>\$ 1,360,443</b>
Business-Type Activities					
Bonds payable:					
General obligation bonds	\$ 5,006,445	\$ 833,041	\$ 3,089,059	\$ 2,750,427	\$ 67,023
Revenue bonds	51,246,470	15,700,956	5,233,011	61,714,415	2,973,653
Plus deferred amounts:					
For issuance premiums	781,591	1,831,023	130,626	2,481,988	151,331
Total bonds payable	57,034,506	18,365,020	8,452,696	66,946,830	3,192,007
Compensated absences	808,439	1,071,690	1,027,685	852,444	85,244
<b>Total Business-Type Activities</b>	<b>\$ 57,842,945</b>	<b>\$ 19,436,710</b>	<b>\$ 9,480,381</b>	<b>\$ 67,799,274</b>	<b>\$ 3,277,251</b>

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, 2013, \$8,515,000 of the bonds outstanding was considered defeased.

**4-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 4 - 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	
	1/1/13 - 6/30/13	7/1/13 - 12/31/13
<b>Contribution Rates</b>		
<b>Employee Rate:</b>		
Police Officers and Firefighters	7.50%	7.50%
Other Employees	6.75%	6.75%
<b>Actuarially Required Employer Rate:</b>		
Police Officers and Firefighters	35.84%	35.68%
Other Employees	35.84%	35.68%
<b>Adjusted Actual Employer Rate:</b>		
Police Officers and Firefighters	22.00%	22.00%
Other Employees	22.00%	22.00%

The actuarially determined 2013 employer contribution rate for the City was 35.84% percent from January 1 to June 30, 2013 and 35.68% percent from July 1 to December 31, 2013. 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 2013, the State contributed \$1,309,436, \$777,802 for pension and \$531,634 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 4 - Detailed Notes on All Funds (Continued)**

The annual pension and other post-employment benefit costs for the year ended December 31, 2013 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>
2013	\$ 993,937	\$ 679,357	\$ 1,673,294	100%
2012	880,061	812,364	1,692,425	100%
2011	789,496	1,004,813	1,794,309	100%

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

	<u>Pension and Postemployment</u>	
	<u>1/1/13 - 6/30/13</u>	<u>7/1/13 - 12/31/13</u>
Pension Contribution Rates		
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%
Health Contribution Rates		
Employer Health Rate*:		
Police Officers and Firefighters	0.48%	0.48%
Other Employees	0.48%	0.48%
Employer Occupational Disability & Death Rate*:		
Police Officers and Firefighters	0.99%	1.14%
Other Employees	0.14%	0.20%
Health Reimbursement Account:		
Police Officers and Firefighters	\$154.04/month**	\$158.05/month**
Other Employees	\$154.04/month**	\$158.05/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 \$3,065,429 in 2013, members contributed \$245,202 and the City contributed \$263,903 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 \$3.09 to \$5.64 per hour. The City's total payroll for the year ended December 31, 2013 was \$20,791,710 and payroll for covered employees totaled \$10,411,315. The total amount contributed to the IBEW plan in 2013 was \$1,526,400, which represents 14.66% of the City's current covered payroll.

**Note 4 - Detailed Notes on All Funds (Continued)**

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

Net Investment in capital assets on the government-wide statement of net position as of December 31, 2013 are as follows:

	Governmental Activities	Business-type Activities
Cost of capital assets	\$ 186,064,808	\$ 328,300,104
Less accumulated depreciation	(49,185,688)	(142,608,609)
Book value	136,879,120	185,691,495
Less capital related debt	(13,007,863)	(66,946,830)
Plus bond discount and refunding amounts	81,183	129,454
Net investment in capital assets	\$ 123,952,440	\$ 118,874,119

**4-L. Deferred Outflows of Resources**

Deferred outflows of resources consist of deferred charges on debt refundings resulting from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt and totaled \$210,637.

**Note 5 - Other Notes**

**5-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, 2013, the City had a net position of \$1,668,676 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, 2013 pending claims in the amount of \$250,000 and unpaid incurred claims in the amount of \$5,623 are included as a liability of the self-insurance fund. Amounts due within one year are \$5,623.

Changes in the balances of claims liabilities for the years ended December 31, 2013, 2012 and 2011 are as follows:

Date	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2011	311,468	149,936	192,200	269,204
2012	269,204	164,823	99,972	334,055
2013	334,055	39,066	117,498	255,623

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

**Note 5 - Other Notes (Continued)**

**5-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.

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.

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

The City's electric utility currently operates four hydroelectric and two diesel electric generating plants. The City owns three of the hydroelectric plants and the diesel plants. 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 2013, the SEAPA paid the City \$751,434 to operate the Swan Lake hydroelectric facility and \$11,595 for maintenance performed on the facility. The City paid the SEAPA \$5,784,566 for power purchased from the Swan Lake hydroelectric facility. During 2013, approximately 52% of the City's total electric generation, or 91,331,000 kWh, was produced by the Swan Lake hydroelectric facility. At December 31, 2013, the amount due to the SEAPA was \$1,280,625.

**5-D. Ketchikan Public Utilities-Sale of the Telecommunications Division**

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

**5-E. Issuance of Debt**

In June 2014, the City issued \$44 million of general obligation bonds through the Alaska Municipal Bond Bank Authority. The proceeds from the bonds will be used to finance the construction of new facilities for the Ketchikan Medical Center and the replacement of two floats at Bar Harbor South. The \$41.3 million hospital bond will require average annual debt service of \$2.48 million and matures in 30 years. The \$2.7 million harbor bond will require average annual debt service of \$206,428 and matures in 20 years. The effective interest rate for both bonds is 3.78 percent.

**5-F. Violation of 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 Disinfection and Disinfection Byproducts Rule and the City was ordered to correct the violation or begin water filtration. The City chose to construct a facility that uses ultraviolet for primary disinfection and chloramines for residual disinfection. In April 2014, the new water treatment facility was placed in service. While the initial results from operating the new facility show an improvement in the levels of haloacetic acids, it has yet to be determined if the improvement is sufficient to correct the violation of the Stage I Disinfection and Disinfection Byproduct Rule.

**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, 2013**

	Original Budget	Final Budget	Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Taxes						
Real & personal property taxes	\$ 5,471,235	\$ 5,471,235	\$ 5,750,117	\$ -	\$ 5,750,117	\$ 278,882
Automobile & boat taxes	60,000	60,000	48,589	-	48,589	(11,411)
Penalty & interest	45,000	45,000	65,224	-	65,224	20,224
Senior citizen local contribution	(390,000)	(390,000)	(400,242)	-	(400,242)	(10,242)
Sales tax	2,945,000	2,945,000	2,914,739	-	2,914,739	(30,261)
Payments in lieu of taxes	10,000	10,000	11,095	-	11,095	1,095
	<u>8,141,235</u>	<u>8,141,235</u>	<u>8,389,522</u>	<u>-</u>	<u>8,389,522</u>	<u>248,287</u>
Payments in lieu of taxes						
Ketchikan public utilities fund	786,000	786,000	-	786,000	786,000	-
Port fund	319,000	319,000	-	319,000	319,000	-
Wastewater services fund	80,000	80,000	-	80,000	80,000	-
	<u>1,185,000</u>	<u>1,185,000</u>	<u>-</u>	<u>1,185,000</u>	<u>1,185,000</u>	<u>-</u>
Licenses and permits						
Entertainment	1,000	1,000	-	-	-	(1,000)
Building permits	73,500	73,500	90,571	-	90,571	17,071
Other	1,500	1,500	945	-	945	(555)
	<u>76,000</u>	<u>76,000</u>	<u>91,516</u>	<u>-</u>	<u>91,516</u>	<u>15,516</u>
Intergovernmental						
Federal fire grants	42,697	291,039	171,507	-	171,507	(119,532)
Liquor licenses tax	40,000	40,000	32,000	-	32,000	(8,000)
Other state revenues	502,500	502,500	1,478,120	(975,399)	502,721	221
Federal revenues	-	47,526	13,511	-	13,511	(34,015)
	<u>585,197</u>	<u>881,065</u>	<u>1,695,138</u>	<u>(975,399)</u>	<u>719,739</u>	<u>(161,326)</u>
Charges for services						
Ambulance	525,000	525,000	515,158	-	515,158	(9,842)
Rentals	14,000	14,000	13,860	-	13,860	(140)
Parking fees	92,000	92,000	79,910	-	79,910	(12,090)
Cemetery	1,000	1,000	705	-	705	(295)
Library services	660,300	660,300	666,621	-	666,621	6,321
Museum services	165,700	165,700	215,289	-	215,289	49,589
E-911 emergency dispatch services	415,000	415,000	429,457	-	429,457	14,457
Civic center services	141,000	141,000	116,769	-	116,769	(24,231)
Other charges	106,500	106,500	94,414	-	94,414	(12,086)
	<u>2,120,500</u>	<u>2,120,500</u>	<u>2,132,183</u>	<u>-</u>	<u>2,132,183</u>	<u>11,683</u>
Fines and forfeitures						
Parking fines	105,000	105,000	112,309	-	112,309	7,309
Other fines	11,000	11,000	10,351	-	10,351	(649)
Court deposits	50,000	50,000	26,883	-	26,883	(23,117)
	<u>166,000</u>	<u>166,000</u>	<u>149,543</u>	<u>-</u>	<u>149,543</u>	<u>(16,457)</u>
Investment earnings						
	1,000	1,000	(728)	-	(728)	(1,728)
Other revenue						
Miscellaneous	32,000	32,000	40,138	-	40,138	8,138
Interdepartmental charges						
	3,371,040	3,371,040	3,149,075	-	3,149,075	(221,965)
<b>Total Revenues</b>	<u>15,677,972</u>	<u>15,973,840</u>	<u>15,646,387</u>	<u>209,601</u>	<u>15,855,988</u>	<u>(117,852)</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, 2013*

	<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	232,010	232,010	222,667	(1,714)	220,953	11,057
City Clerk	248,632	248,632	254,014	(17,415)	236,599	12,033
Law	389,239	389,239	335,555	(544)	335,011	54,228
City Manager	673,281	769,081	704,665	(43,217)	661,448	107,633
Finance	1,820,569	1,852,827	1,920,183	(102,684)	1,817,499	35,328
Information Technology	1,114,349	1,114,349	1,096,053	(50,137)	1,045,916	68,433
	<u>4,478,080</u>	<u>4,606,138</u>	<u>4,533,137</u>	<u>(215,711)</u>	<u>4,317,426</u>	<u>288,712</u>
Public safety						
Fire	3,109,325	3,387,667	3,351,002	(198,810)	3,152,192	235,475
Police	4,839,545	4,872,545	4,886,115	(328,525)	4,557,590	314,955
	<u>7,948,870</u>	<u>8,260,212</u>	<u>8,237,117</u>	<u>(527,335)</u>	<u>7,709,782</u>	<u>550,430</u>
Culture						
Library	1,354,683	1,395,499	1,325,086	(15,604)	1,309,482	86,017
Museum	904,124	904,124	837,543	(28,318)	809,225	94,899
Civic Center	409,404	426,804	424,291	(20,111)	404,180	22,624
	<u>2,668,211</u>	<u>2,726,427</u>	<u>2,586,920</u>	<u>(64,033)</u>	<u>2,522,887</u>	<u>203,540</u>
Health and welfare						
Public Health	15,000	15,000	11,192	-	11,192	3,808
Public works						
Engineering	1,721,127	1,721,127	1,620,488	(51,158)	1,569,330	151,797
Streets	1,774,557	1,787,057	1,635,733	(1,733)	1,634,000	153,057
Cemetery	86,000	86,000	70,861	5,953	76,814	9,186
Garage	525,821	525,821	467,826	(16,196)	451,630	74,191
Building Maintenance	423,105	423,105	346,713	5,000	351,713	71,392
	<u>4,530,610</u>	<u>4,543,110</u>	<u>4,141,621</u>	<u>(58,134)</u>	<u>4,083,487</u>	<u>459,623</u>
Non-departmental						
General expenditures	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>19,640,771</u>	<u>20,150,887</u>	<u>19,509,987</u>	<u>(865,213)</u>	<u>18,644,774</u>	<u>1,506,113</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(3,962,799)</u>	<u>(4,177,047)</u>	<u>(3,863,600)</u>	<u>1,074,814</u>	<u>(2,788,786)</u>	<u>1,388,261</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, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Reclassifications and Encumbrances</b>	<b>(Budgetary Basis) Actual</b>	<b>Variance Positive (Negative)</b>
<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	2,408,300	2,408,300	2,000,000	-	2,000,000	(408,300)
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	5,000	5,000	5,000	-	5,000	-
Bayview cemetery fund	5,000	5,000	5,000	-	5,000	-
Ketchikan public utilities fund	-	-	786,000	(786,000)	-	-
Port fund	80,199	80,199	399,199	(319,000)	80,199	-
Wastewater services fund	-	-	80,000	(80,000)	-	-
Transfers out						
GO bond debt service fund	(359,544)	(359,544)	(366,019)	-	(366,019)	(6,475)
Community grant fund	(46,749)	(46,749)	(46,749)	-	(46,749)	-
Sale of capital assets	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,882,580</b>	<b>2,882,580</b>	<b>3,652,805</b>	<b>(1,185,000)</b>	<b>2,467,805</b>	<b>(414,775)</b>
<b>Net Change in Fund Balances</b>	<b>(1,080,219)</b>	<b>(1,294,467)</b>	<b>(210,795)</b>	<b>(110,186)</b>	<b>(320,981)</b>	<b>973,486</b>
<b>Fund Balances Beginning of Year</b>	<b>4,026,123</b>	<b>4,026,123</b>	<b>4,285,383</b>	<b>(222,329)</b>	<b>4,063,054</b>	<b>36,931</b>
<b>Fund Balances End of Year</b>	<b>\$ 2,945,904</b>	<b>\$ 2,731,656</b>	<b>\$ 4,074,588</b>	<b>\$ (332,515)</b>	<b>\$ 3,742,073</b>	<b>\$ 1,010,417</b>

*City of Ketchikan, Alaska*  
*Notes to Required Supplementary Information*  
*For the Year Ended December 31, 2013*

*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.

# GOVERNMENTAL FUNDS

**City of Ketchikan, Alaska**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - by Fund Type**  
**December 31, 2013**

	<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	\$ 5,107,278	\$ 3,966,535	\$ 9,073,813
Restricted cash - bond construction funds	-	1,004,542	1,004,542
Receivables:			
Accounts	30,688	88,637	119,325
Taxes	66,232	-	66,232
Intergovernmental	141,643	1,279,340	1,420,983
Advances	-	700,000	700,000
Unbilled revenue	53,832	-	53,832
<b>Total Assets</b>	<b>\$ 5,399,673</b>	<b>\$ 7,039,054</b>	<b>\$ 12,438,727</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 332,920	\$ 818,070	\$ 1,150,990
Interfund payable	55,996	-	55,996
Deferred revenue	80,883	-	80,883
Unearned revenue	123,636	-	123,636
Advances payable	-	1,250,000	1,250,000
<b>Total Liabilities</b>	<b>593,435</b>	<b>2,068,070</b>	<b>2,661,505</b>
<b>Fund Balances</b>			
Restricted:			
Law enforcement	10,857	-	10,857
Assigned:			
Subsequent years budget	622,471	-	622,471
General government	-	2,857,700	2,857,700
Public safety	-	810,230	810,230
Culture and tourism	87,201	194,312	281,513
Collection and disposal of solid waste	3,267,558	-	3,267,558
Cemetery operations	118,738	-	118,738
Harbor operations	699,413	-	699,413
Harbor construction	-	1,034,647	1,034,647
Public works projects	-	74,095	74,095
<b>Total Fund Balances</b>	<b>4,806,238</b>	<b>4,970,984</b>	<b>9,777,222</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,399,673</b>	<b>\$ 7,039,054</b>	<b>\$ 12,438,727</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, 2013**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Debt Service Funds</b>	<b>Nonmajor Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 386,230	\$ -	\$ -	\$ 386,230
Intergovernmental	336,166	-	2,475,422	2,811,588
Charges for services	4,058,899	-	-	4,058,899
Fines and forfeitures	33,019	-	-	33,019
Investment earnings	(1,514)	-	(566)	(2,080)
Contributions	-	-	105,505	105,505
Miscellaneous	38,282	142,390	-	180,672
<b>Total Revenues</b>	<b>4,851,082</b>	<b>142,390</b>	<b>2,580,361</b>	<b>7,573,833</b>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	-	-	11,906	11,906
Culture	-	-	175,990	175,990
Health and welfare	260,274	-	-	260,274
Public works	2,833,992	-	822,904	3,656,896
Port and harbor	1,116,503	-	2,306,545	3,423,048
<b>Debt Service:</b>				
Principal retirement	-	1,140,000	-	1,140,000
Interest and fiscal charges	-	697,856	-	697,856
<b>Total Expenditures</b>	<b>4,210,769</b>	<b>1,837,856</b>	<b>3,317,345</b>	<b>9,365,970</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>640,313</b>	<b>(1,695,466)</b>	<b>(736,984)</b>	<b>(1,792,137)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	1,695,466	-	1,695,466
Transfers out	(374,000)	-	(486,947)	(860,947)
<b>Total Other Financing Sources (Uses)</b>	<b>(374,000)</b>	<b>1,695,466</b>	<b>(486,947)</b>	<b>834,519</b>
<b>Net Change in Fund Balances</b>	<b>266,313</b>	<b>-</b>	<b>(1,223,931)</b>	<b>(957,618)</b>
<b>Fund Balances Beginning of Year</b>	<b>4,539,925</b>	<b>-</b>	<b>6,194,915</b>	<b>10,734,840</b>
<b>Fund Balances End of Year</b>	<b>\$ 4,806,238</b>	<b>\$ -</b>	<b>\$ 4,970,984</b>	<b>\$ 9,777,222</b>

## 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.

**City of Ketchikan, Alaska**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**December 31, 2013**

	<b>Transient Tax</b>	<b>Solid Waste Services</b>	<b>Ketchikan Boat Harbor</b>
<b>Assets</b>			
Cash and temporary investments	\$ 101,191	\$ 3,843,027	\$ 1,019,465
Receivables:			
Accounts	-	-	30,688
Taxes	66,232	-	-
Intergovernmental	-	-	-
Unbilled revenue	-	53,832	-
<b>Total Assets</b>	<b>\$ 167,423</b>	<b>\$ 3,896,859</b>	<b>\$ 1,050,153</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 227,135	\$ 20,138
Interfund payable	-	-	-
Deferred revenue	66,232	-	14,651
Unearned revenue	-	-	123,636
<b>Total Liabilities</b>	<b>66,232</b>	<b>227,135</b>	<b>158,425</b>
<b>Fund Balances</b>			
Restricted:			
Law enforcement	-	-	-
Assigned:			
Subsequent years budget	13,990	402,166	192,315
Culture and tourism	87,201	-	-
Collection and disposal of solid waste	-	3,267,558	-
Cemetery operations	-	-	-
Harbor operations	-	-	699,413
<b>Total Fund Balances</b>	<b>101,191</b>	<b>3,669,724</b>	<b>891,728</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 167,423</b>	<b>\$ 3,896,859</b>	<b>\$ 1,050,153</b>

<b>Bayview Cemetery</b>	<b>Federal and State Grant</b>	<b>US Marshall Property Seizure</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 132,738	\$ -	\$ 10,857	\$ 5,107,278
-	-	-	30,688
-	-	-	66,232
-	141,643	-	141,643
-	-	-	53,832
<u>\$ 132,738</u>	<u>\$ 141,643</u>	<u>\$ 10,857</u>	<u>\$ 5,399,673</u>
\$ -	\$ 85,647	\$ -	\$ 332,920
-	55,996	-	55,996
-	-	-	80,883
-	-	-	123,636
-	141,643	-	593,435
-	-	10,857	10,857
14,000	-	-	622,471
-	-	-	87,201
-	-	-	3,267,558
118,738	-	-	118,738
-	-	-	699,413
<u>132,738</u>	<u>-</u>	<u>10,857</u>	<u>4,806,238</u>
<u>\$ 132,738</u>	<u>\$ 141,643</u>	<u>\$ 10,857</u>	<u>\$ 5,399,673</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, 2013**

	<b>Transient Tax</b>	<b>Solid Waste Services</b>	<b>Ketchikan Boat Harbor</b>
<b>Revenues</b>			
Taxes	\$ 386,230	\$ -	\$ -
Intergovernmental	-	10,214	65,678
Charges for services	-	2,851,958	1,191,053
Fines and forfeitures	-	-	22,429
Investment earnings	(23)	(1,118)	(336)
Miscellaneous	-	38,284	(2)
<b>Total Revenues</b>	<b>386,207</b>	<b>2,899,338</b>	<b>1,278,822</b>
<b>Expenditures</b>			
<b>Current:</b>			
Health and welfare	-	-	-
Public works	-	2,822,012	-
Port and harbors	-	-	1,116,503
<b>Total Expenditures</b>	<b>-</b>	<b>2,822,012</b>	<b>1,116,503</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>386,207</b>	<b>77,326</b>	<b>162,319</b>
<b>Other Financing Uses</b>			
Transfers out	(364,000)	-	-
<b>Total Other Financing Sources</b>	<b>(364,000)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>22,207</b>	<b>77,326</b>	<b>162,319</b>
<b>Fund Balances Beginning Of Year</b>	<b>78,984</b>	<b>3,592,398</b>	<b>729,409</b>
<b>Fund Balances End Of Year</b>	<b>\$ 101,191</b>	<b>\$ 3,669,724</b>	<b>\$ 891,728</b>

<b>Bayview Cemetery</b>	<b>Federal and State Grant</b>	<b>US Marshall Property Seizure</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ -	\$ -	\$ -	\$ 386,230
-	260,274	-	336,166
15,888	-	-	4,058,899
-	-	10,590	33,019
(34)	-	(3)	(1,514)
-	-	-	38,282
<u>15,854</u>	<u>260,274</u>	<u>10,587</u>	<u>4,851,082</u>
-	260,274	-	260,274
11,980	-	-	2,833,992
-	-	-	1,116,503
<u>11,980</u>	<u>260,274</u>	<u>-</u>	<u>4,210,769</u>
<u>3,874</u>	<u>-</u>	<u>10,587</u>	<u>640,313</u>
<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>(374,000)</u>
<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>(374,000)</u>
(1,126)	-	5,587	266,313
<u>133,864</u>	<u>-</u>	<u>5,270</u>	<u>4,539,925</u>
<u>\$ 132,738</u>	<u>\$ -</u>	<u>\$ 10,857</u>	<u>\$ 4,806,238</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, 2013*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Taxes	\$ 350,000	\$ 350,000	\$ 386,230	\$ -	\$ 386,230	\$ 36,230
Investment earnings	10	10	(23)	-	(23)	(33)
<b>Total Revenues</b>	<u>350,010</u>	<u>350,010</u>	<u>386,207</u>	<u>-</u>	<u>386,207</u>	<u>36,197</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>	(13,990)	(13,990)	22,207	-	22,207	36,197
<b>Fund Balances Beginning of Year</b>	66,252	66,252	78,984	-	78,984	12,732
<b>Fund Balances End of Year</b>	<u>\$ 52,262</u>	<u>\$ 52,262</u>	<u>\$ 101,191</u>	<u>\$ -</u>	<u>\$ 101,191</u>	<u>\$ 48,929</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, 2013*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>(GAAP Basis) Actual</u>	<u>Reclassifications and Encumbrances</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>						
Intergovernmental	\$ -	\$ -	\$ 10,214	\$ (10,214)	\$ -	\$ -
Charges for services	2,987,000	2,987,000	2,851,958	-	2,851,958	(135,042)
Investment earnings	1,000	1,000	(1,118)	-	(1,118)	(2,118)
Miscellaneous	38,284	38,284	38,284	-	38,284	-
<b>Total Revenues</b>	<u>3,026,284</u>	<u>3,026,284</u>	<u>2,899,338</u>	<u>(10,214)</u>	<u>2,889,124</u>	<u>(137,160)</u>
<b>Expenditures</b>						
<b>Current:</b>						
Public works	3,428,450	3,438,450	2,822,012	57,263	2,879,275	559,175
<b>Deficiency of Revenues Under Expenditures</b>	(402,166)	(412,166)	77,326	(67,477)	9,849	422,015
<b>Fund Balances Beginning of Year</b>	<u>3,432,878</u>	<u>3,432,878</u>	<u>3,592,398</u>	<u>(106,196)</u>	<u>3,486,202</u>	<u>53,324</u>
<b>Fund Balances End of Year</b>	<u>\$ 3,030,712</u>	<u>\$ 3,020,712</u>	<u>\$ 3,669,724</u>	<u>\$ (173,673)</u>	<u>\$ 3,496,051</u>	<u>\$ 475,339</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, 2013*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 24,000	\$ 24,000	\$ 65,678	\$ (39,806)	\$ 25,872	\$ 1,872
Charges for services	1,169,000	1,169,000	1,191,053	-	1,191,053	22,053
Fines and forfeitures	3,250	3,250	22,429	-	22,429	19,179
Investment earnings	400	400	(336)	-	(336)	(736)
Miscellaneous	-	-	(2)	-	(2)	(2)
<b>Total Revenues</b>	<u>1,196,650</u>	<u>1,196,650</u>	<u>1,278,822</u>	<u>(39,806)</u>	<u>1,239,016</u>	<u>42,366</u>
<b>Expenditures</b>						
<b>Current:</b>						
Port and harbor	1,162,409	1,162,409	1,116,503	(57,053)	1,059,450	102,959
<b>Net Change in Fund Balances</b>	34,241	34,241	162,319	17,247	179,566	145,325
<b>Fund Balances Beginning of Year</b>	561,150	561,150	729,409	(17,247)	712,162	151,012
<b>Fund Balances End of Year</b>	<u>\$ 595,391</u>	<u>\$ 595,391</u>	<u>\$ 891,728</u>	<u>\$ -</u>	<u>\$ 891,728</u>	<u>\$ 296,337</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, 2013

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Charges for services	\$ 20,000	\$ 20,000	\$ 15,888	\$ -	\$ 15,888	\$ (4,112)
Investment earnings	20	20	(34)	-	(34)	(54)
<b>Total Revenues</b>	<u>20,020</u>	<u>20,020</u>	<u>15,854</u>	<u>-</u>	<u>15,854</u>	<u>(4,166)</u>
<b>Expenditures</b>						
<b>Current:</b>						
Public works	32,000	32,000	11,980	(7,600)	4,380	27,620
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(11,980)	(11,980)	3,874	7,600	11,474	23,454
<b>Other Financing Uses</b>						
Transfers out						
General fund	(5,000)	(5,000)	(5,000)	-	(5,000)	-
<b>Net Change in Fund Balances</b>	(16,980)	(16,980)	(1,126)	7,600	6,474	23,454
<b>Fund Balances Beginning of Year</b>	120,344	120,344	133,864	(8,300)	125,564	5,220
<b>Fund Balances End of Year</b>	<u>\$ 103,364</u>	<u>\$ 103,364</u>	<u>\$ 132,738</u>	<u>\$ (700)</u>	<u>\$ 132,038</u>	<u>\$ 28,674</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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>(GAAP Basis) Actual</u>	<u>Reclassifications and Encumbrances</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>						
Intergovernmental	\$ 1,264,719	\$ 1,264,719	\$ 260,274	\$ -	\$ 260,274	\$ (1,004,445)
<b>Expenditures</b>						
<b>Current:</b>						
Health and welfare	1,264,719	1,264,719	260,274	15,395	275,669	989,050
<b>Total Expenditures</b>	<u>1,264,719</u>	<u>1,264,719</u>	<u>260,274</u>	<u>15,395</u>	<u>275,669</u>	<u>989,050</u>
<b>Deficiency of Revenues Under Expenditures</b>	-	-	-	(15,395)	(15,395)	(15,395)
<b>Fund Balances Beginning of Year</b>	-	-	-	(1,428,902)	(1,428,902)	(1,428,902)
<b>Fund Balances End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,444,297)</u>	<u>\$ (1,444,297)</u>	<u>\$ (1,444,297)</u>

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, 2013*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Fines & Forfeitures	\$ -	\$ -	\$ 10,590	\$ -	\$ 10,590	\$ 10,590
Investment earnings	-	-	(3)	-	(3)	(3)
<b>Total Revenues</b>	-	-	10,587	-	10,587	10,587
<b>Other Financing Uses</b>						
Transfers out						
General fund	(5,000)	(5,000)	(5,000)	-	(5,000)	-
<b>Net Change in Fund Balances</b>	(5,000)	(5,000)	5,587	-	5,587	10,587
<b>Fund Balances Beginning of Year</b>	5,277	5,277	5,270	-	5,270	(7)
<b>Fund Balances End of Year</b>	\$ 277	\$ 277	\$ 10,857	\$ -	\$ 10,857	\$ 10,580



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## 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, 2013*

	<b>General Obligation Bond Debt Service</b>
<b>Revenues</b>	
Miscellaneous income	\$ 142,390
<b>Expenditures</b>	
Principal retirement	1,140,000
Interest and fiscal charges	697,856
<b>Total Expenditures</b>	1,837,856
<b>Deficiency of Revenues Under Expenditures</b>	(1,695,466)
<b>Other Financing Sources</b>	
Transfers in	
General fund	366,019
Sales tax hospital & other public works fund	842,500
Community facilities development fund	486,947
<b>Total Other Financing Sources</b>	1,695,466
<b>Net Change in Fund Balances</b>	-
<b>Fund Balances Beginning of Year</b>	-
<b>Fund Balances End of Year</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, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>				
Miscellaneous income	\$ 148,866	\$ 148,866	\$ 142,390	\$ (6,476)
<b>Expenditures</b>				
<b>Debt Service:</b>				
Principal retirement	1,140,000	1,140,000	1,140,000	-
Interest and fiscal charges	697,857	697,857	697,856	1
<b>Total Expenditures</b>	<b>1,837,857</b>	<b>1,837,857</b>	<b>1,837,856</b>	<b>1</b>
<b>Other Financing Sources</b>				
Transfers in				
General fund	359,544	359,544	366,019	6,475
Sales tax hospital & other public works fund	842,500	842,500	842,500	
Community facilities development fund	486,947	486,947	486,947	-
<b>Total Other Financing Sources</b>	<b>1,688,991</b>	<b>1,688,991</b>	<b>1,695,466</b>	<b>6,475</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.

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

City of Ketchikan, Alaska  
Combining Balance Sheet  
Nonmajor Capital Projects Fund  
December 31, 2013

	Major Capital Improvements	Harbor Improvements	Community Facilities Development	Total Nonmajor Capital Projects Funds
<b>Assets</b>				
Cash and investments	\$ 79,095	\$ 1,815,105	\$ 2,072,335	\$ 3,966,535
Restricted cash			1,004,542	1,004,542
Receivables:				
Accounts	-	-	88,637	88,637
Intergovernmental	233,000	1,046,340	-	1,279,340
Advances	-	-	700,000	700,000
<b>Total Assets</b>	<u>\$ 312,095</u>	<u>\$ 2,861,445</u>	<u>\$ 3,865,514</u>	<u>\$ 7,039,054</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 238,000	\$ 576,798	\$ 3,272	\$ 818,070
Advances payable	-	1,250,000		1,250,000
<b>Total Liabilities</b>	<u>238,000</u>	<u>1,826,798</u>	<u>3,272</u>	<u>2,068,070</u>
<b>Fund Balances</b>				
Assigned:				
General government projects	-		2,857,700	2,857,700
Public safety projects	-		810,230	810,230
Culture and tourism projects	-	-	194,312	194,312
Harbor projects	-	1,034,647		1,034,647
Public works projects	74,095	-	-	74,095
<b>Total Fund Balances</b>	<u>74,095</u>	<u>1,034,647</u>	<u>3,862,242</u>	<u>4,970,984</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 312,095</u>	<u>\$ 2,861,445</u>	<u>\$ 3,865,514</u>	<u>\$ 7,039,054</u>

**City of Ketchikan, Alaska**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Capital Projects Fund**  
**For the Year Ended December 31, 2013**

	<u>Major Capital Improvements</u>	<u>Harbor Improvements</u>	<u>Community Facilities Development</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Revenues</b>				
Intergovernmental	\$ 233,332	\$ 2,242,090	\$ -	\$ 2,475,422
Investment earnings	(21)	(67)	(478)	(566)
Contributions	-	-	105,505	105,505
<b>Total Revenues</b>	<u>233,311</u>	<u>2,242,023</u>	<u>105,027</u>	<u>2,580,361</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	-	-	11,906	11,906
Culture	-	-	175,990	175,990
Public works	233,332	-	589,572	822,904
Port and harbors	-	2,306,545	-	2,306,545
<b>Total Expenditures</b>	<u>233,332</u>	<u>2,306,545</u>	<u>777,468</u>	<u>3,317,345</u>
<b>Deficiency of Revenues Under Expenditures</b>	(21)	(64,522)	(672,441)	(736,984)
<b>Other Financing Uses</b>				
Transfers out				
Debt service fund	-	-	(486,947)	(486,947)
<b>Total Other Financing Uses</b>	<u>-</u>	<u>-</u>	<u>(486,947)</u>	<u>(486,947)</u>
<b>Net Change in Fund Balances</b>	(21)	(64,522)	(1,159,388)	(1,223,931)
<b>Fund Balances At Beginning of Year</b>	<u>74,116</u>	<u>1,099,169</u>	<u>5,021,630</u>	<u>6,194,915</u>
<b>Fund Balances At End of Year</b>	<u>\$ 74,095</u>	<u>\$ 1,034,647</u>	<u>\$ 3,862,242</u>	<u>\$ 4,970,984</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, 2013

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 469,550	\$ 469,550	\$ 233,332		\$ 233,332	\$ (236,218)
Investment earnings	-	-	(21)	-	(21)	(21)
<b>Total Revenues</b>	469,550	469,550	233,311	-	233,311	(236,239)
<b>Expenditures</b>						
Public works	469,550	469,550	233,332	(37,136)	196,196	273,354
<b>Total Expenditures</b>	469,550	469,550	233,332	(37,136)	196,196	273,354
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	-	-	(21)	37,136	37,115	37,115
<b>Fund Balances Beginning of Year</b>	74,094	74,094	74,116	(98,904)	(24,788)	(98,882)
<b>Fund Balances End of Year</b>	\$ 74,094	\$ 74,094	\$ 74,095	\$ (61,768)	\$ 12,327	\$ (61,767)

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, 2013*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 6,996,507	\$ 6,996,507	\$ 2,242,090	\$ -	\$ 2,242,090	\$ (4,754,417)
Investment earnings	-	-	(67)	-	(67)	(67)
<b>Total Revenues</b>	<u>6,996,507</u>	<u>6,996,507</u>	<u>2,242,023</u>	<u>-</u>	<u>2,242,023</u>	<u>(4,754,484)</u>
<b>Expenditures</b>						
Port and harbors	10,374,872	11,222,027	2,306,545	3,505,632	5,812,177	5,409,850
<b>Total Expenditures</b>	<u>10,374,872</u>	<u>11,222,027</u>	<u>2,306,545</u>	<u>3,505,632</u>	<u>5,812,177</u>	<u>5,409,850</u>
<b>Over (Under) Expenditures</b>	<u>(3,378,365)</u>	<u>(4,225,520)</u>	<u>(64,522)</u>	<u>(3,505,632)</u>	<u>(3,570,154)</u>	<u>655,366</u>
<b>Other Financing Sources</b>						
Transfers in						
Advances from other funds	1,250,000	1,250,000	-	1,250,000	1,250,000	-
Bond proceeds	2,500,000	2,500,000	-	-	-	(2,500,000)
<b>Total Other Financing Sources</b>	<u>3,750,000</u>	<u>3,750,000</u>	<u>-</u>	<u>1,250,000</u>	<u>1,250,000</u>	<u>(2,500,000)</u>
<b>Net Change in Fund Balances</b>	371,635	(475,520)	(64,522)	(2,255,632)	(2,320,154)	(1,844,634)
<b>Fund Balances Beginning of Year</b>	894,610	894,610	1,099,169	(1,079,588)	19,581	(875,029)
<b>Fund Balances End of Year</b>	<u>\$ 1,266,245</u>	<u>\$ 419,090</u>	<u>\$ 1,034,647</u>	<u>\$ (3,335,220)</u>	<u>\$ (2,300,573)</u>	<u>\$ (2,719,663)</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, 2013**

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Investment earnings	\$ 2,000	\$ 2,000	\$ (478)	\$ -	\$ (478)	\$ (2,478)
Contributions	-	-	105,505	-	105,505	105,505
<b>Total Revenues</b>	<u>2,000</u>	<u>2,000</u>	<u>105,027</u>	<u>-</u>	<u>105,027</u>	<u>103,027</u>
<b>Expenditures</b>						
Public safety		7,273	11,906	(143,390)	(131,484)	138,757
Culture		40,000	175,990	(287,400)	(111,410)	151,410
Public works	580,347	600,997	589,572	11,425	600,997	-
<b>Total Expenditures</b>	<u>580,347</u>	<u>648,270</u>	<u>777,468</u>	<u>(419,365)</u>	<u>358,103</u>	<u>290,167</u>
<b>Excess (Deficiency) of Revenues Over (under) Expenditures</b>	<u>(578,347)</u>	<u>(646,270)</u>	<u>(672,441)</u>	<u>419,365</u>	<u>(253,076)</u>	<u>393,194</u>
<b>Other Financing Sources</b>						
Transfers out						
Debt service fund	(486,947)	(486,947)	(486,947)	-	(486,947)	-
Advances to other funds	(1,500,000)	(1,500,000)		(700,000)	(700,000)	800,000
<b>Total Other Financing Sources</b>	<u>(1,986,947)</u>	<u>(1,986,947)</u>	<u>(486,947)</u>	<u>(700,000)</u>	<u>(1,186,947)</u>	<u>800,000</u>
<b>Net Change in Fund Balances</b>	<u>(2,565,294)</u>	<u>(2,633,217)</u>	<u>(1,159,388)</u>	<u>(280,635)</u>	<u>(1,440,023)</u>	<u>1,193,194</u>
<b>Fund Balances Beginning of Year</b>	<u>4,200,092</u>	<u>4,200,092</u>	<u>5,021,630</u>	<u>(430,790)</u>	<u>4,590,840</u>	<u>390,748</u>
<b>Fund Balances End of Year</b>	<u>\$ 1,634,798</u>	<u>\$ 1,566,875</u>	<u>\$ 3,862,242</u>	<u>\$ (711,425)</u>	<u>\$ 3,150,817</u>	<u>\$ 1,583,942</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.

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

City of Ketchikan, Alaska  
Combining Balance Sheet  
General Fund  
December 31, 2013

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant Fund	Totals
<b>Assets</b>							
Cash and temporary investments	\$ 5,140,263	\$ 5,292,424	\$ 6,188,026	\$ 364,585	\$ 136,477	\$ 3,542	\$ 17,125,317
Receivables:							
Accounts	415,607	-	-	-	-	-	415,607
Taxes	723,463	515,328	772,992	-	-	-	2,011,783
Intergovernmental	95,166	-	677	-	-	-	95,843
Accrued interest	-	-	-	-	-	-	-
Interfund	55,996	-	-	-	-	-	55,996
Advances	-	-	-	1,250,000	-	-	1,250,000
Land for resale	391,977	-	-	-	-	-	391,977
<b>Total Assets</b>	<b>\$ 6,822,472</b>	<b>\$ 5,807,752</b>	<b>\$ 6,961,695</b>	<b>\$ 1,614,585</b>	<b>\$ 136,477</b>	<b>\$ 3,542</b>	<b>\$ 21,346,523</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 356,715	\$ 21,876	\$ 159,367	\$ 35,867	\$ -	\$ 3,262	\$ 577,087
Payroll payable	1,649,415	-	-	-	-	-	1,649,415
Deferred revenue	729,677	515,328	772,992	-	-	-	2,017,997
Unearned revenue	12,077	-	-	-	-	-	12,077
<b>Total Liabilities</b>	<b>2,747,884</b>	<b>537,204</b>	<b>932,359</b>	<b>35,867</b>	<b>-</b>	<b>3,262</b>	<b>4,256,576</b>
<b>Fund Balances</b>							
Nonspendable	391,977	-	-	-	-	-	391,977
Assigned:							
Subsequent years budget	-	-	1,101,476	-	6,334	-	1,107,810
Parking development and abatement of dangerous b	-	-	-	1,578,718	-	-	1,578,718
Hospital development and expansion	-	5,270,548	-	-	-	-	5,270,548
General government	129,883	-	70,661	-	-	280	200,824
Public safety	73,597	-	174,958	-	130,143	-	378,698
Culture and tourism	38,257	-	46,964	-	-	-	85,221
Public works	90,778	-	1,670,206	-	-	-	1,760,984
Streets, sidewalks and other public projects	-	-	2,965,071	-	-	-	2,965,071
Unassigned	3,350,096	-	-	-	-	-	3,350,096
<b>Total Fund Balances</b>	<b>4,074,588</b>	<b>5,270,548</b>	<b>6,029,336</b>	<b>1,578,718</b>	<b>136,477</b>	<b>280</b>	<b>17,089,947</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,822,472</b>	<b>\$ 5,807,752</b>	<b>\$ 6,961,695</b>	<b>\$ 1,614,585</b>	<b>\$ 136,477</b>	<b>\$ 3,542</b>	<b>\$ 21,346,523</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, 2013

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
<b>Revenues</b>							
Taxes							
Real & personal property taxes	\$ 5,750,117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,750,117
Automobile & boat taxes	48,589	-	-	-	-	-	48,589
Penalty & interest	65,224	9,193	13,790	-	-	-	88,207
Senior citizen local contribution	(400,242)	-	-	-	-	-	(400,242)
Sales tax	2,914,739	2,914,739	4,372,108	-	-	-	10,201,586
Payments in lieu of taxes	11,095	-	-	-	-	-	11,095
	<u>8,389,522</u>	<u>2,923,932</u>	<u>4,385,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,699,352</u>
Licenses and permits							
Building permits	90,571	-	-	-	-	-	90,571
Other	945	-	-	-	-	-	945
	<u>91,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,516</u>
Intergovernmental							
Federal fire grants	171,507	-	-	-	-	-	171,507
Liquor licenses tax	32,000	-	-	-	-	-	32,000
Other state revenues	1,478,120	-	-	42,094	-	-	1,520,214
Federal revenues	13,511	-	2,079	-	-	-	15,590
	<u>1,695,138</u>	<u>-</u>	<u>2,079</u>	<u>42,094</u>	<u>-</u>	<u>-</u>	<u>1,739,311</u>
Charges for services							
Ambulance	515,158	-	-	-	-	-	515,158
Rentals	13,860	-	-	-	-	-	13,860
Parking fees	79,910	-	-	-	-	-	79,910
Cemetery	705	-	-	-	-	-	705
Library services	666,621	-	-	-	-	-	666,621
Museum services	215,289	-	-	-	-	-	215,289
E-911 emergency dispatch services	429,457	-	-	-	-	-	429,457
Civic center services	116,769	-	-	-	-	-	116,769
Other charges	94,414	-	-	-	-	-	94,414
	<u>2,132,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,132,183</u>
Fines and forfeitures							
Parking fines	112,309	-	-	-	-	-	112,309
Other fines	10,351	-	-	-	-	-	10,351
Court deposits	26,883	-	-	-	-	-	26,883
	<u>149,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,543</u>
Investment earnings	(728)	(1,411)	2,413	(509)	(41)	-	(276)
Other revenue							
Miscellaneous	40,138	10,915	12,525	-	-	163,620	227,198
Interdepartmental charges	3,149,075	-	-	-	-	-	3,149,075
<b>Total Revenues</b>	<u>15,646,387</u>	<u>2,933,436</u>	<u>4,402,915</u>	<u>41,585</u>	<u>(41)</u>	<u>163,620</u>	<u>23,187,902</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, 2013

	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	222,667	-	22,837	-	-	327,200	572,704
City Clerk	254,014	-	-	-	-	-	254,014
Law	335,555	-	-	-	-	-	335,555
City Manager	704,665	-	-	-	-	-	704,665
Finance	1,920,183	-	31,534	-	-	-	1,951,717
Information Technology	1,096,053	-	-	-	-	-	1,096,053
	4,533,137	-	54,371	-	-	327,200	4,914,708
Public safety							
Fire	3,351,002	-	68,686	-	-	-	3,419,688
Police	4,886,115	-	142,514	-	-	-	5,028,629
	8,237,117	-	211,200	-	-	-	8,448,317
Culture							
Library	1,325,086	-	-	-	-	-	1,325,086
Museum	837,543	-	36,956	-	-	-	874,499
Civic Center	424,291	-	55,802	-	-	-	480,093
Tourism and development	-	-	-	211,639	-	-	211,639
	2,586,920	-	92,758	211,639	-	-	2,891,317
Health and welfare							
Public Health	11,192	185,788	-	-	-	-	196,980
Public works							
Engineering	1,620,488	-	215,931	656,647	-	-	2,493,066
Streets	1,635,733	-	773,717	80,525	-	-	2,489,975
Cemetery	70,861	-	-	-	-	-	70,861
Garage	467,826	-	6,571	-	-	-	474,397
Building Maintenance	346,713	-	1,400,226	108,523	-	-	1,855,462
	4,141,621	-	2,396,445	845,695	-	-	7,383,761
<b>Total Expenditures</b>	19,509,987	185,788	2,754,774	1,057,334	-	327,200	23,835,083
<b>Excess (Deficiency) of Revenues</b>							
<b>Over (Under) Expenditures</b>	(3,863,600)	2,747,648	1,648,141	(1,015,749)	(41)	(163,580)	(647,181)

City of Ketchikan, Alaska  
*General Fund*  
*Combining Statement of Revenues, Expenditures and*  
*Changes in Fund Balances (Cont'd)*  
*For the Year Ended December 31, 2013*

	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	5,000	-	-	-	-	-	5,000
Bayview cemetery fund	5,000	-	-	-	-	-	5,000
Ketchikan public utilities fund	786,000	-	-	-	-	-	786,000
Port fund	399,199	-	-	-	-	-	399,199
Wastewater services fund	80,000	-	-	-	-	-	80,000
Transfers out							
General obligation bond debt service fund	(366,019)	(842,500)	-	-	-	-	(1,208,519)
Community grant fund	(46,749)	(46,749)	(70,122)	-	-	163,620	-
<b>Total Other Financing Sources (Uses)</b>	<b>3,652,805</b>	<b>(1,309,249)</b>	<b>(2,070,122)</b>	<b>-</b>	<b>(6,374)</b>	<b>163,620</b>	<b>430,680</b>
<b>Net Change in Fund Balances</b>	<b>(210,795)</b>	<b>1,438,399</b>	<b>(421,981)</b>	<b>(1,015,749)</b>	<b>(6,415)</b>	<b>40</b>	<b>(216,501)</b>
<b>Fund Balances Beginning 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>
<b>Fund Balances End of Year</b>	<b>\$ 4,074,588</b>	<b>\$ 5,270,548</b>	<b>\$ 6,029,336</b>	<b>\$ 1,578,718</b>	<b>\$ 136,477</b>	<b>\$ 280</b>	<b>\$ 17,089,947</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, 2013

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Taxes	\$ 2,945,000	\$ 2,945,000	\$ 2,914,739	\$ -	\$ 2,914,739	\$ (30,261)
Penalties and interest	13,500	13,500	9,193	-	9,193	(4,307)
Investment earnings	1,000	1,000	(1,411)	-	(1,411)	(2,411)
Miscellaneous	-	-	10,915	-	10,915	10,915
<b>Total Revenues</b>	<u>2,959,500</u>	<u>2,959,500</u>	<u>2,933,436</u>	<u>-</u>	<u>2,933,436</u>	<u>(26,064)</u>
<b>Expenditures</b>						
<b>Current:</b>						
Health and welfare	748,300	867,771	185,788	(721,585)	(535,797)	1,403,568
<b>Total Expenditures</b>	<u>748,300</u>	<u>867,771</u>	<u>185,788</u>	<u>(721,585)</u>	<u>(535,797)</u>	<u>1,403,568</u>
<b>Excess of Revenues Over Expenditures</b>	<u>2,211,200</u>	<u>2,091,729</u>	<u>2,747,648</u>	<u>721,585</u>	<u>3,469,233</u>	<u>1,377,504</u>
<b>Other Financing Uses</b>						
Transfers out						
General fund	(420,000)	(420,000)	(420,000)	-	(420,000)	-
Community grant fund	(46,749)	(46,749)	(46,749)	-	(46,749)	-
General obligation debt service fund	(842,500)	(842,500)	(842,500)	-	(842,500)	-
<b>Total Other Financing Uses</b>	<u>(1,309,249)</u>	<u>(1,309,249)</u>	<u>(1,309,249)</u>	<u>-</u>	<u>(1,309,249)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	901,951	782,480	1,438,399	721,585	2,159,984	1,377,504
<b>Fund Balances Beginning of Year</b>	2,898,132	2,898,132	3,832,149	(834,620)	2,997,529	99,397
<b>Fund Balances End of Year</b>	<u>\$ 3,800,083</u>	<u>\$ 3,680,612</u>	<u>\$ 5,270,548</u>	<u>\$ (113,035)</u>	<u>\$ 5,157,513</u>	<u>\$ 1,476,901</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, 2013**

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Taxes	\$ 4,417,500	\$ 4,417,500	\$ 4,372,108	\$ -	\$ 4,372,108	\$ (45,392)
Penalties and interest	25,000	25,000	13,790	-	13,790	(11,210)
Intergovernmental	-	-	2,079	-	2,079	2,079
Investment earnings	1,700	1,700	2,413	-	2,413	713
Contributions	-	30,000	-	-	-	(30,000)
Miscellaneous	-	-	12,525	-	12,525	12,525
<b>Total Revenues</b>	<b>4,444,200</b>	<b>4,474,200</b>	<b>4,402,915</b>	<b>-</b>	<b>4,402,915</b>	<b>(71,285)</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government						
Mayor and council	-	23,837	22,837	-	22,837	1,000
Finance	20,000	20,000	31,534	(28,184)	3,350	16,650
Public safety						
Fire	175,000	205,000	68,686	134,158	202,844	2,156
Police	172,000	438,374	142,514	(12,615)	129,899	308,475
Culture						
Museum	10,000	75,000	36,956	15,008	51,964	23,036
Civic center	116,500	116,500	55,802	(6,359)	49,443	67,057
Public works						
Engineering	62,400	62,400	215,931	(205,333)	10,598	51,802
Streets	1,890,100	1,484,112	773,717	(9,973)	763,744	720,368
Garage	60,000	60,000	6,571	1,929	8,500	51,500
Building maintenance	1,193,453	2,484,800	1,400,226	982,424	2,382,650	102,150
<b>Total Expenditures</b>	<b>3,699,453</b>	<b>4,970,023</b>	<b>2,754,774</b>	<b>871,055</b>	<b>3,625,829</b>	<b>1,344,194</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>744,747</b>	<b>(495,823)</b>	<b>1,648,141</b>	<b>(871,055)</b>	<b>777,086</b>	<b>1,272,909</b>
<b>Other Financing Uses</b>						
<b>Transfer out</b>						
General fund	(2,408,300)	(2,408,300)	(2,000,000)	-	(2,000,000)	(408,300)
Community grant fund	(70,122)	(70,122)	(70,122)	-	(70,122)	-
<b>Total Other Financing Uses</b>	<b>(2,478,422)</b>	<b>(2,478,422)</b>	<b>(2,070,122)</b>	<b>-</b>	<b>(2,070,122)</b>	<b>(408,300)</b>
<b>Net Change in Fund Balances</b>	<b>(1,733,675)</b>	<b>(2,974,245)</b>	<b>(421,981)</b>	<b>(871,055)</b>	<b>(1,293,036)</b>	<b>1,681,209</b>
<b>Fund Balances Beginning of Year</b>	<b>5,119,977</b>	<b>5,119,977</b>	<b>6,451,317</b>	<b>(1,060,593)</b>	<b>5,390,724</b>	<b>270,747</b>
<b>Fund Balances End of Year</b>	<b>\$ 3,386,302</b>	<b>\$ 2,145,732</b>	<b>\$ 6,029,336</b>	<b>\$ (1,931,648)</b>	<b>\$ 4,097,688</b>	<b>\$ 1,951,956</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, 2013*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ -	\$ 92,094	\$ 42,094	\$ -	42,094	(50,000)
Investment earnings	1,000	1,000	(509)	-	(509)	(1,509)
<b>Total Revenues</b>	1,000	93,094	41,585	-	41,585	(51,509)
<b>Expenditures</b>						
<b>Current:</b>						
Economic tourism and development	171,000	267,866	211,639	6,227	217,866	50,000
Public works						
Engineering	236,000	143,905	656,647	(510,503)	146,144	(2,239)
Streets		92,095	80,525	11,570	92,095	-
Building maintenance	-	32,453	108,523	(76,071)	32,452	1
	407,000	536,319	1,057,334	(568,777)	488,557	47,762
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(406,000)	(443,225)	(1,015,749)	568,777	(446,972)	(3,747)
<b>Other Financing Uses</b>						
Advances to harbor improvements fund	(1,250,000)	(1,250,000)	-	(1,250,000)	(1,250,000)	-
<b>Total Other Financing Uses</b>	(1,250,000)	(1,250,000)	-	(1,250,000)	(1,250,000)	-
<b>Net Change in Fund Balances</b>	(1,656,000)	(1,693,225)	(1,015,749)	(681,223)	(1,696,972)	(3,747)
<b>Fund Balances Beginning of Year</b>	1,923,981	1,923,981	2,594,467	(590,046)	2,004,421	80,440
<b>Fund Balances End of Year</b>	\$ 267,981	\$ 230,756	\$ 1,578,718	\$ (1,271,269)	\$ 307,449	\$ 76,693

City of Ketchikan, Alaska  
*Shoreline Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual*  
*For the Year Ended December 31, 2013*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>(GAAP Basis) Actual</u>	<u>Reclassifications and Encumbrances</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>						
Investment earnings	\$ 40	\$ 40	\$ (41)	\$ -	\$ (41)	\$ (81)
<b>Other Financing Uses</b>						
General fund	(6,374)	(6,374)	(6,374)	-	(6,374)	-
<b>Net Change in Fund Balances</b>	(6,334)	(6,334)	(6,415)	-	(6,415)	(81)
<b>Fund Balances Beginning of Year</b>	137,910	137,910	142,892	-	142,892	4,982
<b>Fund Balances End of Year</b>	<u>\$ 131,576</u>	<u>\$ 131,576</u>	<u>\$ 136,477</u>	<u>\$ -</u>	<u>\$ 136,477</u>	<u>\$ 4,901</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, 2013

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Contributions	\$ 163,620	\$ 163,620	\$ 163,620	\$ -	\$ 163,620	\$ -
<b>Total Revenues</b>	163,620	163,620	163,620	-	163,620	-
<b>Expenditures</b>						
<b>Current:</b>						
Mayor and council	327,240	327,240	327,200	-	327,200	40
<b>Deficiency of Revenues Under Expenditures</b>	(163,620)	(163,620)	(163,580)	-	(163,580)	40
<b>Other Financing Sources</b>						
Transfers in						
General fund	46,749	46,749	46,749	-	46,749	-
Hospital sales tax fund	46,749	46,749	46,749	-	46,749	-
Public works sales tax fund	70,122	70,122	70,122	-	70,122	-
<b>Total Other Financing Sources</b>	163,620	163,620	163,620	-	163,620	-
<b>Net Change in Fund Balances</b>	-	-	40	-	40	40
<b>Fund Balances Beginning of Year</b>	-	-	240	-	240	240
<b>Fund Balances End of Year</b>	\$ -	\$ -	\$ 280	\$ -	\$ 280	\$ 280

# PROPRIETARY FUNDS

## MAJOR ENTERPRISE FUNDS

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

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

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

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
**Comparative Statements of Net Position**  
**December 31, 2013 and 2012**

	<b>2013</b>	<b>Restated 2012</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and temporary investments	\$ 20,646,326	\$ 16,757,889
Restricted cash, cash equivalents and investments:		
Cash and temporary invest. - bond construction funds	130,827	-
Revenue bond redemption fund cash	1,011,843	699,217
Accounts receivable	\$ 2,678,127	
Less uncollectible accounts	<u>(150,000)</u>	2,283,067
Due from other governments	3,442,708	2,789,655
Prepaid expenses	19,812	35,557
Inventory of materials	3,117,883	2,599,564
Unbilled revenue	1,332,070	1,059,422
<b>Total Current Assets</b>	<u>32,229,596</u>	<u>26,224,371</u>
<b>Noncurrent assets</b>		
Restricted investments:		
Revenue bond reserve fund investments	1,758,678	1,987,186
Accrued interest receivable - bond reserve fund	-	8,682
Total noncurrent restricted assets	<u>1,758,678</u>	<u>1,995,868</u>
Utility plant in service:		
Land	2,674,616	2,674,616
Other non-depreciable assets	812,269	937,269
Construction work in progress	30,908,014	8,123,495
Plant in service	194,773,333	192,884,448
Less accumulated depreciation	<u>(120,163,617)</u>	<u>(115,481,010)</u>
Total capital assets (net of accumulated depreciation)	<u>109,004,615</u>	<u>89,138,818</u>
<b>Total noncurrent assets</b>	<u>110,763,293</u>	<u>91,134,686</u>
<b>Total Assets</b>	<u>142,992,889</u>	<u>117,359,057</u>
<b>Deferred Outflow of Resources</b>	<u>129,454</u>	<u>211,296</u>
<b>Total Assets and Deferred Outflow of Resources</b>	<u>\$ 143,122,343</u>	<u>\$ 117,570,353</u>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
**Comparative Statements of Net Position**  
**December 31, 2013 and 2012**

	<b>2013</b>	<b>Restated 2012</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 5,008,334	\$ 4,022,298
Accrued interest payable	317,860	84,249
Compensated absences payable	79,281	74,876
Customer deposits	366,660	337,280
Unearned revenue	76,791	50,723
Unamortized premiums	122,771	33,801
Revenue bonds payable	2,115,305	1,830,339
<b>Total current liabilities</b>	<b>8,087,002</b>	<b>6,433,566</b>
<b>Noncurrent liabilities</b>		
Accrued interest payable	4,845	107,055
Unamortized bond premium	1,733,256	93,269
Compensated absences payable	713,531	673,886
Revenue bonds payable	25,785,297	14,737,920
Advances from other funds	4,000,000	-
<b>Total noncurrent liabilities</b>	<b>32,236,929</b>	<b>15,612,130</b>
<b>Total liabilities</b>	<b>40,323,931</b>	<b>22,045,696</b>
<b>Net position</b>		
Net investment in capital assets	79,377,440	72,654,785
Restricted bonds construction funds	130,827	-
Restricted for bond retirement	2,507,519	2,695,086
Unrestricted	20,782,626	20,174,786
<b>Total net position, restated</b>	<b>102,798,412</b>	<b>95,524,657</b>
<b>Total liabilities and net position</b>	<b>\$ 143,122,343</b>	<b>\$ 117,570,353</b>

**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, 2013 and 2012**

	Total		Electric	
	2013	Restated 2012	2013	Restated 2012
<b>Operating Revenues</b>				
Services	\$37,243,647	\$34,289,783	\$18,919,766	\$16,767,415
Other	473,668	512,965	426,644	464,797
<b>Total Operating Revenues</b>	37,717,315	34,802,748	19,346,410	17,232,212
<b>Operating Expenses</b>				
Operation and maintenance	25,687,131	21,992,642	14,904,688	12,016,316
Administration and general	5,426,532	5,411,608	1,644,964	1,549,445
Depreciation	6,264,041	6,872,767	2,502,345	2,874,730
<b>Total Operating Expenses</b>	37,377,704	34,277,017	19,051,997	16,440,491
<b>Operating Income (Loss)</b>	339,611	525,731	294,413	791,721
<b>Non-Operating Revenues (Expenses)</b>				
Operating grants	276,783	196,172	120,275	70,798
Interest earnings	(2,358)	107,125	(1,879)	62,977
Revenue bond interest expense	(685,165)	(672,839)	(528,196)	(359,095)
Other interest expense	(17,336)	(15,875)	(13,196)	(11,618)
Debt issuance costs	(140,595)	(585)	(132,743)	-
<b>Total Non-Operating Revenue (Expenses)</b>	(568,671)	(386,002)	(555,739)	(236,938)
<b>Net Income (Loss) Before Contributions, Grants and Transfers</b>	(229,060)	139,729	(261,326)	554,783
Capital contributions	200,818	127,204	32,420	110,504
Capital grants	8,087,997	4,889,563	5,967,743	2,948,603
Transfers out - payment in lieu of taxes	(786,000)	(728,000)	(381,993)	(343,266)
<b>Total Contributions, Grants and Transfers</b>	7,502,815	4,288,767	5,618,170	2,715,841
<b>Change in Net Position</b>	7,273,755	4,428,496	<u>\$5,356,844</u>	<u>\$3,270,624</u>
<b>Net Position Beginning of Year, Restated</b>	95,524,657	91,096,161		
<b>Net Position End of Year</b>	\$102,798,412	\$95,524,657		

<b>Telecommunications</b>		<b>Water</b>	
<b>2013</b>	<b>Restated 2012</b>	<b>2013</b>	<b>Restated 2012</b>
\$15,241,977	\$14,586,914	\$3,081,904	\$2,935,454
-	-	47,024	48,168
<u>15,241,977</u>	<u>14,586,914</u>	<u>3,128,928</u>	<u>2,983,622</u>
8,556,970	8,070,658	2,225,473	1,905,668
3,369,942	3,483,492	411,626	378,671
2,529,229	2,995,763	1,232,467	1,002,274
<u>14,456,141</u>	<u>14,549,913</u>	<u>3,869,566</u>	<u>3,286,613</u>
<u>785,836</u>	<u>37,001</u>	<u>(740,638)</u>	<u>(302,991)</u>
138,781	107,971	17,727	17,403
(919)	2,770	440	41,378
(1,241)	(2,074)	(155,728)	(311,670)
(4,140)	(4,257)	-	-
(235)	-	(7,617)	(585)
<u>132,246</u>	<u>104,410</u>	<u>(145,178)</u>	<u>(253,474)</u>
918,082	141,411	(885,816)	(556,465)
168,398	16,700	-	-
10,110	-	2,110,144	1,940,960
<u>(206,358)</u>	<u>(192,065)</u>	<u>(197,649)</u>	<u>(192,669)</u>
<u>(27,850)</u>	<u>(175,365)</u>	<u>1,912,495</u>	<u>1,748,291</u>
<u>\$890,232</u>	<u>(\$33,954)</u>	<u>\$1,026,679</u>	<u>\$1,191,826</u>

City of Ketchikan, Alaska  
Ketchikan Public Utilities Fund  
Comparative Statements of Cash Flows  
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>Restated 2012</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and users	\$ 37,350,675	\$ 34,682,944
Cash payments to employees for services	(12,815,846)	(12,511,845)
Cash payments to suppliers for goods and services	(18,881,211)	(14,291,472)
<b>Net Cash Provided by Operating Activities</b>	<u>5,653,618</u>	<u>7,879,627</u>
<b>Cash Flows from Noncapital Financing Activity</b>		
Operating grant from other governments	276,783	196,172
Payment in lieu of taxes to the general fund	(786,000)	(728,000)
<b>Net Cash Used by Noncapital Financing Activities</b>	<u>(509,217)</u>	<u>(531,828)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Advances from other funds	4,000,000	-
Capital grant received from other governments	6,409,363	6,368,951
Capital debt proceeds	16,344,858	556,376
Principal paid on revenue bonds	(2,115,305)	(1,830,339)
Interest paid on revenue bonds	(571,707)	(542,664)
Payments for capital acquisitions and construction	(25,111,862)	(9,273,626)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(1,044,653)</u>	<u>(4,721,302)</u>
<b>Cash Flows from Investing Activities</b>		
Investment earnings	20,126	58,433
Purchase of bond reserve fund investments	212,016	(53,352)
<b>Net Cash Flows Provided by Investing Activities</b>	<u>232,142</u>	<u>5,081</u>
<b>Net Increase in Cash and Cash Equivalents</b>	4,331,890	2,631,578
<b>Cash and Cash Equivalents Beginning of Year</b>	17,457,106	14,825,528
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 21,788,996</u>	<u>\$ 17,457,106</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>		
Cash and temporary investments - current assets	20,646,326	16,757,889
Bond construction fund cash - restricted	130,827	-
Revenue bond redemption fund - restricted	1,011,843	699,217
	<u>\$ 21,788,996</u>	<u>\$ 17,457,106</u>

(continued)

City of Ketchikan, Alaska  
 Ketchikan Public Utilities Fund  
 Comparative Statements of Cash Flows  
 For the Years Ended December 31, 2013 and 2012

(continued)

	2013	Restated 2012
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<b>Operating Income</b>	\$ 339,611	\$ 525,731
<b>Adjustments:</b>		
Depreciation	6,264,041	6,872,767
Other	12,188	103,344
<b>(Increase) Decrease in Assets:</b>		
Accounts receivable	(120,060)	32,361
Unbilled revenue	(272,648)	(148,443)
Prepaid expenses	15,745	2,767
Inventory	(518,319)	517,048
Customer deposits	29,380	28,170
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	(166,438)	(214,798)
Compensated absences payable	44,050	164,402
Unearned revenue	26,068	(3,722)
<b>Net Cash Provided by Operating Activities</b>	\$ 5,653,618	\$ 7,879,627
<b>Noncash investing, capital and financing activities</b>		
Fair value of non-cash investments	\$ (16,492)	\$ (26,018)
Revenue bond arbitrage	(2,690)	(89,582)

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
**Comparative Schedules of Revenues**  
**For the Years Ended December 31, 2013 and 2012**

	2013		2012	
	Amount	Total	Amount	Total
<b>Electric Department</b>				
Revenue from Services:				
Residential	\$6,929,393		\$7,240,637	
Boats	299,465		318,564	
Commercial	6,701,322		6,673,188	
Industrial	1,915,505		1,862,015	
Demand	510,887		481,321	
Area Lighting	48,995		48,974	
Street Lighting	126,178		126,239	
Diesel Surcharge	2,388,021	\$18,919,766	16,477	\$16,767,415
Other Revenue:				
Service Charges	110,011		109,967	
Late Payment Charges	105,808		95,628	
Rentals - Interdepartmental	155,177		155,177	
Other	55,648	426,644	104,025	464,797
<b>Total Electric</b>		<u>19,346,410</u>		<u>17,232,212</u>
<b>Telecommunications Department</b>				
Local Network Services:				
Basic Local Service	915,853		991,787	
Local Private Line	871,649		805,882	
Other Local Exchange	313,493	2,100,995	333,682	2,131,351
Network Access Services:				
Interstate End User	802,142		776,114	
Switched Access	5,167,205		5,069,718	
Special Access	1,180,634		939,327	
State Access	1,510,075	8,660,056	1,614,690	8,399,849
Other Revenues:				
Directory Revenue	317,825		344,641	
Other	126,393	444,218	145,186	489,827
Nonregulated Revenues	4,036,708	4,036,708	3,565,887	3,565,887
<b>Total Telecommunications</b>		<u>15,241,977</u>		<u>14,586,914</u>

**City of Ketchikan, Alaska**  
*Ketchikan Public Utilities Fund*  
*Comparative Schedules of Revenues (Cont'd)*  
*For the Years Ended December 31, 2013 and 2012*

	2013		2012	
	Amount	Total	Amount	Total
<b>Water Department</b>				
Revenue from Services:				
Residential	\$1,343,648		\$1,300,147	
Apartments	269,394		258,792	
Commercial	1,042,848		998,294	
Industrial	236,039		231,401	
Port	189,975	\$3,081,904	146,820	\$2,935,454
Other Revenue:				
Service Charges	719		62	
Late Payment Charges	18,021		13,639	
Other	28,284	47,024	34,467	48,168
<b>Total Water</b>		<u>3,128,928</u>		<u>2,983,622</u>
<b>Total Revenue</b>		<u><u>\$37,717,315</u></u>		<u><u>\$34,802,748</u></u>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
*Comparative Schedules of Operation and Maintenance Expenses*  
*For the Years Ended December 31, 2013 and 2012*

	2013		2012	
	Amount	Total	Amount	Total
<b>Electric Department</b>				
<b>Hydroelectric Generation</b>				
Operation				
Supervision & Engineering	\$988,987		\$1,000,250	
Hydraulic Expenses	47,293		36,748	
Electric Expenses	34,414	1,070,694	15,616	1,052,614
Maintenance				
Structures	37,938		72,926	
Reservoirs & Dams	166,959		177,416	
Electric Plant	92,911		106,205	
Other	121,039	418,847	85,362	441,909
<b>Total Hydroelectric Generation</b>		<b>1,489,541</b>		<b>1,494,523</b>
<b>Diesel Generation</b>				
Operation				
Fuel	2,958,791		564,303	
Generation	127,436		31,385	
Other	581,856	3,668,083	487,943	1,083,631
Maintenance				
Supervision and Engineering	110,293		120,646	
Structures	58,427		38,134	
Electric Plant	152,462		90,814	
Other	328,532	649,714	167,774	417,368
<b>Total Diesel Generation</b>		<b>4,317,797</b>		<b>1,500,999</b>
Purchased Power		5,784,566		5,976,876
Automation Control System		325,268		338,163
<b>Total Generation</b>		<b>11,917,172</b>		<b>9,310,561</b>
<b>Transmission</b>				
Operation				
Overhead and Underground Lines	\$3,719	3,719	\$13,154	13,154
<b>Total Transmission</b>		<b>\$3,719</b>		<b>\$13,154</b>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
*Comparative Schedules of Operation and Maintenance Expenses (Cont'd)*  
*For the Years Ended December 31, 2013 and 2012*

	2013		2012	
	Amount	Total	Amount	Total
<b>Distribution</b>				
Operation				
Supervision & Engineering	\$911,982		\$823,936	
Station Equipment	11,368		35,714	
Overhead & Underground Lines	7,322		64,756	
Street Lighting	71,670		113,701	
Meter Expenses	552,643		502,362	
Customer Installations	262		3,374	
Other	39,826	\$1,595,073	27,936	\$1,571,779
Maintenance				
Station Equipment	100,628		65,417	
Overhead & Underground Lines	1,140,234		910,217	
Line Transformers	21,603		48,688	
Other	126,259	1,388,724	96,500	1,120,822
<b>Total Distribution</b>		<u>2,983,797</u>		<u>2,692,601</u>
<b>Total Electric</b>		<u>14,904,688</u>		<u>12,016,316</u>
<b>Telecommunications Department</b>				
Plant Specific Operations:				
Network Support	106,383		70,000	
General Support	124,126		176,063	
Central Office Switching	318,725		569,980	
Central Office Transmission	1,192,658		846,675	
Cable and Wire Facilities Expense	919,441	2,661,333	1,141,662	2,804,380
Plant Nonspecific Operations				
Network Operations Expense	2,270,176	2,270,176	1,922,298	1,922,298
Customer Operations				
Customer Operations-Services	102,534	102,534	100,127	100,127
Nonregulated Operations Expenses	\$3,522,927	3,522,927	\$3,243,853	3,243,853
<b>Total Telecommunications</b>		<u>\$8,556,970</u>		<u>\$8,070,658</u>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
*Comparative Schedule of Operation and Maintenance Expenses (Cont'd)*  
*For the Years Ended December 31, 2013 and 2012*

	2013		2012	
	Amount	Total	Amount	Total
<b>Water Department</b>				
Source of Supply				
Operation and Maintenance	\$450,456	\$450,456	\$259,083	\$259,083
Chlorination				
Labor and Supplies	186,720		97,374	
Maintenance	114,998	301,718	136,497	233,871
Distribution				
Supervision & Operation of Mains	402		234	
Maps & Records	357,554		407,611	
Customer Service	4,606	362,562	5,702	413,547
Maintenance				
Mains & Equipment	668,535		610,192	
Hydrants	20,692		14,901	
Valves & Structures	24,973		33,362	
Pump Stations	102,602		83,343	
PH Adjustment Facility	262,878		246,429	
Reservoirs	\$31,057	1,110,737	\$10,940	999,167
<b>Total Water</b>		<u>2,225,473</u>		<u>1,905,668</u>
<b>Total Operation and Maintenance</b>		<u>\$25,687,131</u>		<u>\$21,992,642</u>

**City of Ketchikan, Alaska**  
*Ketchikan Public Utilities Fund*  
**Comparative Schedules of Administrative and General Expenses**  
*For the Years Ended December 31, 2013 and 2012*

	2013	<b>Restated</b> 2012
Customer Service	\$1,779,319	\$1,650,997
General Accounting	837,757	796,444
Administrative Expenses	1,929,599	1,978,467
Engineering Services	103,775	107,305
Information Technology	584,165	631,843
Insurance & Claims	191,916	246,552
<b>Total</b>	<b>\$5,426,531</b>	<b>\$5,411,608</b>

**City of Ketchikan, Alaska**  
**Port Fund**  
**Comparative Statements of Net Position**  
**December 31, 2013 and 2012**

	<u>2013</u>	<u>Restated 2012</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and temporary investments	\$ 2,900,167	\$ 2,285,517
Restricted cash, cash equivalents and investments:		
Debt service	866,369	884,059
Accounts receivable	2,846,430	3,080,061
Internal receivable	2,700,000	
Prepaid expense	1,124,342	1,055,740
<b>Total Current assets</b>	<u>10,437,308</u>	<u>7,305,377</u>
<b>Noncurrent assets</b>		
Restricted investments:		
Repair and replacement investments	3,137,625	2,613,392
Bond reserve investments	2,589,291	2,577,481
Accrued interest on bond reserve investments	2,445	7,165
<b>Total restricted assets</b>	<u>5,729,361</u>	<u>5,198,038</u>
Capital assets		
Land	1,775,740	1,775,740
Other non-depreciable assets	169,361	100,750
Construction work in progress	5,449,151	5,066,048
Port facilities	67,104,873	60,014,127
Accumulated depreciation	(15,390,071)	(14,023,091)
<b>Total capital assets (net of accumulated depreciation)</b>	<u>59,109,054</u>	<u>52,933,574</u>
<b>Total noncurrent assets</b>	<u>64,838,415</u>	<u>58,131,612</u>
<b>Total Assets</b>	<u>\$ 75,275,723</u>	<u>\$ 65,436,989</u>

City of Ketchikan, Alaska  
*Port Fund*  
**Comparative Statements of Net Position**  
**December 31, 2013 and 2012**

	<u>2013</u>	<u>Restated 2012</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 894,455	\$ 238,890
Accrued interest payable	147,440	152,431
Compensated absences payable	3,152	2,647
Unamortized premiums	28,561	28,561
General obligation bonds payable		270,000
Revenue bonds payable	845,000	810,000
<b>Total current liabilities</b>	<u>1,918,608</u>	<u>1,502,529</u>
<b>Noncurrent liabilities</b>		
Compensated absences payable	28,372	23,823
Unamortized bond premium	597,400	625,961
Revenue bonds payable	32,660,000	33,505,000
<b>Total noncurrent liabilities</b>	<u>33,285,772</u>	<u>34,154,784</u>
<b>Total Liabilities</b>	<u>35,204,380</u>	<u>35,657,313</u>
<b>Net position</b>		
Net investment in capital assets	24,978,093	17,694,052
Restricted repair and replacement funds	3,137,625	2,613,392
Restricted for bond retirement	3,310,665	3,316,274
Unrestricted	8,644,960	6,155,958
<b>Total net position, restated</b>	<u>40,071,343</u>	<u>29,779,676</u>
<b>Total Liabilities and Net Postion</b>	<u>\$ 75,275,723</u>	<u>\$ 65,436,989</u>

City of Ketchikan, Alaska  
Port Fund  
Comparative Statements of Revenues, Expenses and  
Changes in Net Position  
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>Restated 2012</u>
<b>Operating Revenues</b>		
Charges for services		
Docking	\$1,877,195	\$1,741,242
Passenger wharfage fee	6,556,500	6,183,922
Rental income	376,761	385,918
Water	253,300	195,760
Other	82,164	85,413
<b>Total Operating Revenues</b>	<u>9,145,920</u>	<u>8,592,255</u>
<b>Operating Expenses</b>		
Operation and maintenance		
Personnel services	983,664	975,006
Supplies and services	434,663	317,833
Financial service	171,545	168,471
Insurance	191,300	264,874
Utilities	306,381	227,634
Property Taxes	165,627	142,575
Lease payments	2,328,920	1,934,707
Depreciation	1,636,863	1,359,513
<b>Total Operating Expenses</b>	<u>6,218,963</u>	<u>5,390,613</u>
<b>Operating Income</b>	<u>2,926,957</u>	<u>3,201,642</u>
<b>Non-Operating Revenues (Expenses)</b>		
Operating grants - CPV funds	1,952,881	1,982,570
Operating grants	40,331	35,595
Interest earnings	8,331	9,722
Interest expense	(1,748,973)	(1,804,325)
Loss on disposal of capital assets	(1,165,204)	-
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(912,634)</u>	<u>223,562</u>
<b>Net Income Before Grants and Transfers</b>	2,014,323	3,425,204
Capital grants	8,676,543	6,214,416
<b>Net Income Before Transfers</b>	10,690,866	9,639,620
<b>Transfers Out</b>		
Payment in lieu of taxes to general fund	(319,000)	(295,000)
Economic development and parking fund	(80,199)	(8,178)
<b>Total Transfers Out</b>	<u>(399,199)</u>	<u>(303,178)</u>
<b>Change in Net Position</b>	10,291,667	9,336,442
<b>Net Position Beginning of Year, Restated</b>	<u>29,779,676</u>	<u>20,443,234</u>
<b>Net Position End of Year</b>	<u>\$40,071,343</u>	<u>\$29,779,676</u>



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City of Ketchikan, Alaska  
Port Fund  
Comparative Statements of Cash Flows  
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and users	\$ 9,145,920	\$ 8,592,255
Cash payments to employees for services	(978,610)	(973,044)
Cash payments to suppliers for goods and services	<u>(3,646,667)</u>	<u>(3,268,064)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>4,520,643</u>	<u>4,351,147</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating grant from other governments	1,993,212	2,018,165
Transfers out	(80,199)	-
Payment in lieu of taxes to the general fund	<u>(319,000)</u>	<u>(295,000)</u>
<b>Net Cash Used by Noncapital Financing Activities</b>	<u>1,594,013</u>	<u>1,723,165</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Advances to other funds	(2,700,000)	-
Capital grant received from other governments	8,910,174	5,516,455
Principal paid on general obligation bonds, advances and equipment contracts	(270,000)	(1,553,762)
Principal paid on revenue bonds	(810,000)	(775,000)
Interest paid on general obligation bonds	(14,850)	(9,462)
Interest paid on revenue bonds	(1,767,675)	(1,827,421)
Payments for capital acquisitions and construction	<u>(8,342,354)</u>	<u>(7,036,654)</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(4,994,705)</u>	<u>(5,685,844)</u>
<b>Cash Flows from Investing Activities</b>		
Investment earnings	9,870	(23,423)
Sale of investments	(11,810)	54,000
Purchase of investments	<u>(521,051)</u>	<u>(524,782)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(522,991)</u>	<u>(494,205)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	596,960	(105,737)
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>3,169,576</u>	<u>3,275,313</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 3,766,536</u>	<u>\$ 3,169,576</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>		
Cash and temporary investments - current assets	2,900,167	2,285,517
Revenue bond redemption fund - restricted	<u>866,369</u>	<u>884,059</u>
	<u>\$ 3,766,536</u>	<u>\$ 3,169,576</u>

(continued)

City of Ketchikan, Alaska  
Port Fund  
Comparative Statements of Cash Flows  
For the Years Ended December 31, 2013 and 2012

(continued)

	<u>2013</u>	<u>Restated 2012</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<b>Operating Income</b>	\$ 2,926,957	\$ 3,201,642
<b>Adjustments:</b>		
Depreciation	1,636,863	1,359,513
<b>Decrease in Assets:</b>		
Prepaid expenses	(68,602)	(168,293)
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	20,371	(43,677)
Compensated absences payable	5,054	1,962
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 4,520,643</u>	<u>\$ 4,351,147</u>
 <b>Noncash investing, capital and financing activities</b>		
Fair value of non-cash investments	\$ 9,441	\$ 23,643

**City of Ketchikan, Alaska**  
**Wastewater Services Fund**  
**Comparative Statements of Net Position**  
**December 31, 2013 and 2012**

	<u>2013</u>	<u>Restated 2012</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and temporary investments	\$ 74,325	\$ -
Restricted cash, cash equivalents and investments:		
Debt service	32,808	-
Accounts receivable		
Intergovernmental	1,215,297	1,601,620
Unbilled revenue	118,404	106,465
<b>Total current assets</b>	<u>1,440,834</u>	<u>1,708,085</u>
<b>Noncurrent assets</b>		
Capital assets		
Construction work in progress	3,802,406	2,301,917
Wastewater facilities	20,830,341	20,821,336
Accumulated depreciation	(7,054,921)	(6,656,893)
Total capital assets (net of accumulated depreciation)	<u>17,577,826</u>	<u>16,466,360</u>
<b>Total noncurrent assets</b>	<u>17,577,826</u>	<u>16,466,360</u>
<b>Total Assets</b>	<u>\$ 19,018,660</u>	<u>\$ 18,174,445</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 67,443	\$ 560,482
Interfund payable	-	86,909
Accrued interest	19,316	2,234
Compensated absences payable	2,811	3,321
General obligation bonds payable	67,021	39,336
General obligation bonds payable	13,349	
<b>Total current liabilities</b>	<u>169,940</u>	<u>692,282</u>
<b>Noncurrent liabilities</b>		
Accrued interest payable	1,655	8,999
Compensated absences payable	25,297	29,886
General obligation bonds payable	2,683,406	4,697,109
Revenue bonds payable	295,464	363,210
<b>Total noncurrent liabilities</b>	<u>3,005,822</u>	<u>5,099,204</u>
<b>Total liabilities</b>	<u>3,175,762</u>	<u>5,791,486</u>
<b>Net position</b>		
Net investment in capital assets	14,518,586	11,366,705
Restricted for bond retirement	11,837	
Unrestricted	1,312,475	1,016,254
<b>Total net position, restated</b>	<u>15,842,898</u>	<u>12,382,959</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 19,018,660</u>	<u>\$ 18,174,445</u>

**City of Ketchikan, Alaska**  
**Wastewater Services Fund**  
**Comparative Statements of Revenues, Expenses and**  
**Changes in Net Position**  
**For the Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>Restated 2012</u>
<b>Operating Revenues</b>		
Charges for services	\$ 2,451,800	\$ 2,215,314
Other	14,891	9,894
<b>Total Operating Revenues</b>	<u>2,466,691</u>	<u>2,225,208</u>
<b>Operating Expenses</b>		
Operation and maintenance		
Personnel services	789,932	773,795
Supplies and services	774,150	859,502
Engineering services	256,453	296,430
Financial service	188,187	155,109
Insurance	19,218	24,598
Utilities	193,202	188,590
Depreciation	398,028	381,748
<b>Total Operating Expenses</b>	<u>2,619,170</u>	<u>2,679,772</u>
<b>Operating Loss</b>	<u>(152,479)</u>	<u>(454,564)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Operating grants	10,475	10,943
Interest earnings	(62)	142
Debt issuance costs		(584)
Interest expense	(22,848)	(54,992)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(12,435)</u>	<u>(44,491)</u>
<b>Net Loss Before Grants and Transfers</b>	(164,914)	(499,055)
<b>Grants and Transfers</b>		
Capital grants	3,704,853	1,096,444
Transfers out - payment in lieu of taxes	(80,000)	(74,000)
<b>Total Grants and Transfers</b>	<u>3,624,853</u>	<u>1,022,444</u>
<b>Change in Net Postion</b>	3,459,939	523,389
<b>Net Position Beginning of Year, Restated</b>	<u>12,382,959</u>	<u>11,859,570</u>
<b>Net Position End of Year</b>	<u>\$15,842,898</u>	<u>\$12,382,959</u>

**City of Ketchikan, Alaska**  
**Wastewater Services Fund**  
**Comparative Statements of Cash Flows**  
**For the Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and users	\$ 2,454,752	\$ 2,221,273
Cash payments to employees for services	(784,556)	(768,729)
Cash payments to suppliers for goods and services	(1,488,393)	(1,495,226)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>181,803</u>	<u>(42,682)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating grant from other governments	10,475	10,943
Cash overdraft assumed to be financed	-	86,909
Payment in lieu of taxes to the general fund	(80,000)	(74,000)
Cash overdraft payments	(86,909)	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(156,434)</u>	<u>23,852</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital grant received from other governments	1,256,958	585,289
Capital debt proceeds	833,138	548,928
Principal paid on general obligation bonds and equipment contracts	(39,335)	(16,593)
Interest paid on general obligation bonds and equipment contracts	(13,110)	(43,759)
Payments for capital acquisitions and construction	(1,955,825)	(2,445,120)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>81,826</u>	<u>(1,371,255)</u>
<b>Cash Flows from Investing Activities</b>		
Investment earnings	(62)	142
<b>Net Cash Provided by Investing Activities</b>	<u>(62)</u>	<u>142</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	107,133	(1,389,943)
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>-</u>	<u>1,389,943</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 107,133</u>	<u>\$ -</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>		
Cash and temporary investments - current assets	74,325	-
Revenue bond redemption fund - restricted	32,808	-
	<u>\$ 107,133</u>	<u>\$ -</u>

(continued)

**City of Ketchikan, Alaska**  
**Wastewater Services Fund**  
**Comparative Statements of Cash Flows**  
**For the Years Ended December 31, 2013 and 2012**

(continued)

	2013	2012
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>		
<b>Operating Loss</b>	\$ (152,479)	\$ (454,564)
<b>Adjustments:</b>		
Depreciation	398,028	381,748
<b>(Increase) in Assets:</b>		
Unbilled revenue	(11,939)	(3,935)
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	(46,708)	29,003
Compensated absences payable	(5,099)	5,066
	\$ 181,803	\$ (42,682)
<b>Net Cash Provided (Used) by Operating Activities</b>		



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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, 2013**

	<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	\$ 747,193	\$ 1,300,923	\$ 2,048,116
Internal receivable	600,000	-	600,000
Prepaid insurance	577,106	-	577,106
<b>Total Assets</b>	<u>\$ 1,924,299</u>	<u>\$ 1,300,923</u>	<u>\$ 3,225,222</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	5,623	-	5,623
Compensated absences payable	-	130,092	130,092
Claims payable	250,000	-	250,000
<b>Total Current Liabilities</b>	255,623	130,092	385,715
<b>Long-Term Liabilities:</b>			
Compensated absences payable (net of current portion)	-	1,170,831	1,170,831
<b>Total Liabilities</b>	<u>255,623</u>	<u>1,300,923</u>	<u>1,556,546</u>
<b>Net Position</b>			
Unrestricted	<u>\$ 1,668,676</u>	<u>\$ -</u>	<u>\$ 1,668,676</u>

**City of Ketchikan, Alaska**  
**Combining Statement of Revenues,**  
**Expenses and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended December 31, 2013**

	<u>Self-Insurance</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
<b>Operating Revenues</b>			
Charges for services	\$ 1,169,945	\$ 1,139,751	\$ 2,309,696
Miscellaneous income	8,088	-	8,088
<b>Total Revenues</b>	<u>1,178,033</u>	<u>1,139,751</u>	<u>2,317,784</u>
<b>Operating Expenses</b>			
Compensated absences	-	1,139,751	1,139,751
Insurance	1,133,458	-	1,133,458
Claims	44,689	-	44,689
<b>Total Operating Expenses</b>	<u>1,178,147</u>	<u>1,139,751</u>	<u>2,317,898</u>
<b>Operating Loss</b>	<u>(114)</u>	<u>-</u>	<u>(114)</u>
<b>Change in Net Position</b>	(114)	-	(114)
<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>\$ 1,668,676</u>	<u>\$ -</u>	<u>\$ 1,668,676</u>

**City of Ketchikan, Alaska**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2013**

	<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	\$ 1,178,033	\$ 1,139,751	\$ 2,317,784
Cash payments for insurance and claims	(1,282,500)	-	(1,282,500)
Cash payments for compensated absences	-	(1,065,548)	(1,065,548)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(104,467)</u>	<u>74,203</u>	<u>(30,264)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Advances to other funds	(600,000)	-	(600,000)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(704,467)	74,203	(630,264)
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>1,451,660</u>	<u>1,226,720</u>	<u>2,678,380</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 747,193</u>	<u>\$ 1,300,923</u>	<u>\$ 2,048,116</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>			
<b>Operating Loss</b>	\$ (114)	\$ -	\$ (114)
<b>(Increase) in Assets:</b>			
Prepaid expenses	(25,921)	-	(25,921)
<b>Increase (Decrease) in Liabilities:</b>			
Accounts payable	(78,432)	-	(78,432)
Compensated absences payable	-	74,203	74,203
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (104,467)</u>	<u>\$ 74,203</u>	<u>\$ (30,264)</u>

**CITY OF KETCHIKAN, ALASKA**

(Page 1 of 2)

**COMBINED SCHEDULE OF CASH AND INVESTMENTS BALANCES - ALL FUNDS**

*Year Ended December 31, 2013*

**Cash and Investment Balances**

Cash in Revenue Bond Redemption Accounts	\$1,911,020	
Cash in Petty Cash Funds	9,570	
Cash in Other Accounts	41,031,881	
		<u>42,952,471</u>

**Investments**

Investments with Financial Institutions	19,447,576	
		<u>\$19,447,576</u>

**Total Cash and Investments**

\$62,400,047

**General Fund**

\$5,140,263

**Special Revenue Funds**

Sales Tax Hospital Fund	\$5,292,424	
Sales Tax Public Works Fund	6,188,026	
Economic Development Parking Fund	364,585	
Transient Tax Fund	101,191	
Solid Waste Services Fund	3,843,027	
Ketchikan Boat Harbor Fund	1,019,465	
Bayview Cemetery Fund	132,738	
Federal and State Grant Fund	-	
US Marshall Property Seizure Fund	10,857	
Community Grant Fund	3,542	
Shoreline Fund	136,477	
		<u>17,092,332</u>

**Capital Project Funds**

Major Capital Improvement Fund	79,095	
Community Facilities Development Fund	3,076,877	
Harbor Improvements Fund	1,815,105	
		<u>\$4,971,077</u>

**CITY OF KETCHIKAN, ALASKA**

(Page 2 of 2)

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

*Year Ended December 31, 2013*

**Enterprise Funds**

Wastewater Service Fund		
Unrestricted Funds	\$74,325	
Revenue Bond Redemption Funds	32,808	
Ketchikan Port Fund:		
Unrestricted Funds	2,900,167	
Revenue Bond Redemption Funds	866,369	
Repair & Replacement Funds	3,137,625	
Revenue Bond Reserve Funds	2,589,291	
Ketchikan Public Utilities Fund:		
Unrestricted Funds	20,646,326	
Revenue Bond Redemption Funds	1,011,843	
Bond Construction Funds	130,827	
Revenue Bond Reserve Funds	<u>1,758,678</u>	\$33,148,259

**Internal Service Funds**

Self-Insurance Fund	747,193	
Compensated Leave Fund	<u>\$1,300,923</u>	<u>2,048,116</u>

**Total Cash and Investments**

\$62,400,047

**CITY OF KETCHIKAN, ALASKA**  
**COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS**  
**Year Ended December 31, 2013**

	<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			408,065
<b>CITY OF KETCHIKAN GENERAL INVESTMENT ACCOUNT</b>			
Wells Fargo Advisors			
US Treasury Notes	1.875%	2/28/2014	230,646
US Treasury Notes	0.125%	7/31/2014	940,113
US Treasury Notes	2.125%	11/30/2014	244,248
US Treasury Notes	2.250%	1/31/2015	102,227
US Treasury Notes	4.875%	8/15/2016	444,376
Cash and Money Funds			27,895
			1,989,505
<b>KETCHIKAN PUBLIC UTILITIES - REVENUE BOND RESERVE FUND INVESTMENTS</b>			
Bank of New York Mellon			
Cash and Money Funds			1,758,678
<b>KETCHIKAN PORT - REVENUE BOND RESERVE FUND INVESTMENTS</b>			
Wells Fargo Advisors			
US Treasury Notes	0.250%	2/15/2015	1,784,248
Cash and Money Funds			805,043
			2,589,291
<b>FIRE STATION CONSTRUCTION FUND</b>			
Wells Fargo Advisors			
Cash and Money Funds			1,333,507
<b>LIBRARY FACILITIES CONSTRUCTION FUND</b>			
Wells Fargo Advisors			
Cash and Money Funds			990,430
<b>WHITMAN LAKE BOND CONSTRUCTION FUND</b>			
First Bank			
Cash and Money Funds			10,378,100
<b>TOTAL ALL FUNDS</b>			<b>19,447,576</b>



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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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Government-wide Information</b> These schedules contain information that help the reader understand how the City’s government-wide financial performance and well-being have changed over time.	149
<b>Financial Trends</b> These schedules contain trend information that help the reader understand how the City’s financial performance and well-being have changed over time.	157
<b>Revenue Capacity</b> These schedules present information to help the reader assess the city’s most significant local revenue source, property taxes.	163
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	179
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.	185
<b>Operating Information</b> These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the city provides and the activities it performs.	189

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

(Un-Audited)

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Net investment in capital assets	\$ 75,935,038	\$ 78,949,802	\$ 82,946,674	\$ 100,387,358
Restricted	8,607,990	8,208,471	8,500,972	8,635,185
Unrestricted	19,398,137	19,680,452	21,842,202	24,554,392
Total governmental activities net position	<u>\$ 103,941,165</u>	<u>\$ 106,838,725</u>	<u>\$ 113,289,848</u>	<u>\$ 133,576,935</u>
Business-type activities				
Net investment in capital assets	\$ 64,294,258	\$ 64,103,610	\$ 65,014,842	\$ 65,421,421
Restricted	2,946,928	3,045,731	8,528,058	7,819,498
Unrestricted	22,345,814	23,415,765	23,371,639	26,243,152
Total business-type activities net position	<u>\$ 89,587,000</u>	<u>\$ 90,565,106</u>	<u>\$ 96,914,539</u>	<u>\$ 99,484,071</u>
Primary Government				
Net investment in capital assets	\$ 140,229,296	\$ 143,053,412	\$ 147,961,516	\$ 165,808,779
Restricted	11,554,918	11,254,202	17,029,030	16,454,683
Unrestricted	41,743,951	43,096,217	45,213,841	50,797,544
Total primary government net position	<u>\$ 193,528,165</u>	<u>\$ 197,403,831</u>	<u>\$ 210,204,387</u>	<u>\$ 233,061,006</u>

**Table 1**

<b>Restated 2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Restated 2012</b>	<b>2013</b>
\$ 102,795,408	\$ 105,240,716	\$ 109,138,701	\$ 118,331,373	\$ 124,187,486	\$ 123,952,440
7,867,366	9,302,674	7,975,618	8,010,280	7,668,494	8,148,212
24,486,577	22,137,657	21,265,521	22,791,652	20,015,992	19,781,991
<u>\$ 135,149,351</u>	<u>\$ 136,681,047</u>	<u>\$ 138,379,840</u>	<u>\$ 149,133,305</u>	<u>\$ 151,871,972</u>	<u>\$ 151,882,643</u>
\$ 68,944,529	\$ 75,194,012	\$ 78,533,777	\$ 88,231,320	\$ 101,715,542	\$ 118,874,119
9,173,772	8,695,571	8,196,207	8,431,062	8,624,752	9,098,473
28,054,404	23,958,481	26,306,929	27,164,343	27,346,998	30,740,061
<u>\$ 106,172,705</u>	<u>\$ 107,848,064</u>	<u>\$ 113,036,913</u>	<u>\$ 123,826,725</u>	<u>\$ 137,687,292</u>	<u>\$ 158,712,653</u>
\$ 171,739,937	\$ 171,739,937	\$ 180,434,728	\$ 206,562,693	\$ 225,903,028	\$ 242,826,559
17,041,138	17,998,245	17,998,245	16,441,342	16,293,246	17,246,685
52,540,981	46,096,138	47,572,450	49,955,995	47,362,990	50,522,052
<u>\$ 241,322,056</u>	<u>\$ 235,834,320</u>	<u>\$ 246,005,423</u>	<u>\$ 272,960,030</u>	<u>\$ 289,559,264</u>	<u>\$ 310,595,296</u>

(Un-Audited)

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Restated 2008</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 1,978,792	\$ 2,511,022	\$ 1,959,927	\$ 2,042,750	\$ 2,385,231
Public safety	5,995,211	6,717,659	6,835,651	7,288,610	8,004,100
Culture	2,263,549	2,396,342	2,566,929	2,551,355	3,336,986
Health and welfare	3,496,922	5,048,556	3,485,604	3,975,894	4,011,821
Public works	5,318,235	4,866,229	5,617,473	6,033,515	8,888,160
Harbor	964,677	1,301,859	1,418,733	1,642,466	1,639,600
Interest	428,702	355,271	344,778	321,854	296,709
Total governmental activities expenses	<u>20,446,088</u>	<u>23,196,938</u>	<u>22,229,095</u>	<u>23,856,444</u>	<u>28,562,607</u>
Business-type activities					
Ketchikan Public Utilities					
Electric	\$ 14,143,404	\$ 12,828,046	\$ 14,057,328	\$ 15,044,569	\$ 17,331,151
Telecommunications	10,654,717	10,880,155	11,835,693	12,512,416	11,901,997
Water	2,639,732	2,786,789	2,834,098	2,886,251	2,902,139
Ketchikan Port	1,687,219	2,837,681	4,097,435	4,723,553	7,176,395
Wastewater Service	1,503,572	1,702,546	1,680,328	2,013,615	2,297,544
Total business-type activities expenses	<u>30,628,644</u>	<u>31,035,217</u>	<u>34,504,882</u>	<u>37,180,404</u>	<u>41,609,226</u>
Total primary government expenses	<u>\$ 51,074,732</u>	<u>\$ 54,232,155</u>	<u>\$ 56,733,977</u>	<u>\$ 61,036,848</u>	<u>\$ 70,171,833</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Ambulance	\$ 404,331	\$ 405,636	\$ 369,017	\$ 389,500	\$ 434,934
Library services	423,126	418,034	420,246	435,876	436,601
Mental Health & Substance Abuse	742,503	831,529	618,937	472,351	381,844
Solid Waste	2,603,511	2,719,019	2,833,419	2,821,632	2,881,079
Harbor	818,228	894,569	940,106	973,142	1,103,677
Other activities	1,172,438	1,242,098	1,413,971	1,296,568	1,634,340
Operating grants and contributions	1,426,884	1,814,834	1,776,296	1,846,610	2,169,658
Capital grants and contributions	8,269,434	233,637	2,324,529	170,663	375,443
Total governmental activities program revenues	<u>15,860,455</u>	<u>8,559,356</u>	<u>10,696,521</u>	<u>8,406,342</u>	<u>9,417,576</u>
Business-type activities					
Charges for services					
Electric	\$ 13,011,150	\$ 13,232,075	\$ 14,468,144	\$ 14,779,712	\$ 17,699,413
Telecommunications	12,168,008	12,335,107	14,032,603	13,431,826	12,958,489
Water	1,538,193	1,582,841	1,718,781	1,924,163	2,024,614
Port	5,000,010	7,096,948	6,427,207	7,895,063	8,839,267
Wastewater	1,861,283	1,894,718	1,942,529	2,038,361	2,038,287
Operating grants and contributions	30,100	57,037	107,582	126,032	257,948
Capital grants and contributions	1,152,821	218,491	2,137,467	3,563,444	4,304,943
Total business-type activities program revenues	<u>34,761,565</u>	<u>36,417,217</u>	<u>40,834,313</u>	<u>43,758,601</u>	<u>48,122,961</u>
Total primary government program revenues	<u>\$ 50,622,020</u>	<u>\$ 44,976,573</u>	<u>\$ 51,530,834</u>	<u>\$ 52,164,943</u>	<u>\$ 57,540,537</u>

Table 2

2009	2010	2011	Restated 2012	2013
\$ 2,103,140	\$ 2,365,376	\$ 1,928,342	\$ 2,290,233	\$ 2,472,898
7,803,886	7,751,934	8,368,059	8,964,646	8,807,683
2,896,827	2,822,040	2,862,064	3,097,918	3,445,959
2,947,696	1,875,578	1,272,680	2,541,686	747,893
10,003,285	7,788,434	8,015,271	9,423,324	10,840,175
2,066,607	2,057,164	2,169,152	2,154,270	1,851,082
278,749	256,909	478,822	757,879	655,947
<u>28,100,190</u>	<u>24,917,435</u>	<u>25,094,390</u>	<u>29,229,956</u>	<u>28,821,637</u>
\$ 17,451,474	\$ 16,036,369	\$ 16,141,172	\$ 16,790,404	\$ 19,705,332
13,447,338	12,321,547	13,172,392	14,500,244	14,405,757
2,846,215	2,833,765	3,221,650	3,595,668	4,029,711
9,026,767	8,929,902	7,452,615	7,194,938	9,133,140
2,583,454	2,228,373	2,401,671	2,735,348	2,642,018
<u>45,355,248</u>	<u>42,349,956</u>	<u>42,389,500</u>	<u>44,816,602</u>	<u>49,915,958</u>
<u>\$ 73,455,438</u>	<u>\$ 67,267,391</u>	<u>\$ 67,483,890</u>	<u>\$ 74,046,558</u>	<u>\$ 78,737,595</u>
\$ 385,373	\$ 516,049	\$ 521,621	\$ 470,682	\$ 515,158
421,585	351,494	381,162	471,662	666,621
596,067	140,862			
2,776,619	2,816,287	2,940,490	2,948,507	2,851,958
1,156,343	1,116,361	1,159,273	1,250,292	1,191,053
1,610,935	1,252,815	1,573,835	1,431,758	1,204,043
1,220,785	963,699	1,173,178	1,153,337	1,562,913
4,125,310	2,840,226	10,529,822	6,878,384	2,736,373
<u>12,293,017</u>	<u>9,997,793</u>	<u>18,279,381</u>	<u>14,604,622</u>	<u>10,728,119</u>
\$ 16,619,118	\$ 15,370,110	\$ 16,223,890	\$ 16,746,615	\$ 18,898,966
13,727,676	14,390,486	14,444,541	14,530,914	15,185,977
2,247,801	2,532,659	2,896,152	2,932,254	3,078,704
8,922,228	8,000,492	7,986,404	8,592,255	9,145,920
2,029,614	2,009,767	2,117,793	2,215,314	2,451,800
149,270	111,337	221,076	2,225,280	2,280,470
2,991,174	5,361,548	9,908,854	12,327,627	20,670,211
<u>46,686,881</u>	<u>47,776,399</u>	<u>53,798,710</u>	<u>59,570,259</u>	<u>71,712,048</u>
<u>\$ 58,979,898</u>	<u>\$ 57,774,192</u>	<u>\$ 72,078,091</u>	<u>\$ 74,174,881</u>	<u>\$ 82,440,167</u>

(Un-Audited)

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Restated 2008</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (4,585,633)	\$ (14,637,582)	\$ (11,532,574)	\$ (15,450,102)	\$ (19,145,031)
Business-type activities	4,132,921	5,382,000	6,329,431	6,578,197	6,513,735
Total primary government net (expense) revenue	\$ (452,712)	\$ (9,255,582)	\$ (5,203,143)	\$ (8,871,905)	\$ (12,631,296)
<b>Governmental Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 3,618,089	\$ 3,660,138	\$ 3,895,032	\$ 4,073,391	\$ 4,482,595
Sales taxes	8,550,572	9,045,296	9,203,890	9,663,743	10,441,027
Transient taxes	353,376	383,036	346,341	526,915	449,708
Intergovernmental - unrestricted	184,725	215,211	484,967	701,006	794,368
Investment earnings	491,952	837,639	1,234,797	1,425,411	1,175,583
Contributions of capital assets not restricted	1,113,560	-	-	-	-
Miscellaneous	117,902	196,137	212,911	1,209,209	1,316,542
Special Item	-	-	-	-	507,229
Transfers	752,100	3,197,685	2,605,759	6,324,169	1,550,395
Total governmental activities	\$ 15,182,276	\$ 17,535,142	\$ 17,983,697	\$ 23,923,844	\$ 20,717,447
Business-type activities:					
Investment earnings	\$ 294,750	\$ 744,364	\$ 1,816,783	\$ 1,873,235	\$ 1,214,525
Miscellaneous	404,552	482,311	808,978	442,269	408,670
Special Item	(28,310,596)	-	-	-	102,099
Extraordinary Item	-	(2,432,884)	-	-	-
Transfers	(752,100)	(3,197,685)	(2,605,759)	(6,324,169)	(1,550,395)
Total business-type activities	(28,363,394)	(4,403,894)	20,002	(4,008,665)	174,899
Total primary government	\$ (13,181,118)	\$ 13,131,248	\$ 18,003,699	\$ 19,915,179	\$ 20,892,346
<b>Change in Net Position</b>					
Governmental activities	\$ 10,596,643	\$ 2,897,560	\$ 6,451,123	\$ 8,473,742	\$ 1,572,416
Business-type activities	(24,230,473)	978,106	6,349,433	2,569,532	6,688,634
Total primary government	\$ (13,633,830)	\$ 3,875,666	\$ 12,800,556	\$ 11,043,274	\$ 8,261,050

Table 2 - (Continued)

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Restated 2012</u>	<u>2013</u>
\$ (15,807,173)	\$ (14,919,642)	\$ (6,815,009)	\$ (14,625,334)	\$ (18,093,518)
<u>1,331,633</u>	<u>5,426,443</u>	<u>11,409,210</u>	<u>14,753,657</u>	<u>21,796,090</u>
\$ (14,475,540)	\$ (9,493,199)	\$ 4,594,201	\$ 128,323	\$ 3,702,572
\$ 4,634,797	\$ 4,681,027	\$ 4,808,930	\$ 4,802,508	\$ 5,496,857
9,568,759	9,477,890	9,883,856	10,140,108	10,207,189
355,729	391,089	377,583	358,343	395,867
729,325	810,802	1,137,762	744,301	522,456
469,839	157,012	101,754	9,488	(2,470)
615,419	77,615	161,589	290,761	219,091
<u>965,000</u>	<u>1,023,000</u>	<u>1,097,000</u>	<u>1,105,178</u>	<u>1,265,199</u>
\$ 17,338,868	\$ 16,618,435	\$ 17,568,474	\$ 17,450,687	\$ 18,104,189
\$ 671,967	\$ 182,542	\$ 132,196	\$ 116,989	\$ 5,911
636,759	602,864	345,406	522,859	488,559
<u>(965,000)</u>	<u>(1,023,000)</u>	<u>(1,097,000)</u>	<u>(1,105,178)</u>	<u>(1,265,199)</u>
<u>343,726</u>	<u>(237,594)</u>	<u>(619,398)</u>	<u>(465,330)</u>	<u>(770,729)</u>
\$ 17,682,594	\$ 16,380,841	\$ 16,949,076	\$ 16,985,357	\$ 17,333,460
\$ 1,531,695	\$ 1,698,793	\$ 10,753,465	\$ 2,825,353	\$ 10,671
<u>1,675,359</u>	<u>5,188,849</u>	<u>10,789,812</u>	<u>14,288,327</u>	<u>21,025,361</u>
\$ 3,207,054	\$ 6,887,642	\$ 21,543,277	\$ 17,113,680	\$ 21,036,032



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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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund				
Reserved	\$ 1,020,868	\$ 631,383	\$ 721,656	\$ 804,983
Unreserved	4,584,905	4,896,236	4,868,556	4,523,852
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total general fund	<u>\$ 5,605,773</u>	<u>\$ 5,527,619</u>	<u>\$ 5,590,212</u>	<u>\$ 5,328,835</u>
All Other Governmental Funds				
Reserved	\$ 7,086,697	\$ 5,922,076	\$ 6,399,364	\$ 3,919,777
Unreserved, reported in:				
Designated	-	-	-	-
Special revenue funds	11,836,793	12,613,716	13,782,467	15,715,623
Capital project funds	1,441,768	1,793,046	2,269,925	5,428,243
Debt service funds	-	-	-	-
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total all other governmental funds	<u>\$ 20,365,258</u>	<u>\$ 20,328,838</u>	<u>\$ 22,451,756</u>	<u>\$ 25,063,643</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**

<u>2008</u>	<u>2009</u>	<u>Restated 2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 633,594	\$ 602,723				
4,436,748	4,046,686	\$ 391,593	\$ 382,742	\$ 376,517	\$ 391,977
		14,025,344	15,834,417	14,323,611	13,347,874
		3,298,478	3,271,596	2,606,320	3,350,096
<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>	<u>\$ 17,089,947</u>
\$ 6,516,387	\$ 6,320,258				
-	-				
14,173,319	13,577,367				
2,996,186	4,154,046				
-	-				
		\$ 7,270,633	\$ 4,368,168	\$ 2,992,632	\$ 10,857
		455,846	1,107,501		
		7,962,654	7,056,295	7,742,208	9,766,365
<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>	<u>\$ 9,777,222</u>

(Un-Audited)

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

	2004	2005	2006	2007
<b>Revenues</b>				
Taxes	\$ 12,452,287	\$ 13,166,875	\$ 13,354,456	\$ 14,199,771
Licenses and permits	106,820	122,894	109,732	122,275
Intergovernmental	2,636,198	2,650,245	4,563,268	3,109,206
Charges for services	5,878,921	6,184,437	6,246,819	6,083,444
Fines and forfeitures	178,396	174,372	144,904	169,049
Investments earnings	261,456	523,444	990,881	1,134,288
Contributions				
Interdepartmental charges	2,268,147	2,313,773	2,711,378	2,663,164
Miscellaneous	117,902	207,460	223,378	1,211,136
Total revenues	23,900,127	25,343,500	28,344,816	28,692,333
<b>Expenditures</b>				
General government	\$ 3,693,662	\$ 3,850,434	\$ 4,292,014	\$ 4,158,340
Public safety	6,364,126	6,592,719	6,842,820	7,221,346
Culture	2,205,221	2,426,921	2,316,367	2,342,355
Health and welfare	7,016,756	4,931,566	3,371,208	4,260,761
Public works	5,838,869	8,080,031	8,246,265	7,076,021
Harbor	1,316,216	1,961,213	2,997,601	6,833,930
Debt service				
Bond issuance costs	-	95,572	-	-
Interest and fiscal charges	430,333	314,428	347,152	324,357
Principal retirement	473,734	624,156	505,130	563,193
Total expenditures	27,338,917	28,877,040	28,918,557	32,780,303
Excess of revenues over (under) expenditures	(3,438,790)	(3,533,540)	(573,741)	(4,087,970)
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	\$ 19,115	\$ 6,200	\$ 49,129	\$ 114,311
Proceeds of refunded bonds	-	7,105,051	-	-
Proceeds from sale of bonds	-	-	-	-
Premiums from sale of bonds	-	-	-	-
Payments to refunded bond agent	-	(6,920,463)	-	-
Capital lease	-	30,493	104,364	-
Transfers in	5,015,903	7,506,561	6,871,876	10,133,487
Transfers out	(4,193,803)	(4,308,876)	(4,266,117)	(3,809,318)
Total other financing sources (uses)	841,215	3,418,966	2,759,252	6,438,480
Net change in fund balances	\$ (2,597,575)	\$ (114,574)	\$ 2,185,511	\$ 2,350,510
Debt service as a percentage of noncapital expenditures	4.14%	4.29%	3.62%	3.63%

**Table 4**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 15,325,083	\$ 14,525,068	\$ 14,343,068	\$ 15,128,079	\$ 15,311,798	\$ 16,085,582
104,742	90,922	119,522	276,275	114,480	91,516
3,704,389	5,553,375	4,515,036	12,834,694	8,694,716	4,550,899
6,494,421	6,520,335	6,050,968	6,082,885	6,208,863	6,191,082
284,085	237,599	136,681	159,574	167,553	182,562
1,159,148	1,495,589	101,960	208,321	9,488	(2,356)
	913,284	86,054	1,598	74,656	105,505
3,001,060	3,029,714	3,048,226	3,175,838	3,395,081	3,149,075
1,561,193	592,694	223,768	196,281	291,613	407,870
<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>	<u>30,761,735</u>
\$ 4,700,644	\$ 4,636,560	\$ 4,635,116	\$ 4,694,767	\$ 5,029,536	\$ 4,914,708
8,513,209	7,943,723	9,253,467	15,794,570	11,613,580	8,460,223
3,458,592	2,705,436	3,704,718	4,256,978	11,487,388	3,067,307
3,863,755	3,325,151	1,504,139	1,553,869	2,334,980	457,254
9,506,008	11,453,823	9,943,954	9,862,985	10,456,004	11,040,657
3,917,652	3,073,447	2,265,892	3,136,954	2,148,053	3,423,048
-	-	-	-	-	-
301,170	283,669	264,280	454,029	598,624	1,140,000
573,038	589,339	575,000	800,000	930,000	697,856
<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>	<u>33,201,053</u>
(3,199,947)	(1,052,568)	(3,521,283)	(2,490,607)	(10,329,917)	(2,439,318)
\$ 13,308	\$ 32,414	-	\$ 9,778	\$ 10,795	-
-	-	-	-	-	-
-	-	\$ 7,200,000	-	4,820,003	-
-	-	1,751	-	414,510	-
-	-	-	-	-	-
-	-	-	-	-	-
5,855,913	5,682,231	5,277,851	2,750,515	3,975,430	\$ 3,334,665
(4,305,518)	(4,717,231)	(4,254,851)	(1,653,515)	(2,870,252)	(2,069,466)
<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>1,265,199</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>	<u>\$ (1,174,119)</u>
3.00%	3.18%	3.35%	4.96%	5.20%	6.32%

(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>
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
2013	5,750,117	48,589	88,207	(400,242)	10,201,586	386,230	1,196,095	17,270,582
Change 2013-2004	<b>56.31%</b>	<b>-51.35%</b>	<b>104.28%</b>	<b>46.46%</b>	<b>19.31%</b>	<b>9.30%</b>	<b>59.03%</b>	<b>30.79%</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>
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
2013	6.7	5.0	11.7

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

Source: Ketchikan Gateway Borough

(Un-Audited)

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

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<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>
2004	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
2013	261,110,500	40,812,100	325,506,900	-	166,449,600	3,281,100

<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 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>(2)</sup></b>	<b>Total Taxable Assessed Value</b>	<b>Tax Rate</b>
41,280,300	583,361,200	42,700,100	540,661,100	6.4
45,248,700	594,968,200	45,078,700	549,889,500	6.4
42,419,800	633,321,300	45,729,300	587,592,000	6.4
48,912,700	697,332,200	47,670,500	649,661,700	6.1
50,809,700	768,741,400	50,094,600	718,646,800	6.1
50,913,200	798,108,100	52,754,100	745,354,000	6.1
41,375,000	800,947,400	55,101,700	745,845,700	6.1
47,370,800	801,175,000	55,829,300	745,345,700	6.2
44,177,700	808,516,900	58,818,800	749,698,100	6.2
60,238,000	857,398,200	59,737,600	797,660,600	6.7

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

<u>Taxpayer</u>	<u>2013</u>			<u>2004</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>
Trident Seafoods Corporation	\$ 15,974,200	1	1.86%			
Ketchikan Dock Company, LLC	14,137,800	2	1.65%			
Tongass Trading Company	11,752,500	3	1.37%	\$ 6,949,100	2	1.19%
Harbor Enterprises/Petro Marine Services	11,113,300	4	1.30%	4,212,500	9	0.72%
Cape Fox Corporation	9,054,400	5	1.06%	9,827,100	1	1.68%
Dock Street Building Corporation	8,366,800	6	0.98%			
Landing LLC	8,342,300	7	0.97%			
E C Phillips & Son Inc.	8,069,100	8	0.94%	5,558,600	5	0.95%
Alaska General Seafood Processors	7,715,700	9	0.90%	4,718,900	7	0.81%
Carr-Gottstein Foods Company	7,655,000	10	0.89%	6,038,500	3	1.04%
Wal-Mart				5,978,100	4	1.02%
Ketchikan Plaza, Inc.				5,238,100	6	0.90%
TF Acquisition, Inc.						
Tesoro Alaska				4,441,900	8	0.76%
Swan Bay Holding, Inc.				4,047,200	10	0.69%
<b>Total</b>	<b>\$ 102,181,100</b>		<b>11.92%</b>	<b>\$ 57,010,000</b>		<b>9.76%</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
2004	3,460,231	3,407,265	98.47%	40,977	3,448,242	99.65%
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%	63,881	3,945,358	99.56%
2008	4,383,745	4,338,730	98.97%	30,976	4,369,706	99.68%
2009	4,546,659	4,472,274	98.36%	59,166	4,531,440	99.67%
2010	4,549,659	4,353,276	95.68%	180,196	4,533,472	99.64%
2011	4,621,143	4,565,367	98.79%	55,753	4,621,120	100.00%
2012	4,648,128	4,590,563	98.76%	57,537	4,648,100	100.00%
2013	5,344,326	5,276,616	98.73%	-	5,276,616	98.73%

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>
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%
2013	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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b><u>Collected Charges for Services Revenue</u></b>				
Solid Waste	\$ 2,603,511	\$ 2,719,019	\$ 2,833,419	\$ 2,821,632
Harbor	818,228	893,870	940,106	973,142
<b><u>Number of Customers/Services Provided</u></b>				
Solid Waste Collection				
Residential	2,389	2,454	2,495	2,516
Business	217	225	222	231
Solid Waste Disposal	5,305	5,339	5,342	5,403
Harbor				
Reserved Moorage Stalls Rented	784	780	780	765

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

**Table 11**

	2008	2009	2010	2011	2012	2013
\$	2,881,079	\$ 2,776,619	\$ 2,816,287	\$ 2,940,490	\$ 2,948,507	\$ 2,851,958
	1,103,677	1,156,343	1,116,361	1,159,273	1,250,292	1,191,053
	2,479	2,454	2,402	2,524	2,558	2,559
	230	231	233	238	251	245
	5,405	5,446	5,419	5,485	5,537	5,571
	759	786	763	765	767	753

(Un-Audited)

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

	2004	2005	2006	2007
<b>Collected Charges for Services Revenue</b>				
Electric				
Residential	\$ 5,371,160	\$ 5,414,050	\$ 5,952,863	\$ 6,184,106
Boats	243,452	254,450	280,735	290,847
Commercial	5,505,771	5,663,099	6,126,399	6,126,579
Industrial	1,405,537	1,413,345	1,554,201	1,614,368
Demand	333,528	334,829	403,234	411,557
Area Lighting	44,342	45,922	43,618	45,733
Street Lighting	120,360	121,980	122,694	122,122
Diesel Surcharge				
Other	398,318	460,057	771,160	567,665
Telecommunications				
Local Network Services	3,411,569	3,257,503	3,237,357	2,854,206
Inter/Intrastate Network Access Services	6,825,910	6,955,054	8,403,318	7,745,095
Non-Regulated	1,398,933	1,607,548	1,856,903	2,271,838
Other	566,596	557,002	577,025	602,687
Water				
Residential	680,524	695,242	775,277	872,455
Apartments	136,799	136,054	153,435	166,001
Commercial	505,906	521,253	579,415	644,746
Industrial	66,788	69,007	72,726	77,977
Cannery	42,686	42,751	45,790	48,862
Fire Hydrant	7,857	7,872	8,511	9,029
Port	107,490	120,934	94,538	116,522
Other	6,705	13,805	26,411	14,156
Wastewater				
Residential Sewer Service	1,111,765	1,130,795	1,157,245	1,239,257
Business Sewer Service	739,036	753,062	774,006	799,104
Port				
Passenger Wharfage <sup>1</sup>	3,160,192	5,150,634	4,667,968	5,917,231
Docking	1,514,968	1,582,718	1,451,395	1,561,813
<b>Customer Base</b>				
Electric				
Residential	5,603	5,616	5,652	5,677
Commercial	1,056	1,068	1,077	1,091
Industrial	15	14	14	14
Other	487	504	508	523
Telecommunications				
Residential Access Lines	5,774	5,589	5,434	5,036
Commercial Access Lines	4,357	4,253	4,120	4,003
Water				
Residential	2,452	2,493	2,586	2,776
Apartments	15	15	15	16
Commercial	396	406	420	424
Industrial	6	7	6	7
Cannery	3	3	3	3
Fire Hydrant	4	4	4	4
Marine Vessels	28	33	25	25
Wastewater				
Residential <sup>2</sup>	2,467	2,507	2,589	2,779
Business <sup>3</sup>	411	420	426	431
Port				
Cruiseships	37	37	36	36
Stops	535	562	503	499
Passengers <sup>4</sup>	848,969	921,429	837,498	894,216

<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.

Source: City of Ketchikan financial records & Ketchikan Visitors Bureau

**Table 12**

	2008	2009	2010	2011	2012	2013
\$	6,691,810	\$ 6,743,435	\$ 6,557,170	\$ 6,929,817	\$ 7,240,637	\$ 6,929,393
	289,017	275,352	268,981	293,654	318,564	299,465
	6,327,156	6,167,549	6,186,808	6,404,792	6,673,188	6,701,322
	1,615,798	1,622,961	1,758,452	1,767,912	1,862,015	1,915,505
	426,839	429,295	427,292	443,170	481,321	510,887
	50,145	49,019	48,833	48,890	48,974	48,995
	123,012	123,499	124,526	124,978	126,239	126,178
	2,205,971	1,228,808	18,848	231,477	16,477	2,388,021
	472,660	564,893	562,291	442,410	464,797	426,644
	2,644,869	2,442,452	2,274,624	2,194,530	2,131,351	2,100,995
	7,449,484	8,163,920	8,644,023	8,591,786	8,399,849	8,660,056
	2,361,103	2,560,799	2,967,362	3,261,045	3,565,887	4,036,708
	552,921	616,505	560,477	453,180	489,827	444,218
	888,236	966,755	1,110,982	1,277,902	1,300,147	1,343,648
	174,022	188,158	214,427	250,519	258,792	269,394
	667,522	756,319	864,542	1,003,574	998,294	1,042,848
	79,714	68,793	64,890	85,894	87,840	91,425
	70,376	129,648	150,887	156,455	143,560	144,614
	9,210	19,170	30,378	34,922	27,199	22,864
	148,781	141,328	128,792	124,230	146,820	189,975
	27,337	51,879	10,569	51,804	20,970	24,160
	1,236,392	1,230,812	1,224,650	1,269,208	1,349,227	1,490,983
	801,895	798,802	785,117	848,585	866,087	960,818
	6,484,425	6,471,647	5,725,215	5,786,811	6,183,922	6,556,500
	1,891,913	1,929,406	1,721,945	1,702,405	1,741,242	1,877,195
	5,731	5,731	5,756	5,757	5,808	5,819
	1,105	1,127	1,153	1,165	1,173	1,171
	14	14	13	12	13	13
	496	493	496	509	524	511
	4,265	3,804	3,554	3,397	3,235	3,138
	3,857	3,663	3,442	3,225	3,078	2,909
	2,769	2,748	2,738	2,743	2,727	2,724
	18	18	17	17	20	21
	422	435	436	442	451	444
	7	6	5	5	4	4
	3	4	4	5	4	5
	4	6	7	7	8	8
	31	29	26	41	29	38
	2,772	2,752	2,742	2,748	2,731	2,729
	429	441	441	447	455	448
	37	36	26	28	34	31
	502	496	429	426	467	456
	930,958	926,051	820,914	830,547	885,799	938,124

(Un-Audited)

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Construction	\$ 46,808,624	\$ 54,209,252	\$ 46,658,908
Financial institutions	2,513,620	2,866,491	2,811,058
Hospitality/Lodging establishments	12,372,609	13,327,117	14,745,153
Manufacturing	23,956,009	22,035,684	29,493,656
Real estate	28,695,384	26,967,529	30,287,572
Retail trade	77,855,877	79,712,707	79,906,363
Food stores	44,346,585	49,947,282	52,271,208
Eating and drinking establishments	16,730,479	17,577,519	18,070,196
Auto dealers and supplies	29,326,243	25,949,965	28,051,879
Specialty retail	21,683,876	22,917,692	23,081,277
Curio and jewelry retail stores	52,732,078	57,783,418	49,279,069
Entertainment services	4,759,561	4,549,563	5,321,145
General services	13,996,980	14,980,337	15,851,383
Professional services	6,268,699	6,155,813	7,706,093
Transportation, communications and utilities	52,806,018	64,972,042	71,282,613
Total	<u>\$ 434,852,642</u>	<u>\$ 463,952,411</u>	<u>\$ 474,817,573</u>
City direct sales tax rate	3.50%	3.50%	3.50%

Source: Ketchikan Gateway Borough

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

**Table 13**

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 72,042,565	\$ 73,452,051	\$ 44,368,988	\$ 50,460,294	\$ 96,082,584	\$ 109,970,571	\$ 77,066,541
2,802,760	3,178,054	3,531,628	3,521,298	2,948,547	4,041,550	3,555,578
16,466,073	16,941,372	15,096,680	15,378,429	14,593,406	15,548,076	15,707,114
27,614,238	35,183,518	47,045,192	40,265,296	24,915,484	39,842,655	37,030,919
31,805,801	33,330,276	33,774,096	39,175,516	37,042,794	40,169,231	38,124,370
90,127,811	95,641,510	93,616,515	91,207,917	91,098,398	120,289,408	93,199,439
55,036,444	58,269,720	56,907,933	59,534,128	62,759,319	64,720,813	65,345,961
18,383,424	18,434,099	18,073,566	18,639,171	19,400,071	20,976,049	20,450,894
30,444,643	29,902,145	23,294,439	17,822,721	20,253,452	21,376,187	20,469,723
23,397,268	23,560,672	24,406,315	23,814,875	24,754,928	25,695,661	25,543,412
55,418,133	53,061,753	45,324,650	44,097,747	44,387,990	44,886,243	49,644,605
5,743,070	4,545,666	4,464,679	4,119,365	4,248,046	4,434,892	4,358,133
16,139,316	18,944,756	19,430,386	18,805,268	19,360,650	20,592,529	19,874,280
6,158,124	5,415,952	8,807,335	6,949,378	9,475,358	8,187,467	6,518,075
79,168,058	96,250,783	73,575,371	82,042,095	88,121,368	88,384,272	91,496,468
<u>\$ 530,747,728</u>	<u>\$ 566,112,327</u>	<u>\$ 511,717,773</u>	<u>\$ 515,833,498</u>	<u>\$ 559,442,395</u>	<u>\$ 629,115,604</u>	<u>\$ 568,385,512</u>
3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%



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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  
Pledged Revenue Coverage ..... Table 15  
Direct and Overlapping Governmental Activities Debt ..... Table 16



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

Fiscal Year	Government Bonded Debt			Other Governmental Activities Debt			Total Primary Government	Percentage of Personal Income <sup>5</sup>	Per Capita <sup>2</sup>
	General Obligation Bonds	Percentage of Actual Taxable Value of Property <sup>1</sup>	Per Capita <sup>2</sup>	Capital Lease	KPU Revenue Bonds	KPU Junior Lien Bonds <sup>4</sup>			
2004	8,095,000	1.50%	\$ 1,052.53	-	-	\$ 24,049,363	\$ 34,209,363	11.06%	4,448
2005	7,901,348	1.44%	1,028.15	21,337	-	22,839,753	32,642,438	9.94%	4,248
2006	7,377,902	1.26%	962.92	115,571	-	20,910,796	69,415,157	20.48%	9,060
2007	6,834,456	1.05%	883.92	67,377	-	18,901,840	68,368,544	18.53%	8,842
2008	6,266,010	0.87%	834.58	34,339	-	17,960,579	67,239,307	17.27%	8,956
2009	5,682,565	0.76%	757.37	-	-	15,543,926	65,029,377	16.75%	8,667
2010	12,280,863	1.65%	1,636.79	-	-	13,155,673	74,219,379	17.57%	9,892
2011	11,452,328	1.54%	1,422.65	-	-	10,626,271	71,381,186	16.10%	8,867
2012	15,726,032	2.10%	1,931.47	-	-	8,022,070	72,760,538	16.41%	8,936
2013	14,535,682	1.82%	1,748.55	-	-	20,952,216	81,482,512	17.45%	9,802

Fiscal Year	Wastewater		Port		KPU		Total Primary Government	Percentage of Personal Income <sup>5</sup>	Per Capita <sup>2</sup>
	General Obligation Bonds <sup>3</sup>	Wastewater Revenue Bonds <sup>3</sup>	General Obligation Bonds	Port Revenue Bonds	KPU Junior Lien Bonds <sup>4</sup>	KPU Revenue Bonds			
2004	-	-	\$ 2,065,000	-	-	\$ 24,049,363	\$ 34,209,363	11.06%	4,448
2005	-	-	1,880,000	-	-	22,839,753	32,642,438	9.94%	4,248
2006	-	-	1,685,000	\$ 39,325,888	-	20,910,796	69,415,157	20.48%	9,060
2007	\$ 803,278	-	1,480,000	38,672,327	\$ 1,609,266	18,901,840	68,368,544	18.53%	8,842
2008	847,507	-	1,265,000	37,988,766	2,877,106	17,960,579	67,239,307	17.27%	8,956
2009	900,458	-	1,035,000	37,280,205	4,587,223	15,543,926	65,029,377	16.75%	8,667
2010	4,147,967	-	795,000	36,541,644	7,298,232	13,155,673	74,219,379	17.57%	9,892
2011	4,560,222	-	540,000	35,773,083	8,429,282	10,626,271	71,381,186	16.10%	8,867
2012	4,736,445	\$ 363,210	270,000	34,969,522	8,673,259	8,022,070	72,760,538	16.41%	8,936
2013	2,763,776	295,464	-	34,130,961	8,804,413	20,952,216	81,482,512	17.45%	9,802

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

<sup>1</sup> See Table 7 for taxable assessed value information.

<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.

<sup>5</sup> See Table 18 for personal income information for the City of Ketchikan.

(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 Taxes &amp; Debt</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
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	27,404,250	7,701,795	2,609,722	475,663	2.50
2013	37,991,740	31,138,863	6,852,877	1,755,000	514,180	3.02

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

<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 15

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	2,386,863	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
11,147,463	3,252,757	7,894,706	810,000	1,767,675	2,922,942	3.06	1.44

**City of Ketchikan, Alaska**  
***Direct and Overlapping Governmental Activities Debt***  
***As of December 31, 2013***

Name of Governmental Unit	Debt Outstanding	Estimated Percentage Applicable <sup>1</sup>	Estimated Share of Overlapping Debt
Ketchikan Gateway Borough-Overlapping Debt	-	60.18%	-
City of Ketchikan-Direct Debt	14,535,682	100.00%	<u>14,535,682</u>
Total Direct and Overlapping Debt			<u>\$ 14,535,682</u>

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

<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 FY2013 Comprehensive Annual Financial Report for the year ended June 30, 2013.

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 17
Principal Employers.....	Table 18

(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>	
2004	7,691	13,073	525,634,000	39,709	2,249
2005	7,685	13,115	560,711,000	42,165	2,274
2006	7,662	13,176	582,879,000	43,224	2,229
2007	7,732	13,166	634,324,000	47,572	2,167
2008	7,508	12,993	673,904,000	50,597	2,115
2009	7,503	12,984	671,827,000	50,536	2,110
2010	8,050	13,477	707,018,000	52,209	2,116
2011	8,142	13,686	745,318,000	54,462	2,167
2012	8,291	13,938	778,191,000	56,477	2,201
2013	8,313	13,856	778,191,000	56,477	2,266

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 2013 so an estimate has been provided.

<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. The amount reflected for 2013 is an estimate as data is not currently available.

<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 2013 information can be accessed at <http://www.eed.state.ak.us/stats/DistrictEnrollment/2014DistrictEnrollment.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 17

Civilian Labor Force <sup>(4)</sup>			Motor
Employed	Unemployed	Unemployment Rate	Vehicles Registered <sup>(5)</sup>
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
7,712	590	7.1%	16,670
7,536	625	7.7%	16,485
7,596	601	7.3%	16,530
7,679	551	6.7%	16,504
7,668	502	6.1%	16,517

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

<b><u>Employer</u></b>	<b>2013<sup>1</sup></b>		<b>2004</b>	
	<b><u>Average Employment</u></b>	<b><u>Rank</u></b>	<b><u>Average Employment</u></b>	<b><u>Rank</u></b>
Federal Government	246	10	313	8
State Government	699	6	584	6
Local Government	1,107	3	1,042	3
Private Ownership	5,597	1	4,962	1
Natural Resource and Mining	113	13	147	13
Construction	332	9	299	9
Manufacturing	633	7	475	7
Trade, Transportation and Utilities	1,803	2	1,912	2
Information	94	14	100	14
Financial Activities	383	8	268	10
Professional & Business Services	202	11	195	11
Educational & Health Services	976	4	653	5
Leisure & Hospitality	857	5	711	4
Other Services	179	12	182	12

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

<sup>1</sup> The average 2013 employment figures reflect preliminary results from the 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 an average of the first three quarters from the preliminary data available. Information for the fourth quarter has not been released that shows this type of information for 2013.

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 19
Full-time Equivalent Employees by Function/Program .....	Table 20
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Insurance Coverages .....	Table 23
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Energy Demand, Peak Demand and Resources	
Gross Generation (kWh).....	Table 25
Historical Electric Customers, Energy Sales and Operating Results .....	Table 26
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Utility Rates and Charges .....	Table 29
Port Fund Operating Results.....	Table 30



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

Year	Construction		Real & Personal Property Value (2)
	Number of Permits (1)	Value (1)	
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
2013	148	12,109,557	857,398,200

## 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>	2004	2005	2006	2007
General government				
Mayor and Council	8.00	8.00	8.00	8.00
Law	2.00	2.00	2.00	2.00
Clerk	2.00	2.00	2.00	2.00
City Manager	4.50	4.50	4.50	4.50
Finance	16.13	16.00	16.00	16.00
Information Technology	7.00	7.00	8.00	8.00
Public Safety				
Fire	18.50	18.50	18.50	18.50
Police	34.80	33.80	35.30	35.30
Culture				
Library	13.86	13.86	13.86	13.88
Museum	9.20	9.20	8.45	8.45
Civic Center	3.00	3.00	3.00	3.00
Health and Welfare				
Gateway Center for Human Services <sup>1</sup>	38.29	35.34	39.24	39.24
Public Works				
Engineering	8.50	8.00	9.00	13.00
Streets	13.00	12.00	12.00	12.00
Solid Waste	9.00	9.00	10.00	10.00
Garage & Warehouse	4.00	4.00	4.00	4.00
Wastewater	7.00	7.00	7.00	8.00
Building Maintenance	1.00	1.00	2.00	2.00
Port and Harbors				
Small Boat Harbors	4.80	5.20	5.20	5.20
Port Development	3.80	3.80	3.80	3.80
Ketchikan Public Utilities				
Administration	1.50	1.50	1.50	1.50
Engineering <sup>2</sup>	8.00	7.50	7.50	7.50
Sales, Marketing & Customer Service <sup>3</sup>	12.63	12.50	12.50	12.50
Electric	42.00	40.50	42.00	42.00
Telephone	40.00	42.25	44.50	45.00
Water	6.50	6.50	7.50	7.50
Total	319.01	313.95	327.35	332.87

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 2004 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 2004 through 2008 reflect the former staffing plan.

**Table 20**

2008	2009	2010	2011	2012	2013
8.00	8.00	8.00	8.00	8.00	8.00
2.00	2.00	2.00	2.00	1.00	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
9.00	8.10	7.00	7.00	7.00	7.00
19.50	20.00	20.00	19.00	19.00	19.00
35.80	35.30	36.30	36.30	36.30	36.30
13.33	13.33	11.83	11.83	12.31	12.31
8.45	8.45	7.45	7.20	7.20	7.20
3.00	3.00	3.00	3.00	3.00	3.00
36.40	19.00				
13.00	11.00	11.00	11.50	13.00	12.00
14.00	14.00	13.00	13.00	13.00	13.00
11.00	11.00	11.00	11.00	11.00	11.00
4.00	4.00	4.00	4.00	4.00	4.00
8.00	8.00	8.00	8.00	8.00	8.00
2.00	2.00	2.00	2.00	2.00	2.00
5.20	4.80	4.80	5.40	5.40	5.40
3.80	4.20	4.20	4.60	4.60	4.60
1.50	1.50	1.50	1.50	2.50	2.50
7.50	7.50	4.50	4.50		
12.50	16.50	16.00	16.00	16.00	16.83
42.00	42.00	42.00	43.00	43.40	43.40
47.00	41.00	41.00	40.00	43.00	43.92
7.50	7.50	8.50	8.50	10.60	10.60
336.98	314.68	289.58	289.83	292.81	293.56

(Un-Audited)

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

<b>Function/Program</b>	2004	2005	2006	2007
City Manager				
Personnel Job Postings	90	117	139	111
Information Technology				
Workstations	250	255	275	281
Portables	29	31	34	39
Printers	90	75	90	96
Public Safety				
Fire				
EMS/Rescue Responses	1,126	1,112	1,090	1,175
Fire Responses	61	70	48	51
Volunteer Fire Persons	42	42	35	33
Police				
DUI Offenses	237	233	243	198
Domestic Violence	152	132	143	154
Larceny Offenses	399	426	444	408
Culture				
Library				
Volumes in collection	67,189	71,542	65,614	66,057
Annual Circulation	170,521	174,484	161,815	169,743
Offered Programs	422	248	238	254
Program Attendance	6,701	8,826	5,577	5,233
Museum				
Tongass Historical Museum Attendance	18,069	23,122	22,264	21,549
Tongass Historical Museum Exhibit Openings	3	4	4	3
Totem Heritage Center Attendance	53,670	40,345	38,054	36,659
THC Native Arts Studies Course Offerings	19	18	18	11
Civic Center				
Days Occupied	196	196	219	199
Events	164	135	139	158
Public Works				
Engineering				
Issued Building Permits	170	190	199	190
Solid Waste				
Municipal Solid Waste - tons per day	26.82	27.49	27.07	26.35
Trash - tons per day	10.62	11.74	12.07	11.73
Incineration - tons per day	0.21	0.11	0.14	0.09
Recycle - tons per day	9.72	7.55	7.02	8.82
Port and Harbors				
Reserved Moorage Stalls Rented	784	780	780	770
Transient Moorage Feet Sold	303,494	311,390	317,299	291,728
Cruise Ship Stops	508	562	503	499
Cruise Ship Passengers	848,969	921,429	838,880	899,638
Ketchikan Public Utilities				
Customer Service				
Utility Service Orders	5,553	5,739	5,657	5,394

Sources: Various City Departments

**Table 21**

2008	2009	2010	2011	2012	2013
130	81	85	137	130	106
287	291	318	318	327	339
42	45	52	52	48	52
103	107	91	91	87	83
1,242	1,256	1,158	1,196	1,404	1,287
60	52	46	434	198	398
35	39	27	27	25	21
162	142	130	122	62	40
197	221	365	181	72	79
367	395	400	415	316	272
68,054	68,879	69,968	74,228	84,049	77,181
160,698	151,826	190,186	177,454	158,364	178,856
282	243	262	243	245	324
6,877	1,658	6,733	6,230	6,076	8,397
21,116	25,529	20,818	21,451	20,534	25,656
4	4	4	4	4	4
45,228	45,721	43,088	33,603	25,905	30,949
10	11	12	10	11	11
186	242	180	174	203	179
148	156	154	132	147	139
180	198	156	157	139	148
25.57	25.50	24.57	24.53	23.02	23.22
12.15	12.41	12.90	14.14	14.96	12.94
0.03	0.03	0.04	0.02	0.02	0.02
6.02	6.25	6.25	7.13	5.49	18.40
758	745	693	726	715	753
560,453	535,939	529,565	524,316	501,467	343,312
502	496	429	426	462	453
941,910	937,419	828,929	830,547	885,799	938,124
5,538	5,828	5,798	5,417	4,720	4,937

(Un-Audited)

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

<u>Function/Program</u>	2004	2005	2006	2007
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	24.71	24.64	24.84
Miles of Stairways	2	1	1	1
Municipal Parking Lots	36	36	36	37
Cemetery				
Acreage Size	9	9	9	9
Port and Harbors				
Harbors				
Harbor with Boat Launch Ramp	2	2	2	2
Harbor without Boat Launch Ramp	3	3	3	3
Boat Launch Ramp Facility	1	1	1	1
Port Berths	3	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.

Sources: Various City Departments

Table 22

2008	2009	2010	2011	2012	2013
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
25.07	25.07	27.89	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
4	4	4	4	4	4

**CITY OF KETCHIKAN, ALASKA**  
**INSURANCE COVERAGES**  
*as of December 31, 2013*

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/ Marina Operators/Charterers Liability	
Deductible	1,000	Coverage Limits	3,000,000
Primary War Risk		Deductible	10,000
Coverage Limits	1,000,000	Sudden and Accidental Pollution Liability	
Deductible	none	Coverage Limits	3,000,000
Excess Protection & Indemnity and		Deductible	25,000
Excess P&I War Risk		Excess Wharfingers/Terminal Operators/ Marina Operators/Charterers/Sudden and Accidental Pollution Liability	
Coverage Limits	9,000,000	Coverage Limits	17,000,000
Deductible	none	Deductible	none
Ambulance Malpractice		XS Marine Liability - Port	27,000,000
Coverage Limits	15,250,000		
Deductible	75,000	Worker's Compensation Insurance	
Broadcast Errors and Omissions		Coverage Limits	Legal Limits
Coverage Limits	2,000,000		
Deductible	25,000	Pollution Liability	
		Coverage Limits	1,000,000
		Deductible	25,000

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

Year	Number of Customers			K.W.H. Sold	Per K.W.H. Sold		Average Residential K.W.H. Used December
	Electric	Water	Telephone *		Operating Revenue	Cost	
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	0.0953	1,218
2012	7,698	3,215	6,408	172,190,266	0.1001	0.0955	1,222
2013	7,679	3,206	6,025	170,281,664	0.1136	0.1119	1,220

\* 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*

	2004	2005	2006	2007	2008
<b>Energy Demand</b>					
Total Sales	145,395,889	145,244,130	152,159,932	154,802,805	159,340,267
System losses	10,430,711	13,225,370	13,044,418	10,001,995	10,641,933
<b>Total</b>	<b>155,826,600</b>	<b>158,469,500</b>	<b>165,204,350</b>	<b>164,804,800</b>	<b>169,982,200</b>
<b>Peak Demand</b>					
Peak Demand	26,700	27,000	28,900	29,000	30,200
<b>Energy Resources</b>					
KPU Hydroelectric	71,574,900	79,615,400	79,778,150	79,994,900	83,912,500
Southeast Alaska Power Agency <sup>1</sup>	83,385,600	77,529,600	83,596,800	82,195,200	68,294,400
Diesel Generation	866,100	1,324,500	1,829,400	2,614,700	17,775,300
<b>Total</b>	<b>155,826,600</b>	<b>158,469,500</b>	<b>165,204,350</b>	<b>164,804,800</b>	<b>169,982,200</b>
<b>Energy Costs (kWh)<sup>2</sup></b>					
Hydroelectric Generation	\$ 0.0197	\$ 0.0171	\$ 0.0172	\$ 0.0185	\$ 0.0170
Diesel Generation	1.8420	1.1554	0.8133	0.7305	0.2908
Purchased Power <sup>3</sup>	0.0613	0.0580	0.0583	0.0655	0.0656
<b>Total Cost of Production (kWh)</b>	<b>0.0521</b>	<b>0.0466</b>	<b>0.0468</b>	<b>0.0533</b>	<b>0.0652</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 that 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 25

2009	2010	2011	2012	2013
158,146,666	156,985,441	164,713,929	172,190,266	170,281,664
13,668,534	13,514,059	14,009,987	13,701,858	8,474,536
<u>171,815,200</u>	<u>170,499,500</u>	<u>178,723,916</u>	<u>185,892,124</u>	<u>178,756,200</u>
30,300	28,800	30,300	27,150	25,900
78,895,500	76,062,100	82,594,936	85,816,264	74,703,000
79,027,200	92,908,800	91,584,000	97,804,800	91,856,000
13,892,500	1,528,600	4,544,980	2,271,060	12,197,200
<u>171,815,200</u>	<u>170,499,500</u>	<u>178,723,916</u>	<u>185,892,124</u>	<u>178,756,200</u>
\$ 0.0176	\$ 0.0222	\$ 0.0231	\$ 0.0228	\$ 0.0262
0.3027	1.0902	0.4867	0.8622	0.3857
0.0659	0.0610	0.0556	0.0611	0.0630
0.0629	0.0529	0.0515	0.0532	0.0696

(Un-Audited)

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

	2004	2005	2006	2007	2008
Customers (Average)					
Residential	5,603	5,616	5,652	5,677	5,731
Commercial	1,056	1,068	1,077	1,091	1,105
Industrial	15	14	14	14	14
Other	487	504	508	523	496
Total	7,161	7,202	7,251	7,305	7,346
Energy Sales (KWH)					
Residential	57,332,811	56,815,618	59,870,257	62,275,248	65,977,138
Commercial	64,427,242	65,184,075	67,222,118	67,669,664	68,148,711
Industrial	20,586,598	19,919,012	21,181,708	20,865,150	21,275,072
Other	3,049,238	3,325,425	3,885,849	3,992,743	3,939,346
Total	145,395,889	145,244,130	152,159,932	154,802,805	159,340,267
Operating Results					
Operating Revenues					
Revenues from Energy Sales	\$13,024,150	\$13,247,675	\$14,483,744	\$14,795,312	\$17,729,748
Other Operating Revenues	398,318	460,057	771,160	567,665	472,660
Total Operating Revenues	13,422,468	13,707,732	15,254,904	15,362,977	18,202,408
Operating Expenses					
Hydroelectric Generation	1,003,255	945,391	951,476	1,064,215	1,008,647
Diesel Generation	886,755	820,779	778,303	1,230,036	4,504,445
Purchased Power	5,112,536	4,496,621	4,873,547	5,383,696	4,477,324
Transmission and Distribution	1,354,839	1,327,882	1,690,735	1,885,281	1,704,557
Administration and General	2,029,691	1,830,956	2,007,768	1,969,007	2,281,082
Total Operating Expenses	10,387,076	9,421,629	10,301,829	11,532,235	13,976,055
Payment In Lieu of Taxes	340,275	333,905	328,965	335,830	335,400
Total Expenses	10,727,351	9,755,534	10,630,794	11,868,065	14,311,455
Net Revenue	\$2,695,117	\$3,952,198	\$4,624,110	\$3,494,912	\$3,890,953

Table 26

2009	2010	2011	2012	2013
5,731	5,756	5,757	5,808	5,819
1,127	1,153	1,165	1,173	1,171
14	13	12	13	13
493	496	509	524	511
<u>7,365</u>	<u>7,418</u>	<u>7,443</u>	<u>7,518</u>	<u>7,514</u>
66,565,425	64,938,484	68,484,718	71,794,062	68,668,600
66,601,484	66,351,381	69,021,595	71,815,802	72,269,920
21,215,194	21,981,458	23,242,166	24,452,654	25,306,208
3,764,563	3,714,118	3,965,450	4,127,748	4,036,936
<u>158,146,666</u>	<u>156,985,441</u>	<u>164,713,929</u>	<u>172,190,266</u>	<u>170,281,664</u>
\$16,639,918	\$15,390,910	\$16,244,690	\$16,767,415	\$18,919,766
564,893	562,291	442,410	464,797	426,644
<u>17,204,811</u>	<u>15,953,201</u>	<u>16,687,100</u>	<u>17,232,212</u>	<u>19,346,410</u>
949,398	1,225,358	1,442,543	1,494,523	1,489,541
3,536,432	1,093,997	1,856,120	1,500,999	4,317,797
5,205,128	5,663,664	5,093,489	5,976,876	5,784,566
2,121,534	2,648,485	2,766,478	3,043,918	3,312,784
2,262,656	1,976,837	2,032,081	1,549,445	1,644,964
14,075,148	12,608,341	13,190,711	13,565,761	16,549,652
323,730	351,478	353,954	343,266	381,993
<u>14,398,878</u>	<u>12,959,819</u>	<u>13,544,665</u>	<u>13,909,027</u>	<u>16,931,645</u>
<u>\$2,805,933</u>	<u>\$2,993,382</u>	<u>\$3,142,435</u>	<u>\$3,323,185</u>	<u>\$2,414,765</u>

(Un-Audited)

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

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

**Table 27**

2008	2009	2010	2011	2012	2013
4,265	3,804	3,441	3,347	3,235	3,128
3,857	3,663	3,553	3,225	3,078	2,898
8,122	7,467	6,994	6,572	6,313	6,026
\$2,644,869	\$2,442,452	\$2,274,624	\$2,194,530	\$2,131,351	\$2,100,995
7,449,484	8,163,920	8,644,023	8,591,786	8,399,849	8,660,056
2,914,024	3,177,304	3,527,839	3,714,225	4,055,714	4,480,926
13,008,377	13,783,676	14,446,486	14,500,541	14,586,914	15,241,977
6,828,519	7,627,836	6,910,034	7,077,698	8,070,658	8,556,970
2,928,878	3,342,355	3,281,326	3,594,593	3,483,492	3,369,942
9,757,397	10,970,191	10,191,360	10,672,291	11,554,150	11,926,912
149,770	175,837	194,376	191,027	192,065	206,358
9,907,167	11,146,028	10,385,736	10,863,318	11,746,215	12,133,270
\$3,101,210	\$2,637,648	\$4,060,750	\$3,637,223	\$2,840,699	\$3,108,707

(Un-Audited)

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

	2004	2005	2006	2007	2008
Customers (Average)					
Residential	2,452	2,493	2,586	2,776	2,769
Apartments	15	15	15	16	18
Commercial	396	406	420	424	422
Industrial	6	7	6	7	7
Cannery	3	3	3	3	3
Fire Hydrant	4	4	4	4	4
Marine Vessels	28	33	25	25	31
<b>Total</b>	<b>2,904</b>	<b>2,961</b>	<b>3,059</b>	<b>3,255</b>	<b>3,254</b>
Operating Results					
Operating Revenues					
Revenues from Water Sales	\$1,540,193	\$1,585,241	\$1,721,181	\$1,926,563	\$2,028,651
Other Operating Revenues	14,562	21,677	34,922	23,185	36,547
<b>Total Operating Revenues</b>	<b>1,554,755</b>	<b>1,606,918</b>	<b>1,756,103</b>	<b>1,949,748</b>	<b>2,065,198</b>
Operating Expenses					
Source of Supply	240,098	264,837	309,422	252,829	261,141
Chlorination/Disinfection	184,506	195,091	183,419	203,440	231,838
Distribution	259,499	270,334	270,097	246,039	255,369
Maintenance	557,802	696,121	675,119	693,646	640,274
Administration and General	322,355	316,161	357,042	359,460	447,091
<b>Total Operating Expenses</b>	<b>1,564,260</b>	<b>1,742,544</b>	<b>1,795,099</b>	<b>1,755,414</b>	<b>1,835,713</b>
Payment In Lieu of Taxes	163,930	164,255	161,460	165,527	164,830
<b>Total Expenses</b>	<b>1,728,190</b>	<b>1,906,799</b>	<b>1,956,559</b>	<b>1,920,941</b>	<b>2,000,543</b>
<b>Net Revenue</b>	<b>(\$173,435)</b>	<b>(\$299,881)</b>	<b>(\$200,456)</b>	<b>\$28,807</b>	<b>\$64,655</b>

**Table 28**

2009	2010	2011	2012	2013
2,748	2,738	2,743	2,727	2,724
18	17	17	20	21
435	436	442	451	444
6	5	5	4	4
4	4	5	4	5
6	7	7	8	8
29	26	28	29	38
<u>3,246</u>	<u>3,233</u>	<u>3,247</u>	<u>3,243</u>	<u>3,244</u>
\$2,251,001	\$2,535,859	\$2,899,352	\$2,935,454	\$3,081,904
<u>71,049</u>	<u>39,608</u>	<u>85,948</u>	<u>48,168</u>	<u>47,024</u>
<u>2,322,050</u>	<u>2,575,467</u>	<u>2,985,300</u>	<u>2,983,622</u>	<u>3,128,928</u>
265,409	330,625	232,238	259,083	450,456
247,069	228,238	217,441	233,871	301,718
268,791	241,667	238,281	413,547	362,562
639,739	718,571	1,073,567	999,167	1,110,737
<u>429,465</u>	<u>345,242</u>	<u>470,753</u>	<u>378,671</u>	<u>411,626</u>
1,850,473	1,864,343	2,232,280	2,284,339	2,637,099
<u>175,433</u>	<u>182,146</u>	<u>183,019</u>	<u>192,669</u>	<u>197,649</u>
<u>2,025,906</u>	<u>2,046,489</u>	<u>2,415,299</u>	<u>2,477,008</u>	<u>2,834,748</u>
<u>\$296,144</u>	<u>\$528,978</u>	<u>\$570,001</u>	<u>\$506,614</u>	<u>\$294,180</u>



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**CITY OF KETCHIKAN, ALASKA**

*Utility Rates and Charges*

*For the Year Ending December 31, 2013*

<b>Electric</b>			
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	
<b>Telecommunications</b>			
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		
<b>Water</b>			
<b>Residential</b>			
Homes & Trailers	42.91	per unit	
1-4 apartments	42.91	per unit	
5-24 apartments	39.10	per unit	
25+ apartments	33.55	per unit	
<b>Business</b>			
	44.73	plus size of line charges as follows	
1 inch	29.81		
1-1/4 inch	89.44		
1-1/2 inch	171.44		
2 inch	311.50		
2-1/2 inch	482.67		
3 inch	730.45		
4 inch	1,241.06		
<b>Industrial</b>			
	<u>Line Charges</u>	<b>Canneries</b>	
5/8 and 3/4 inch	59.62	Per Season	
1 inch	89.44	5/8 and 1 inch	\$639.22
1-1/4 inch	149.08	1 1/4 inch	1,147.84
1-1/2 inch	232.91	1-1/2 inch	1,532.74
2 inch	355.92	2 inch	4,584.45
2-1/2 inch	540.61		
3 inch	817.08		
4 inch	1,336.05		
6 inch	2,226.79		
8 inch	2,469.03		
Over 8 inch	by special contract		

(Un-Audited)

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

	2004	2005	2006	2007	2008
<b>Assets</b>					
Cash	\$ 5,121,067	\$ 7,066,674	\$ 4,529,687	\$ 8,471,112	\$ 4,939,650
Port Facilities (net)	10,072,444	9,762,409	10,405,568	41,226,714	46,312,527
Construction Work in Progress	2,686,197	1,632,135	26,082,665	3,493,927	832,620
Restricted Assets			19,872,348	4,743,690	4,215,908
Prepaid Expense					1,002,572
Other Assets	99,752	47,113	515,697	560,772	1,100,476
<b>Total assets</b>	<b>17,979,460</b>	<b>18,508,331</b>	<b>61,405,965</b>	<b>58,496,215</b>	<b>58,403,753</b>
<b>Liabilities and Net Position</b>					
General Obligation Bonds Payable	2,065,000	1,880,000	1,685,000	1,480,000	1,265,000
Revenue Bonds Payable			38,500,000	37,875,000	37,220,000
Other Liabilities	2,541,005	3,759,032	7,105,081	5,130,176	4,191,404
<b>Total liabilities</b>	<b>4,606,005</b>	<b>5,639,032</b>	<b>47,290,081</b>	<b>44,485,176</b>	<b>42,676,404</b>
<b>Net Position</b>	<b>\$ 13,373,455</b>	<b>\$ 12,869,299</b>	<b>\$ 14,115,884</b>	<b>\$ 14,011,039</b>	<b>\$ 15,727,349</b>
<b>Operating Revenues</b>	<b>\$ 5,000,010</b>	<b>\$ 7,096,948</b>	<b>\$ 6,427,207</b>	<b>\$ 7,895,063</b>	<b>\$ 8,839,267</b>
<b>Operating Expenses</b>					
Operation and Maintenance	\$ 792,954	\$ 1,945,688	\$ 2,299,099	\$ 1,506,749	\$ 3,653,251
Depreciation	632,143	618,708	657,485	985,775	1,390,850
Payment in Lieu of Taxes/Taxes	102,100	102,100	102,100	102,100	282,770
<b>Total operating expenses</b>	<b>1,527,197</b>	<b>2,666,496</b>	<b>3,058,684</b>	<b>2,594,624</b>	<b>5,326,871</b>
<b>Operating Income</b>	<b>3,472,813</b>	<b>4,430,452</b>	<b>3,368,523</b>	<b>5,300,439</b>	<b>3,512,396</b>
<b>Non-Operating Revenue (Expense)</b>	<b>(183,706)</b>	<b>(68,390)</b>	<b>(310,285)</b>	<b>(1,697,827)</b>	<b>(1,933,922)</b>
<b>Income Before Contributions, Extraordinary Item &amp; Transfers</b>					
Contributions	3,289,107	4,362,062	3,058,238	3,602,612	1,578,474
Capital Grants	6,872	12,251	42,006	1,864,611	740,672
Extraordinary Item		(2,432,884)			
Special Item					14,789
Transfers		(2,445,585)	(1,853,659)	(5,572,069)	(617,625)
Loss on sale of capital assets					
<b>Change in Net Position</b>	<b>\$ 3,295,979</b>	<b>\$ (504,156)</b>	<b>\$ 1,246,585</b>	<b>\$ (104,846)</b>	<b>\$ 1,716,310</b>
<b>Revenue Bond Debt Coverage:</b>					
1.25 x Annual Debt Service	N/A	N/A	7.37	2.69	2.65
1.0 x Annual Debt Service/Reserves Account/Repair and Replacement Fund/SPH Lease Payments					
	N/A	N/A	N/A	N/A	1.24
# of Ships	37	37	36	36	37
# of Calls/Stops	535	562	503	499	502
# of Water Passengers	848,969	921,429	838,880	899,638	941,910

Table 30

2009	2010	2011	Restated <sup>1</sup> 2012	2013
\$ 4,827,125	\$ 4,364,226	\$ 2,373,808	\$ 2,285,517	\$ 2,900,167
44,947,620	43,642,947	42,121,390	47,867,526	53,659,903
963,018	1,116,782	5,531,746	5,066,048	5,449,151
4,819,708	5,307,521	5,623,924	6,082,097	6,595,730
1,019,538	752,856	782,959	1,055,740	1,124,342
710,905	528,456	2,786,483	3,080,061	5,546,430
<u>57,287,914</u>	<u>55,712,788</u>	<u>59,220,310</u>	<u>65,436,989</u>	<u>75,275,723</u>
1,035,000	795,000	540,000	270,000	-
36,540,000	35,830,000	35,090,000	34,315,000	33,505,000
3,147,957	3,134,814	2,847,180	1,072,313	1,699,380
<u>40,722,957</u>	<u>39,759,814</u>	<u>38,477,180</u>	<u>35,657,313</u>	<u>35,204,380</u>
<u>\$ 16,564,957</u>	<u>\$ 15,952,974</u>	<u>\$ 20,743,130</u>	<u>\$ 29,779,676</u>	<u>\$ 40,071,343</u>
\$ 8,922,228	\$ 8,000,492	\$ 7,986,404	\$ 8,592,255	\$ 9,145,920
\$ 5,522,050	\$ 5,486,471	\$ 4,110,674	\$ 4,026,731	\$ 4,582,100
1,460,265	1,446,527	1,401,754	1,359,513	1,636,863
290,000	295,000	295,000	295,000	319,000
<u>7,272,315</u>	<u>7,227,998</u>	<u>5,807,428</u>	<u>5,681,244</u>	<u>6,537,963</u>
<u>1,649,913</u>	<u>772,494</u>	<u>2,178,976</u>	<u>2,911,011</u>	<u>2,607,957</u>
<u>(1,738,365)</u>	<u>(1,917,727)</u>	<u>(1,889,022)</u>	<u>(1,794,603)</u>	<u>(1,740,642)</u>
(88,452)	(1,145,233)	289,954	1,116,408	867,315
366,424	14,306	29,536	2,018,165	1,993,212
559,636	518,944	4,654,981	6,214,416	8,676,543
			(8,178)	(80,199)
		(184,315)		(1,165,204)
<u>\$ 837,608</u>	<u>\$ (611,983)</u>	<u>\$ 4,790,156</u>	<u>\$ 9,340,811</u>	<u>\$ 10,291,667</u>
2.45	2.00	2.24	3.36	3.00
1.13	0.99	1.16	1.67	1.41
36	26	28	34	38
496	429	426	462	453
937,419	828,929	830,547	885,799	938,124



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