

CITY OF

# *Ketchikan*

ALASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended December 31, 2014

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

For the Year Ended  
December 31, 2014

Prepared by:

**FINANCE DEPARTMENT**

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

Michelle L. Johansen  
Accounting Manager



**City of Ketchikan, Alaska**  
**Comprehensive Annual Financial Report**  
**For The Year Ended December 31, 2014**

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# LETTER OF TRANSMITTAL



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June 25, 2015

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, 2014. 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 7, 2015 that the audit would be delayed due to the implementation of the City's new utility billing 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, 2014, 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 unmodified opinion that the City's financial statements for the year ended December 31, 2014 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 8,314 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 General Manager, a City Clerk and a City Attorney.

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

The City provides a full range of 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 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 dependent 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 large cruise ships and their passengers continues to grow. As a result, tourism has surpassed fishing and timber as the most vibrant segment of the local economy. The number of visitors arriving by large cruise ship has increased from 236,000 in 1990 to a record 938,000 in 2013. The latest forecast for 2015 is projecting that 29 large cruise ships will make 462 stops and bring approximately 944,000 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 recently completed phase three of a \$26 million four-phase project to replace Berths I and II. Phase four will be completed in 2016. Upon completion of phase four, the City will have completely replaced its port infrastructure with four modern cruise ship berths capable of serving approximately 1.8 million passengers annually.

The City is a major contributor to the community's economy and has played an important role in planning and supporting economic development. The City is the community's sole provider of electric utility services; the largest provider of port and harbor services; a major provider of telecommunication services; the owner of the Ketchikan Medical Center, a major regional health care facility; and the lead local governmental agency responsible for constructing and maintaining a significant portion of the community's transportation infrastructure, all of which affect the overall direction and health of the local economy. The City is one of the community's top five employers with an annual payroll of \$20.4 million.

The City is located within the boundaries of the Ketchikan Gateway Borough, which had a population of 13,825 in 2014. Approximately 60 percent of the community's population, or 8,314 residents, make their home within the city limits. The City's population peaked in 1997 at 8,552, the last year of operations for the Ketchikan Pulp Company. School enrollment also peaked in 1997 at 2,782 pupils and has since followed a similar downward trend, until bottoming out at 2,110 students in 2009. In 2014, the Ketchikan Gateway Borough School District reported an enrollment of 2,360 pupils.

The shift in the local economy from timber to tourism has resulted in a labor force that has become more seasonal. In 2014, the monthly employment varied between 5,839 and 7,566. The average employed labor force in 2014 was 6,539 with employment peaking at 7,566 in July. The unemployment rate for 2014 was 7.6 percent, a slight increase from the 7.5 percent that was reported for 2013. Per capita income for 2011, 2012 and 2013 was \$54,824, \$56,045 and \$56,591, respectively. No figures were available for 2014.

In 2014, assessed values increased by 1.4% to \$869.8 million. The projected change in assessed values for 2015 is less than 1%. Assessed values appear to be entering another period of little or no appreciation in property values. Gross retail sales decreased from \$570.4 million in 2013 to \$558.7 million in 2014, or 2.1 percent and taxable retail sales declined by 3.4%. The City collected 10.8 million in sales tax revenues in 2014, or 5.7 percent more than 2013 but the increase was 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 several years, with the first transfer taking place in 2001. Under State ownership, the harbors were not well maintained and many of the transferred harbors had fallen into disrepair. Included in the City's 2015-2019 Capital Improvement Program for the Harbor Department is \$6.6 million to correct the remaining deficiencies caused by deferring maintenance and to restore the harbor facilities so they can be operated safely. 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. As of December 31, 2014 the City had issued \$2.72 million in general obligation bonds for improvements that are currently under construction. The City plans to issue up to \$2 million in general obligation bonds for additional improvements planned for 2015.

**Ketchikan Medical Center** – In 2009, the City Council approved 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 concluded that the current facility is outdated and recommended improvements totaling \$75 million. The plan recommended a new wing consisting of a surgical suite and clinical space; the relocation of the main and emergency room entrances; and renovations to the existing structure. In 2014, the City issued a \$41.3 million general obligation bond and secured a \$15 million state grant and began construction of the new wing. This phase is expected to cost approximately \$50 million. Debt service for the bond will be provided from the City's current 1% Hospital Sales Tax. The City has about \$8 million available for the remaining improvements recommended by the master plan and will need to seek \$12 million in additional funding before it can begin work on these improvements. The wing is expected to be completed in June 2016.

**Sale of the Telecommunications Utility** – On April 6, 2010, the qualified voters of the City passed a ballot proposition authorizing a sale of the City owned telecommunication utility by a vote of 388 to 375. This proposition was driven by growing concerns about KPU Telecommunications' long-term ability to participate financially in a very competitive industry that requires continuing investments in technology and infrastructure necessary to meet consumer demand for new and innovated telecommunication products and services. Since 2010, the City has been working with a broker specializing in purchasing and selling telecommunication properties. Discussions have been held with potential buyers but none of discussions resulted in an offer that could be presented to the City Council for consideration. The City's broker has recently identified several parties that have expressed an interest in acquiring the City's telecommunications utility. It is premature to say that an offer will be forthcoming but if a sale does occur, the City will face several fiscal challenges operating its electric and water utilities without the subsidies that have been provided by the telecommunications utilities.

**State Fiscal Crisis** – The State of Alaska is an oil producing state that relies heavily on taxes assessed against oil companies operating the oil fields located in the state to fund its operating and capital budgets. The recent decline in oil prices has had a dramatic impact on the State's revenue forecast for its upcoming fiscal year, which begins on July 1, 2015. Absent any significant reductions in spending, the State is facing a \$3 billion budgetary shortfall in Fiscal Year 2016. The fiscal health of the State is important to the City and other local governments around the State. The City relies on the State to provide revenue sharing of approximately \$500,000 annually to fund its General Fund and millions of dollars in grants to help pay for the cost of transportation and utility infrastructure improvements. In addition to the direct financial assistance the State provides to the City, it also provides employment opportunities for approximately 9% of the local labor force. The loss of employment opportunities with the State could have an adverse impact on the local economy.

Depending on the duration of the depressed oil prices, the City may have to adjust its long-term planning to account for the loss of revenues and employment opportunities from the State.

**Property Tax and Debt Policies** – The City currently subscribes to a policy of maintaining a stable property tax levy in order to promote Ketchikan as an attractive place to live and encourage economic development. Changes in the property tax levy are made in the context of a long-term perspective. As a result, increases or decreases in the property tax levy are made only if the long-term financial needs of the City warrant such changes. Short-term financial needs are addressed by making adjustments to the reserves of the City’s general fund. The policy has been successful for the 25 years. Since 1990, the City has lowered its mill rate six times and raised it 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 2014, 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:

- Issued a \$41.32 million general obligation bond to finance a new surgical suite and clinical offices for the Ketchikan Medical Center. This project is the cornerstone of the community’s strategic plan for improving the delivery of health care in Ketchikan and southern Southeast Alaska.
- Issued a \$2.72 million general obligation bond to finance harbor improvements planned for Bar Harbor. This project will replace two major floats that are in dire need of replacement.
- Implemented a community wide all hazards warning system.
- Completed the long overdue renovation of City Hall. The project included a new roof, new siding and completely revamped offices for the finance department and a customer service area on the first floor.
- Implemented a new utility billing system for utility and miscellaneous billing. This system is part of the City’s multi-year ERP project
- Placed the \$31 million Whitman Lake hydroelectric project in service. This project will reduce the community’s reliance on diesel generation and eventually result in lower rates for energy.
- Completed the \$5.8 million 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.
- Completed and placed in service a multi-million dollar 4G/LTE wireless telecommunication network.
- Completed and placed in service the third phase of the four phase Berths I and II Replacement Project. This \$8.8 million phase replaced the Front Street extension adjacent to the Port of Ketchikan and the ground transportation area for Berth II.
- Completed and placed in service the Jackson/Monroe sewer and water main replacement project. This \$8.1 million project will improve sewer and water services to a major residential area of Ketchikan.
- Hired a new Fire Chief and manager for the Ted Ferry Civic Center.

## 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, 2013. This was the thirty-fifth 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	Joe Graham
Anita Beaudoin	Patty Keeley
Gretchen Blanchard	Camille Nelson
Vickie Boyd	Korry Olsen
Angie Delaney	Tracey Sader
Cristina Doyle	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

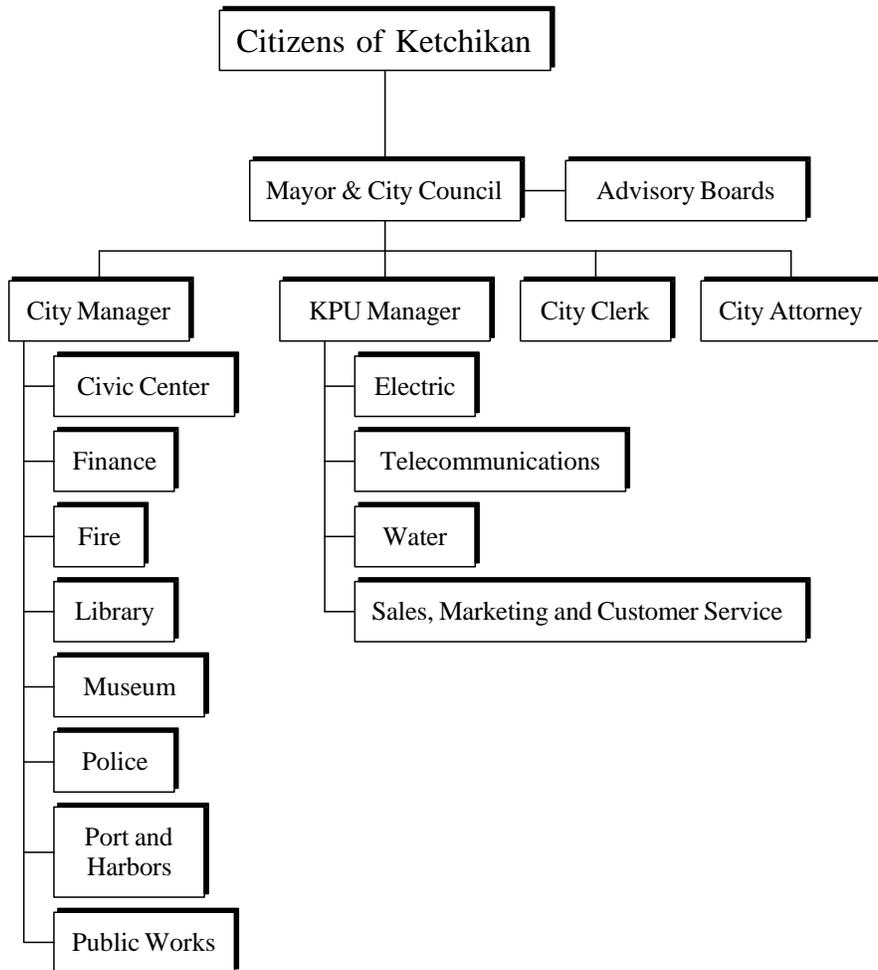
**City of Ketchikan  
Alaska**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

  
Executive Director/CEO

**CITY OF KETCHIKAN, ALASKA**  
ORGANIZATIONAL CHART  
DECEMBER 31, 2014



# CITY OF KETCHIKAN, ALASKA

## PRINCIPAL CITY OFFICIALS

*December 31, 2014*

### 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>David Kiffer</i>
<i>City Councilmember</i>	<i>Judy Zenge</i>
<i>City Councilmember</i>	<i>Richard Coose</i>

### CITY STAFF

<i>City Manager/KPU General Manager</i>	<i>Karl R. Amylon</i>
<i>City Clerk</i>	<i>Katherine M. Suiter</i>
<i>City Attorney</i>	<i>Mitchell A. Seaver</i>
<i>Finance Director</i>	<i>Robert E. Newell, Jr.</i>
<i>Police Chief</i>	<i>Alan W. Bengaard</i>
<i>Fire Chief</i>	<i>Abner L. Hoage</i>
<i>Acting Public Works Director/Engineering Mgr.</i>	<i>Steven R. Corporon</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>Alice M. Nelson</i>
<i>Port and Harbors Director</i>	<i>Steven R. Corporon</i>
<i>Telecommunications Utility Manager</i>	<i>Edward L. Cushing</i>
<i>Water Utility Manager</i>	<i>John C. Kleinegger</i>
<i>Electric Utility Manager</i>	<i>Andrew R. Donato</i>
<i>Sales, Marketing &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, 2014, 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, 2014, 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual major and nonmajor fund financial statements,

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

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

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

The introductory 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 June 25, 2015 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  
June 25, 2015



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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, 2014. 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 \$336.6 million (net position) for the calendar year reported.
- Total net position is comprised of the following:
  - 1) Net investment in capital assets of \$268.4 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 \$20.4 million are restricted by constraints imposed from outside the City such as debt covenants, granting agencies, laws, or regulations.
  - 3) Unrestricted resources of \$47.8 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 \$71.5 million this year. This compares to the prior year ending fund balance of \$26.9 million showing an increase of \$44.7 million during the current year.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$3.7 million, or 15 percent of total General Fund expenditures. This was an increase of \$372,906 from the prior year. The General Fund also reported an operating deficit of \$252,265.
- The City's proprietary funds reported total ending net position of \$164.5 million this year. This compares to the prior year ending net position of \$158.7 million, an increase of \$5.8 million.
- The City's mill rate remained at 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, 2014 and 2013 totaled \$336.6 million and \$310.6 million, respectively. The net position for the City as a whole increased by \$26 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 83,084,963	\$ 35,712,438	\$ 45,129,957	\$ 47,595,777	\$ 128,214,920	\$ 83,308,215
Capital assets	157,351,713	136,879,120	188,432,159	185,691,495	345,783,872	322,570,615
Deferred outflows of resources	60,887	81,183	61,284	129,454	122,171	210,637
<b>Total assets &amp; def. outflows</b>	<b>240,497,563</b>	<b>172,672,741</b>	<b>233,623,400</b>	<b>233,416,726</b>	<b>474,120,963</b>	<b>406,089,467</b>
Current and other liabilities	8,231,283	5,362,395	\$ 7,466,238	\$ 10,175,550	15,697,521	15,537,945
Long-term liabilities	60,188,680	15,427,703	61,630,581	64,528,523	121,819,261	79,956,226
<b>Total liabilities</b>	<b>68,419,963</b>	<b>20,790,098</b>	<b>69,096,819</b>	<b>74,704,073</b>	<b>137,516,782</b>	<b>95,494,171</b>
Net position:						
Net investment in capital assets	143,909,094	123,952,440	124,479,056	118,874,119	268,388,150	242,826,559
Restricted	8,922,032	8,148,212	11,494,674	9,098,473	20,416,706	17,246,685
Unrestricted	19,246,474	19,781,991	28,552,851	30,740,061	47,799,325	50,522,052
<b>Total net position</b>	<b>\$ 172,077,600</b>	<b>\$ 151,882,643</b>	<b>\$ 164,526,581</b>	<b>\$ 158,712,653</b>	<b>\$ 336,604,181</b>	<b>\$ 310,595,296</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 79.7 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 \$25.6 million. The net investment in capital assets for the City's governmental activities increased by \$20 million and the net investment in capital assets for business-type activities increased by \$5.6 million.

Approximately 6.1 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, Commercial Passenger Vessel Excise Tax funds for services provided to passengers 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 \$48.0 million, or 14.2 percent of total net position. This is a decrease of \$2.7 million from 2013. Unrestricted net position reported for the City's governmental activities decreased by \$536,000 and the unrestricted net position of the City's business-type activities decreased by \$2.2 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 \$336.6 million. Over the past 11 years, the City's financial position has improved by \$129.4 million, or 62 percent.

**Changes in Net Position**

The City's net position increased \$26 million in 2014. The net position for governmental and business-type activities increased \$20.2 and \$5.8 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	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program:						
Charges for services	\$ 6,640,071	\$ 6,428,833	\$ 46,723,153	\$ 48,761,367	\$ 53,363,224	\$ 55,190,200
Operating grants and contributions	2,444,297	1,562,913	2,973,832	2,280,470	5,418,129	3,843,383
Capital grants and contributions	18,050,935	2,736,373	12,261,064	20,670,211	30,311,999	23,406,584
General:						
Taxes	16,897,495	16,099,913	-	-	16,897,495	16,099,913
Other	850,706	739,077	456,031	494,470	1,306,737	1,233,547
Total revenues	44,883,504	27,567,109	62,414,080	72,206,518	107,297,584	99,773,627
Expenses:						
General government	2,683,962	2,472,898	-	-	2,683,962	2,472,898
Public safety	9,723,428	8,807,683	-	-	9,723,428	8,807,683
Culture	3,300,295	3,445,959	-	-	3,300,295	3,445,959
Health and welfare	1,099,588	747,893	-	-	1,099,588	747,893
Public works	10,373,365	10,840,175	-	-	10,373,365	10,840,175
Harbor	2,192,468	1,851,082	-	-	2,192,468	1,851,082
Interest	1,519,245	655,947	-	-	1,519,245	655,947
KPU	-	-	36,906,790	38,140,800	36,906,790	38,140,800
Port	-	-	11,012,311	9,133,140	11,012,311	9,133,140
Wastewater	-	-	2,477,247	2,642,018	2,477,247	2,642,018
Total expenses	30,892,351	28,821,637	50,396,348	49,915,958	81,288,699	78,737,595
Increase in net position before transfers	13,991,153	(1,254,528)	12,017,732	22,290,560	26,008,885	21,036,032
Transfers	6,203,804	1,265,199	(6,203,804)	(1,265,199)	-	-
Increase in net position	20,194,957	10,671	5,813,928	21,025,361	26,008,885	21,036,032
Net position - January 1	151,882,643	151,871,972	158,712,653	137,687,292	310,595,296	289,559,264
Net position - December 31	\$ 172,077,600	\$ 151,882,643	\$ 164,526,581	\$ 158,712,653	\$ 336,604,181	\$ 310,595,296

**Governmental Activities.** The City's net position from governmental activities increased \$20.2 million. This increase is \$20,184,286 more than the increase that occurred in 2013. The key elements in the change in net position from the prior year are as follows:

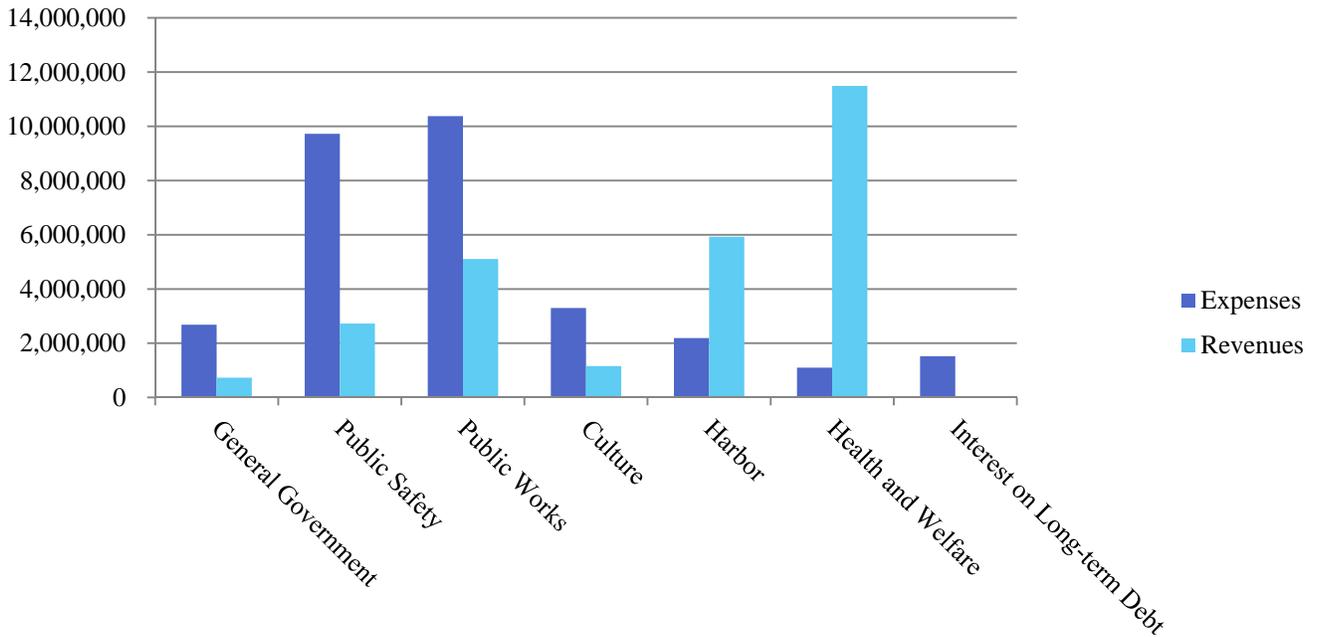
- Capital grants and contributions increased by \$15.3 million. Nearly \$9 million of the increase is attributable to a grant from the State of Alaska to fund the new addition for the Ketchikan Medical Center. The remaining balance of the increase came from a grant to fund harbor improvements at Bar Harbor and a grant for the construction of promenade located in downtown Ketchikan adjacent to Stedman Street.

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- Operating grants and contributions increased by \$881 thousand. The decision by the State of Alaska to increase its on-behalf retirement contributions to the Alaska Public Employees Retirement System (PERS) resulted in the City receiving \$1.3 million more than 2013. The on-behalf payments were allocated between governmental and business-type activities.
  - Tax revenues increased by \$798 thousand. The increase occurred because the City raised its consumer sales tax rate from 3.5% to 4%, effective April 1, 2014.
  - Public safety expenses increased by \$916 thousand. Approximately 62% of the increase was attributable to the increase in the on-behalf retirement contributions made by the State of Alaska to the PERS.
  - Health and welfare expenses increased \$352 thousand. Approximately 44% of the increase was for bond issuance costs associated with the issuance of a \$43.2 million general obligation bond to finance improvements for the Ketchikan Medical Center. The remaining balance was for increased maintenance costs associated with an aging facility.
  - Public works expenses decreased \$467 thousand. The decrease was driven primarily by vacancies and decreases in maintenance costs and costs associated with the abatement of abandoned buildings.
  - Interest expenses increased by \$863 thousand because the City issued \$44 million dollars of general obligation bonds to finance improvements for its healthcare and harbor facilities. The bonds were issued in June 2014.
  - Transfers increased by \$4.94 million due to transfers from the Port Enterprise Fund into the Major Capital Improvements Fund to fund the cost of the replacement of the Front Street Extension and the design for the reconstruction of the Thomas Basin Seawall.

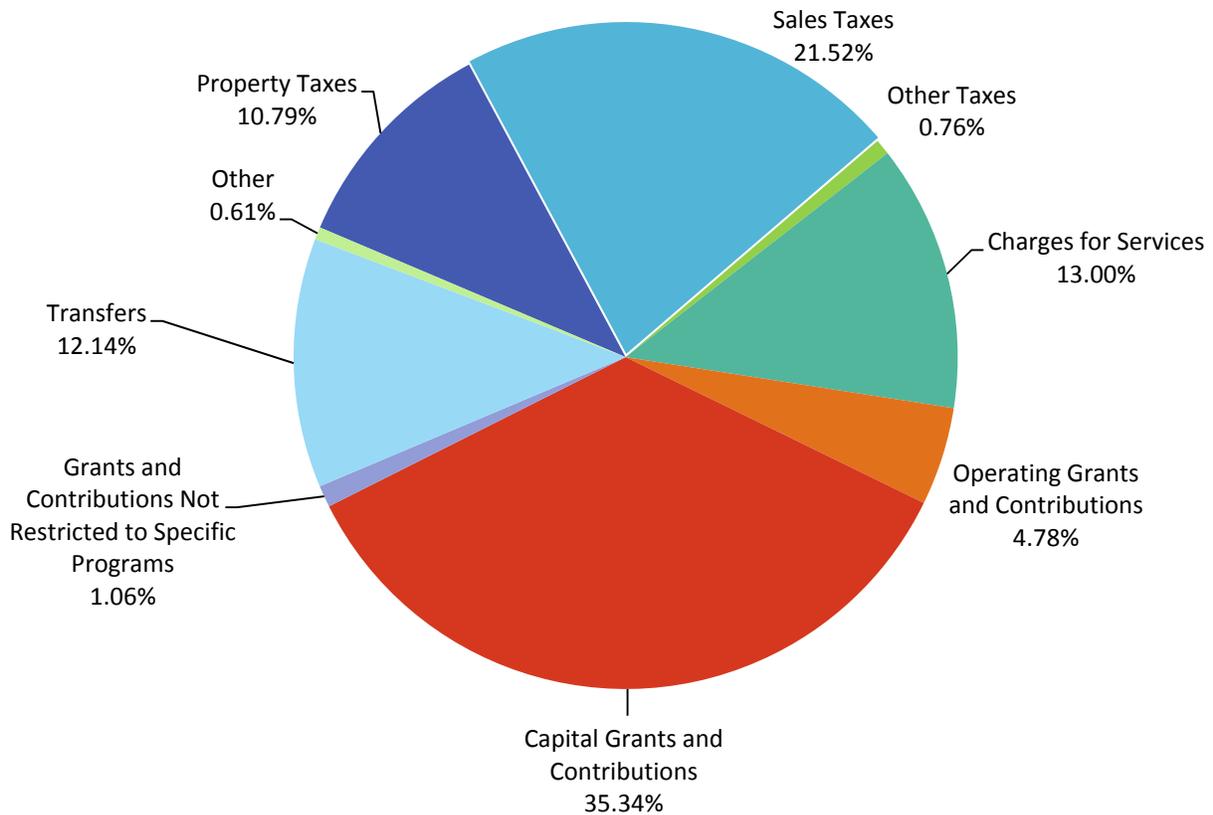
The following graphs compare program revenues with expenses and illustrate the revenues by source for governmental activities.

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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 \$5.8 million. This increase is \$15.2 million less than the increase that occurred in 2013. 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 decreased \$2 million. The table below summarizes charges of services by business-type activity.

	2014	2013
Electric	\$ 16,300,445	\$ 18,839,766
Telecommunications	16,097,808	15,241,977
Water	3,171,300	3,081,904
Port	8,578,059	9,145,920
Wastewater	2,575,541	2,451,800
	<u>\$ 46,723,153</u>	<u>\$ 48,761,367</u>

Electric utility revenues decreased \$2.5 million. This decrease was the result of suspending the surcharge implemented in 2013 to recover from the ratepayers the incremental costs of diesel generation and less demand for energy due to an unusually warm winter. Telecommunication utility revenues increased \$919,000 due to customer demand for non-regulated services such as internet and television, and special access revenues. In July 2014, the National Exchange Carriers Association, a not-for-profit association created to administer fees that long distance companies pay to access local telephone networks, increased special access tariff significantly. Water and wastewater revenues increased due to rate increases of 8% and 4%, respectively. Port revenues decreased \$568,000 primarily because of a decrease in the number of passengers arriving by cruise ship. The number of passengers decreased from 938,000 in 2013 to 878,000 in 2014, largely due the cancellation of sailings by a major cruise ship due to mechanical issues.

Capital grants and contributions decreased \$8.4 million due to the winding down of a number of multi-year utility and port capital improvements projects. In 2014, the City completed the Whitman Lake hydroelectric project, the third phase of the Berth I and II replacement project, and the Jackson and Monroe Streets sewer and water main replacement project.

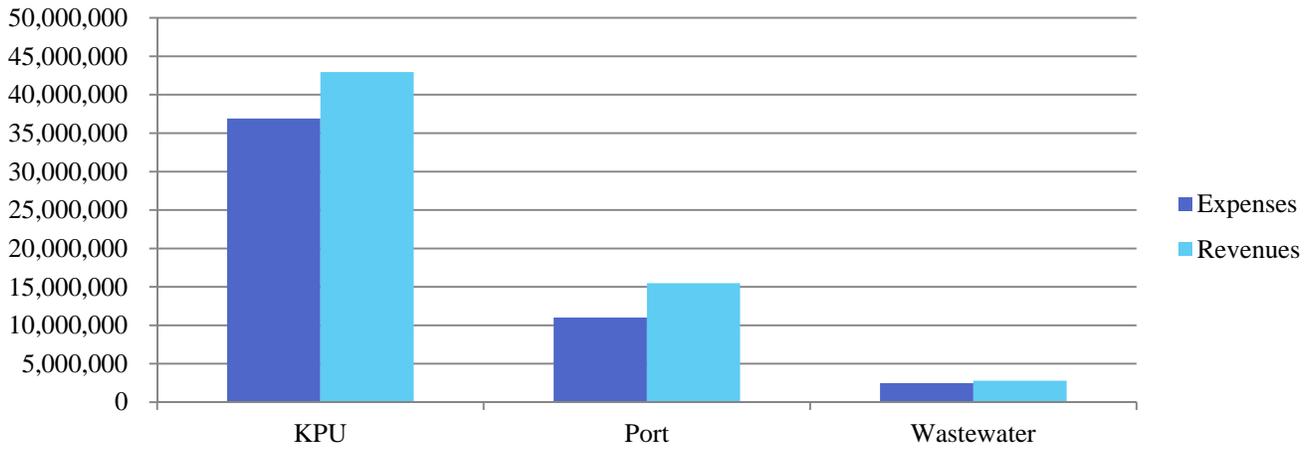
The overall expenses of the City's business-type activities for 2014 increased from \$49.9 million to \$50.4 million, or \$481 thousand. The table summarizes expenses by business-type activity

	2014	2013
Electric	\$17,352,078	\$19,685,532
Telecommunications	15,649,634	14,429,057
Water	3,905,078	4,026,211
Port	11,012,311	9,133,140
Wastewater	2,477,247	2,642,018
	<u>\$50,396,348</u>	<u>\$49,915,958</u>

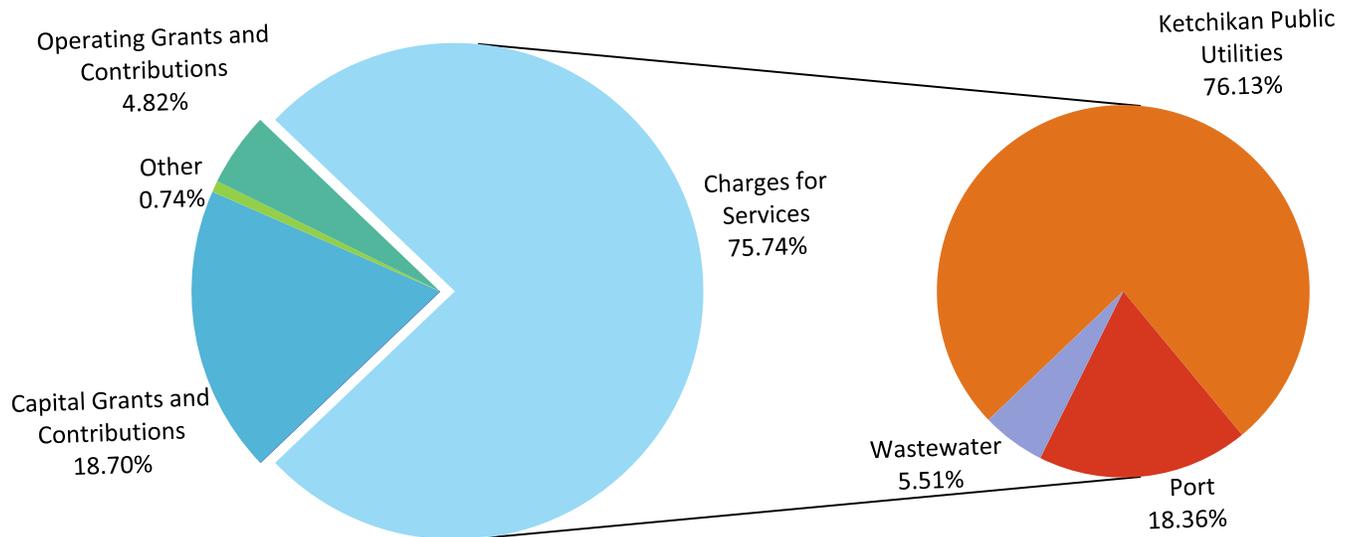
The expenses of the electric utility decreased in 2014 by \$2.3 million. Nearly 80% of the decrease was due to not needing to operate the diesel generators to meet consumer demand for electric energy in 2014. The expenses of the telecommunications utility increased \$1.3 million because of the growth of its non-regulated internet, IPTV and wireless operations. This growth has increased the cost of operations by \$680,000 and depreciation by \$344,000. The expenses of the port increased \$1.9 million due to the write-off of port assets that were replaced as part of the Berths I and II Replacement Project. In 2014, the City completed Phase III.

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 \$71.5 million, an increase of \$44.7 million or 166.3%, from last year. Nonspendable fund balances total \$419,000 and consists entirely of land held for resale. Restricted fund balances total \$46.4 million. Assigned fund balances total \$21 million and includes \$2.4 million for subsequent year's budget deficit, \$6.2 million for streets and sidewalks maintenance and other public works projects, \$5.8 million for public health, \$2.5 million for solid waste, \$1.4 million for abatement of dangerous buildings and parking development, and \$1 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 2014 amounted to \$24.9 million, an increase of \$1.7 million from 2013. Raising the City's sales tax rate from 3.5% to 4% effective April 1, 2014 accounted for \$583 thousand of the increase and the balance is attributable to the increase in on-behalf retirement payments made by the State of Alaska to the Alaska Public Employees Retirement System (PERS). Total general fund expenditures for 2014 amounted to \$24.8 million, an increase of \$926 thousand from 2013. Most of the increase in expenditures was attributable to the on-behalf retirement payments made to PERS. The total fund balance of the general fund decreased from \$17.1 million in 2013 to \$16.8 million in 2014. The unassigned fund balance increased from \$3.35 million to \$3.72 million.

The Hospital Construction Fund is a new major fund established in 2014 to account for the proceeds from the City's \$41.3 million general obligation bond that was issued in May 2014 to finance the construction a major addition to the Ketchikan Medical Center, a health care facility owed by the City and operated by PeaceHealth of Bellingham, Washington. The fund also accounts for the proceeds from a \$15 million grant awarded by the State of Alaska. This grant will also be used to finance the new addition. In 2014, the fund reported intergovernmental revenues of \$8.9 million and construction expenses of \$9.2 million. The proceeds from the bond sale amounted to \$43.2 million including bond premiums of \$1.8 million. The fund ended the year with a restricted fund balance of \$42.7 million.

The Major Capital Improvements Fund is the primary capital project fund of the City. Its primary sources of revenues are federal and state grants and bond proceeds. In 2014, the fund reported intergovernmental revenues of \$1.7 million and a transfer of \$4.9 million from the Port Enterprise Fund. Construction expenses of \$6.4 million were incurred in 2014. The fund ended the year with a fund balance of \$271 thousand, of which \$197 thousand was restricted.

The Harbor Improvements Fund is the capital project fund of the City used to account for a multi-phased capital improvement program to modernize the City's harbor infrastructure. Its primary sources of revenues are federal and state grants and bond proceeds. In 2014, the fund reported intergovernmental revenues of \$4.4 million, proceeds from the issuance of a general obligation bond in an amount of \$3 million, and construction expenses of \$5.8 million. The fund ended the year with a fund balance of \$2.9 million, of which \$2.7 million was restricted.

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

### General Fund Budgetary Highlights

The legally adopted 2014 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 2014 Budget for the general fund projected annual revenues of \$18.02 million and was subsequently amended to \$18.06 million. All the amendments involved the acceptance of grant awards for public safety and cultural activities. Actual revenues totaled \$16.6 million, which resulted in unfavorable budget variance of \$1.42 million. This was attributable to the City Council's decision to pursue a sales tax increase that was different from the one that was included in the adopted 2014 Budget.

The adopted 2014 Budget for general fund included appropriations for expenditures totaling \$19.95 million. During the year, the 2014 Budget was amended to increase appropriations for expenditures by \$33,914. The City Council also authorized transfers totaling \$34,645 from reserves to appropriations for expenditures. The amendments and the transfers increased appropriations for expenditures to 20.02 million. All of the amendments provided appropriations for spending the proceeds from grants awards for public safety and cultural activities. The transfers were used to providing additional funding for community promotion and professional services. Actual expenditures totaled \$18.32 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 2014, the general fund incurred a surplus of \$766 thousand. This was a significant improvement over the deficits of \$211 thousand and \$1.01 million reported in 2013 and 2012, respectively. The improvement was the result of a combination of the City Council's efforts to control spending and an increase in the City's sales tax rate from 3.5% to 4%.

### Capital Assets and Debt Administration

#### *Capital Assets*

The City's investment in capital assets for its governmental and business-type activities, net of accumulated depreciation as of December 31, 2014, amounts to \$345.8 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 \$23.2 million or 7.2 percent. The City's investment in governmental activities increased \$20.5 million and business-type activities capital assets increased by \$2.7 million. See Note 3-E for additional information about changes in capital assets during the calendar year and the amount outstanding at the end of the year. The following table provides a summary of capital asset activity.

*(This page continued on the subsequent page)*

Capital Assets

	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
Non-depreciable assets:						
Land	\$ 28,904,498	\$ 28,904,498	\$ 4,498,606	\$ 4,450,356	\$ 33,403,104	\$ 33,354,854
Easements	588,168					
Construction in progress	17,112,926	6,087,334	4,302,650	40,159,571	21,415,576	46,246,905
Intangibles and other	100,750	100,750	306,502	981,630	407,252	1,082,380
Total non-depreciable	\$ 46,706,342	\$ 35,092,582	\$ 9,107,758	\$ 45,591,557	\$ 55,814,100	\$ 80,684,139
Depreciable assets:						
Utility plants	\$ -	\$ -	\$ 259,508,125	\$ 215,603,673	\$ 259,508,125	\$ 215,603,673
Port facilities	-	-	66,593,985	67,104,874	66,593,985	67,104,874
Land improvements	1,554,203	1,554,203	-	-	1,554,203	1,554,203
Buildings	74,818,110	74,783,310	-	-	74,818,110	74,783,310
Machinery and equipment	15,502,452	15,462,000	-	-	15,502,452	15,462,000
Infrastructure	71,076,759	58,548,008	-	-	71,076,759	58,548,008
Software	624,705	624,705	-	-	624,705	624,705
Total depreciable assets	163,576,229	150,972,226	326,102,110	282,708,547	489,678,339	433,680,773
Less accum. depreciation	(52,930,858)	(49,185,688)	(146,777,709)	(142,608,609)	(199,708,567)	(191,794,297)
Net depreciable assets	\$ 110,645,371	\$ 101,786,538	\$ 179,324,401	\$ 140,099,938	\$ 289,969,772	\$ 241,886,476
Percentage depreciated	32%	33%	45%	50%	41%	44%
Book value - all assets	\$ 157,351,713	\$ 136,879,120	\$ 188,432,159	\$ 185,691,495	\$ 345,783,872	\$ 322,570,615

Major capital assets under construction during 2014 and included in construction in progress are as follows:

- Ketchikan Medical Center addition - \$12,900,000
- Bar Harbor South Floats 9 and 1N replacement - \$1,300,000
- Microwave transmission network - \$1,766,000

Major capital assets placed in service during 2014 are as follows:

- Whitman Lake hydroelectric project - \$30,900,000
- Jackson and Monroe Streets water main replacement - \$4,140,000
- Jackson and Monroe Streets wastewater main replacement - \$3,948,000
- Bar Harbor drive down float - \$5,825,000
- Ketchikan Visitors Bureau building replacement - \$2,092,000
- Berth I and II replacement – Phase III - \$4,398,000
- Waterfront Promenade – Phase III - \$1,818,000
- Front Street Extension replacement - \$4,398,000
- 4G/LTE wireless telecommunications network - \$2,991,000

At December 31, 2014, the depreciable capital assets for governmental activities were 32 percent depreciated. At December 31, 2013 and 2012, capital assets were 33 and 33 percent depreciated, respectively. This trend would suggest that the City has improved the maintenance of its governmental capital assets. A decrease in the percentage is an indicator that capital assets are being well maintained. No change in the percentage of assets depreciated implies that capital assets are being properly maintained. An increase in the percentage is an indicator that capital assets are not being maintained. The City's

business-type activities capital assets were 45 percent depreciated at December 31, 2014 compared to 50 and 51 percent for 2013 and 2012, 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, 2014, the City had \$121.7 million in outstanding bonded debt and other long-term debt, an increase of \$40.1 million from 2013. Total general obligation bonded debt increased from \$16.8 million to \$59.6 million, or 255.1 percent. Total revenue bonded debt decreased from \$61.7 million to \$59 million, or 4.4 percent. The following table provides a summary of outstanding long-term debt:

**Outstanding Long-term Debt**

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$56,895,000	\$14,035,000	\$2,711,970	\$2,750,427	\$59,606,970	\$16,785,427
Revenue bonds	-	-	58,976,805	61,714,415	58,976,805	61,714,415
Landfill closure costs	956,040	951,540	-	-	956,040	951,540
Compensated absences	1,327,291	1,300,924	844,602	852,444	2,171,893	2,153,368
Total	<u>\$ 59,178,331</u>	<u>\$ 16,287,464</u>	<u>\$ 62,533,377</u>	<u>\$ 65,317,286</u>	<u>\$ 121,711,708</u>	<u>\$ 81,604,750</u>

In August 2007, the City issued a \$6.5 million junior lien municipal utility revenue bond through the Alaska Department of Environmental Conservation's (ADEC) Drinking Water Loan Program to finance the construction of a disinfection treatment facility for the City's municipal water utility. The amount of the bond was subsequently reduced to \$5.5 million. The proceeds from this loan were disbursed to the City as it incurred construction costs. As of December 31, 2014, 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 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, 2014, 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 \$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, 2014, 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 2014, the City issued a \$41.32 million general obligation bond through the Alaska Municipal Bond Bank to finance the construction of an addition to the Ketchikan Medical Center. This \$50 million addition is also being funded in part by grants from the federal government and the State of Alaska. The annual debt service ranges between \$789,165 and \$2,534,300. The bond matures in 2044.

In June 2014, the City issued a \$2.72 million general obligation bond through the Alaska Municipal Bond Bank to finance the construction of improvements for the harbor facilities located at Bar Harbor. This \$5.4 million harbor improvement project is also being funded in part by a 50% matching grant from the State of Alaska. The annual debt service for this bond ranges between \$199,048 and \$209,800. The bond matures in 2034.

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, 2014, the City's total direct general obligation bond debt per capita was \$2,180.

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

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

Tourism is an important part of the local economy but the industry is particularly sensitive to consumer demand, which dictates the scheduling for cruise ships visiting Ketchikan. In 2013, a record 938,000 visitors arrived by cruise ship. This banner year was followed by a decline to 878,000 visitors in 2014. Local businesses and governments have made significant investments in infrastructure and other facilities to serve and support the visitors industry. The loss of visitors can have a significant impact on retail sales, employment opportunities, and local government revenues. The City expects the decline that occurred in 2014 to be an anomaly and the number of visitors arriving by cruise ship to increase to a new record of 944,000.

The collapse of oil prices in the United States and around the globe has had an immediate impact on the finances of state government because oil revenues fund about 90 percent of the State of Alaska's General Fund. For fiscal year 2016, the State of Alaska is projecting an operating budget deficit of \$3 billion that will require resources from the Constitutional Budget Reserve to cover the anticipated shortfall. Oil prices are expected to remain depressed for an extended period and may affect the State's ability to balance its future operating budgets. The development of a long-term strategy for addressing its future budget deficits is critical to the City and other local governments in the State of Alaska. Continuing budget deficits at the state level may affect state revenue sharing, on-behalf retirement contributions, capital grants, state employees residing in our communities and services that the communities have come to rely upon such as the management of state-owned airports and ferry systems. The failure of the Alaska Legislature to address adequately future budget deficits will affect the economies and finances of local governments across the state. Rural communities such as the City may be more adversely affected because of their heavy reliance on state government for services and financial support.

Work continues on a \$58 million addition for the Ketchikan Medical Center. Included in this project are a new surgical suite and clinical space. This project will improve health care services in Southern Southeast Alaska and attract new employers and residents. The project is being financed by a \$43.32 million general obligation bond and federal and state grants. The annual debt service for this bond will be paid from the proceeds of the City's 1% Hospital Sales Tax. The project will be completed in June 2016.

Looking to 2015, the City expects the local economy to continue to improve. Growth in the tourism sector is projected to continue although there may be periods of volatility. The public and private sectors continue to make significant investments in the infrastructure and services required to make Ketchikan a comfortable and attractive community to visit. The maritime industry is expanding. The shipyard operated by Vigor Alaska is under contract to construct two 280 foot day-boat ferries for the Alaska Marine Highway System at its facilities in Ketchikan. 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.

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In January 2015, the City Council approved an 8% rate increase for the City's wastewater utilities. In February 2015, a 4% rate increase for water rates was approved for all customers except for seafood processors. The rate increase for seafood processors was 8%. 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 January 2015, the City Council approved a third 7% rate increase for the use of the City's harbor facilities. The rate increase will become effective September 1, 2015 and is part of a program to raise rates in order to finance the debt service on a \$5 million general obligation bond that the City plans to issue in phases over the next two years for the construction of new harbor facilities. As of December 31, 2014, the City had issued \$2.7 million against the \$5 million authorization. The City expects to issue \$2.3 million in late 2015.

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, 2014**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and temporary investments (Note 3A)	\$ 23,571,794	\$ 23,280,797	\$ 46,852,591
Restricted cash, cash equivalents and investments	46,434,570	3,791,431	50,226,001
Receivables:			
Accounts	781,642	2,270,693	3,052,335
Taxes	2,298,646	-	2,298,646
Intergovernmental	7,522,555	3,979,896	11,502,451
Interest	52,000	108,000	160,000
Unbilled	53,216	1,011,138	1,064,354
Advances	1,300,000	(1,300,000)	-
Inventory	-	3,012,369	3,012,369
Prepaid items	651,922	1,038,511	1,690,433
<b>Total current assets</b>	<b>82,666,345</b>	<b>37,192,835</b>	<b>119,859,180</b>
<b>Noncurrent assets:</b>			
Land for resale	418,618	-	418,618
Restricted investments	-	7,935,438	7,935,438
Accrued interest on restricted assets	-	1,684	1,684
Capital Assets (Note 3E)			
Nondepreciable capital assets	46,706,342	9,107,758	55,814,100
Depreciable capital assets, net	110,645,371	179,324,401	289,969,772
<b>Total noncurrent assets</b>	<b>157,770,331</b>	<b>196,369,281</b>	<b>354,139,612</b>
<b>Total Assets</b>	<b>240,436,676</b>	<b>233,562,116</b>	<b>473,998,792</b>
<b>Deferred Outflow of Resources</b>	<b>60,887</b>	<b>61,284</b>	<b>122,171</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>240,497,563</b>	<b>233,623,400</b>	<b>474,120,963</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	4,315,887	3,364,260	7,680,147
Payroll payable	1,671,483	-	1,671,483
Accrued interest payable	375,769	444,174	819,943
Customers deposits payable	9,701	363,508	373,209
Unearned revenue	179,347	54,310	233,657
Claims payable	143,000	-	143,000
Compensated absences payable	132,729	84,460	217,189
General obligation bonds payable	1,403,367	68,032	1,471,399
Revenue bonds payable	-	3,087,494	3,087,494
<b>Total current liabilities</b>	<b>8,231,283</b>	<b>7,466,238</b>	<b>15,697,521</b>
<b>Noncurrent liabilities</b>			
Accrued interest payable	-	11,579	11,579
Compensated absences payable (net of current portion)	1,194,561	760,141	1,954,702
Landfill closure costs (net of current portion)	956,040	-	956,040
General obligation bonds payable (net of current portion)	58,038,079	2,643,938	60,682,017
Revenue bonds payable (net of current portion)	-	58,214,923	58,214,923
<b>Total noncurrent liabilities</b>	<b>60,188,680</b>	<b>61,630,581</b>	<b>121,819,261</b>
<b>Total Liabilities</b>	<b>68,419,963</b>	<b>69,096,819</b>	<b>137,516,782</b>
<b>Net Position</b>			
Net investment in capital assets (Note 3K)	143,909,094	124,479,056	268,388,150
Restricted for:			
Capital and maintenance outlay	3,522,155	-	3,522,155
Repair and replacement funds	-	3,664,611	3,664,611
Commercial passenger excise tax funds	196,727	1,619,258	1,815,985
Bond construction funds	-	208,971	208,971
Debt service	-	6,001,834	6,001,834
Solid waste operations and maintenance	3,783,338	-	3,783,338
Harbor operations and maintenance	978,604	-	978,604
Cemetery operations and maintenance	141,305	-	141,305
Investigation and property seizure funds	299,903	-	299,903
Unrestricted	19,246,474	28,552,851	47,799,325
<b>Total Net Position</b>	<b>\$ 172,077,600</b>	<b>\$ 164,526,581</b>	<b>\$ 336,604,181</b>

See accompanying notes to the basic financial statements

**City of Ketchikan, Alaska**  
**Statement of Activities**  
**For the Year Ended December 31, 2014**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 2,683,962	\$ 61,030	\$ 667,977	\$ -
Public safety	9,723,428	1,348,377	1,335,313	41,807
Culture	3,300,295	862,362	293,628	-
Health and welfare	1,099,588	2,834	-	11,487,691
Public works	10,373,365	3,115,705	147,379	1,840,780
Harbor	2,192,468	1,249,763	-	4,680,657
Interest	1,519,245	-	-	-
<b>Total Governmental Activities</b>	<b>30,892,351</b>	<b>6,640,071</b>	<b>2,444,297</b>	<b>18,050,935</b>
<b>Business-Type Activities:</b>				
Electric, telecommunications and water	36,906,790	35,569,553	459,899	7,154,111
Port	11,012,311	8,578,059	2,491,297	4,407,753
Wastewater	2,477,247	2,575,541	22,636	699,200
<b>Total Business-Type Activities</b>	<b>50,396,348</b>	<b>46,723,153</b>	<b>2,973,832</b>	<b>12,261,064</b>
<b>Total</b>	<b>\$ 81,288,699</b>	<b>\$ 53,363,224</b>	<b>\$ 5,418,129</b>	<b>\$ 30,311,999</b>

**General Revenues:**

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

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

**Net Position Beginning of Year**

**Net Position End of Year**

See accompanying notes to the basic financial statements

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (1,954,955)	\$ -	\$ (1,954,955)
(6,997,931)	-	(6,997,931)
(2,144,305)	-	(2,144,305)
10,390,937	-	10,390,937
(5,269,501)	-	(5,269,501)
3,737,952	-	3,737,952
(1,519,245)	-	(1,519,245)
<u>(3,757,048)</u>	<u>-</u>	<u>(3,757,048)</u>
-	6,276,773	6,276,773
-	4,464,798	4,464,798
-	820,130	820,130
<u>-</u>	<u>11,561,701</u>	<u>11,561,701</u>
<u>(3,757,048)</u>	<u>11,561,701</u>	<u>7,804,653</u>
5,513,202	-	5,513,202
10,995,570	-	10,995,570
388,723	-	388,723
539,771	-	539,771
89,179	129,167	218,346
221,756	326,864	548,620
6,203,804	(6,203,804)	-
<u>23,952,005</u>	<u>(5,747,773)</u>	<u>18,204,232</u>
20,194,957	5,813,928	26,008,885
<u>151,882,643</u>	<u>158,712,653</u>	<u>310,595,296</u>
<u>\$ 172,077,600</u>	<u>\$ 164,526,581</u>	<u>\$ 336,604,181</u>



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# FUND FINANCIAL STATEMENTS

## GOVERNMENTAL FUNDS

**City of Ketchikan, Alaska**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2014**

	General	Hospital Construction	Major Capital Improvements	Harbor Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and temporary investments	\$ 12,842,072	\$ -	\$ 144,640	\$ 1,206,738	\$ 7,369,929	\$ 21,563,379
Restricted cash:						
Bond construction funds	-	42,738,247	-	2,683,878	515,815	45,937,940
Investigation funds	137,151	-	-	-	-	137,151
Property seizure funds	-	-	-	-	162,752	162,752
Commercial passenger excise tax funds	-	-	196,727	-	-	196,727
Receivables:						
Accounts	473,494	-	-	-	308,148	781,642
Taxes	2,233,033	-	-	-	65,613	2,298,646
Intergovernmental	22,318	6,789,199	639	601,675	108,724	7,522,555
Interest	-	-	-	-	28,000	28,000
Interfund	4,302,147	-	-	-	-	4,302,147
Advances from other funds	1,161,547	-	-	-	700,000	1,861,547
Unbilled receivables	-	-	-	-	53,216	53,216
Land for resale	418,618	-	-	-	-	418,618
<b>Total Assets</b>	<b>\$ 21,590,380</b>	<b>\$ 49,527,446</b>	<b>\$ 342,006</b>	<b>\$ 4,492,291</b>	<b>\$ 9,312,197</b>	<b>\$ 85,264,320</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 898,282	\$ 2,512,129	\$ 71,168	\$ 400,840	\$ 318,069	\$ 4,200,488
Payroll payable	1,671,483	-	-	-	-	1,671,483
Customer deposits payable	-	-	-	-	9,701	9,701
Interfund payable	-	4,277,070	-	-	25,077	4,302,147
Unearned revenue	51,194	-	-	-	128,153	179,347
Advances to other funds	-	-	-	1,161,547	-	1,161,547
<b>Total Liabilities</b>	<b>2,620,959</b>	<b>6,789,199</b>	<b>71,168</b>	<b>1,562,387</b>	<b>481,000</b>	<b>11,524,713</b>
<b>Deferred Inflows of Resources</b>	<b>2,131,739</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,613</b>	<b>2,197,352</b>
<b>Fund Balances</b>						
Nonspendable - Land held for resale	418,618	-	-	-	-	418,618
Restricted for:						
Law enforcement	137,151	-	-	-	162,752	299,903
Commercial passenger excise tax	-	-	196,727	-	-	196,727
Bond construction funds	-	42,738,247	-	2,683,878	515,815	45,937,940
Assigned:						
Subsequent years budget	874,276	-	-	-	1,499,050	2,373,326
Parking development and abatement of dangerous buildings	1,351,593	-	-	-	-	1,351,593
Hospital development and expansion	5,765,997	-	-	-	-	5,765,997
General government	335,366	-	-	-	-	335,366
Public safety	448,185	-	-	-	-	448,185
Culture and tourism	736,587	-	31,127	-	178,479	946,193
Public works	84,923	-	-	-	-	84,923
Collection and disposal of solid waste	-	-	-	-	2,527,895	2,527,895
Cemetery operations	-	-	-	-	127,305	127,305
Harbor operations	-	-	-	-	748,997	748,997
Streets, sidewalks and other public projects	2,961,984	-	-	-	-	2,961,984
Harbor construction	-	-	-	246,026	-	246,026
Public works projects	-	-	42,984	-	3,005,291	3,048,275
Unassigned	3,723,002	-	-	-	-	3,723,002
<b>Total Fund Balances</b>	<b>16,837,682</b>	<b>42,738,247</b>	<b>270,838</b>	<b>2,929,904</b>	<b>8,765,584</b>	<b>71,542,255</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 21,590,380</b>	<b>\$ 49,527,446</b>	<b>\$ 342,006</b>	<b>\$ 4,492,291</b>	<b>\$ 9,312,197</b>	<b>\$ 85,264,320</b>

See accompanying notes to the basic financial statements

**City of Ketchikan, Alaska**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2014**

<b>Total Governmental Fund Balances</b>		\$ 71,542,255
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets	\$ 210,282,572	
Less accumulated depreciation	<u>(52,930,859)</u>	157,351,713
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Taxes		2,140,355
Services		56,997
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	\$ 4,302,147	
Interfund payables	<u>(4,302,147)</u>	-
An internal service fund is used by management to charge the costs of compensated absences, insurance and claims to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		
		1,692,676
Accrued interest is not reported at the fund financial reporting level		
		(375,769)
Deferred charges not reported at the fund financial reporting level		
Prepaid insurance on bonds	\$ 5,972	
Deferred amount on refunding	<u>60,887</u>	66,859
Liabilities that are not due in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (56,895,000)	
Premiums for GO bonds	(2,546,446)	
Landfill closure costs	<u>(956,040)</u>	<u>(60,397,486)</u>
<b>Net Position Of Governmental Activities</b>		<b><u>\$ 172,077,600</u></b>

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2014

	General	Hospital Construction	Major Capital Improvements	Harbor Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 16,315,077	\$ -	\$ -	\$ -	\$ 389,342	\$ 16,704,419
Licenses and permits	97,998	-	-	-	-	97,998
Intergovernmental	2,798,500	8,927,885	1,654,782	4,380,657	2,639,088	20,400,912
Charges for services	2,116,406	-	-	-	4,174,185	6,290,591
Fines and forfeitures	112,265	-	-	-	153,833	266,098
Investment earnings	40	34,687	16	2,456	27,980	65,179
Contributions	-	-	22,035	300,000	131,487	453,522
Interdepartmental charges	3,150,268	-	-	-	-	3,150,268
Miscellaneous	286,683	-	-	-	177,856	464,539
<b>Total Revenues</b>	<b>24,877,237</b>	<b>8,962,572</b>	<b>1,676,833</b>	<b>4,683,113</b>	<b>7,693,771</b>	<b>47,893,526</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government	5,159,975	-	-	-	-	5,159,975
Public safety	9,898,690	-	-	-	79,282	9,977,972
Culture and tourism	3,066,565	-	334,618	-	-	3,401,183
Health and welfare	99,201	9,228,671	-	-	2,417,264	11,745,136
Public works	6,536,221	-	6,052,634	-	2,873,991	15,462,846
Harbor	-	-	-	5,791,231	1,284,723	7,075,954
<b>Debt Service:</b>						
Principal retirement	-	-	-	-	1,180,000	1,180,000
Interest and fiscal charges	-	-	-	-	1,444,671	1,444,671
<b>Total Expenditures</b>	<b>24,760,652</b>	<b>9,228,671</b>	<b>6,387,252</b>	<b>5,791,231</b>	<b>9,279,931</b>	<b>55,447,737</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>116,585</b>	<b>(266,099)</b>	<b>(4,710,419)</b>	<b>(1,108,118)</b>	<b>(1,586,160)</b>	<b>(7,554,211)</b>
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	17,696	-	-	-	76	17,772
Proceeds from sale of bonds	-	41,320,000	-	2,720,000	-	44,040,000
Premiums from sale of bonds	-	1,840,478	-	293,653	-	2,134,131
Bond issuance costs	-	(156,132)	-	(10,278)	-	(166,410)
Transfers in	1,613,691	-	4,907,162	-	2,488,967	9,009,820
Transfers out	(2,000,237)	-	-	-	(805,779)	(2,806,016)
<b>Total Other Financing Sources (Uses)</b>	<b>(368,850)</b>	<b>43,004,346</b>	<b>4,907,162</b>	<b>3,003,375</b>	<b>1,683,264</b>	<b>52,229,297</b>
<b>Net Change in Fund Balances</b>	<b>(252,265)</b>	<b>42,738,247</b>	<b>196,743</b>	<b>1,895,257</b>	<b>97,104</b>	<b>44,675,086</b>
<b>Fund Balances Beginning of Year</b>	<b>17,089,947</b>	<b>-</b>	<b>74,095</b>	<b>1,034,647</b>	<b>8,668,480</b>	<b>26,867,169</b>
<b>Fund Balances End of Year</b>	<b>\$ 16,837,682</b>	<b>\$ 42,738,247</b>	<b>\$ 270,838</b>	<b>\$ 2,929,904</b>	<b>\$ 8,765,584</b>	<b>\$ 71,542,255</b>

See accompanying notes to the basic financial statements

**City of Ketchikan, Alaska**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2014**

<b>Net Changes In Fund Balances - Total Governmental Funds</b>		<b>\$ 44,675,086</b>
<b>Amounts reported for governmental activities in the statement of activities are different because</b>		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	\$ (4,235,533)	
Capital outlay	24,785,440	20,549,907
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		
		(77,314)
Revenues of Internal Service Fund are included in the governmental statement of activities		
		24,000
Elimination of other financing sources to record net increase in payables associated with bond issuance		
		(46,174,131)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes		193,076
Charges for Services		(94,602)
Elimination of transfers between governmental funds:		
Transfers in	\$ (2,806,016)	
Transfers out	2,806,016	-
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.		
		(142,645)
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.		
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	\$ 1,180,000	
Amortization of premiums and deferred charges	66,080	
Landfill closure costs	(4,500)	1,241,580
<b>Change In Net Position of Governmental Activities</b>		<b>\$ 20,194,957</b>

See accompanying notes to the basic financial statements



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## PROPRIETARY FUNDS



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City of Ketchikan, Alaska  
Statement of Net Position  
Proprietary Funds  
December 31, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and temporary investments	\$ 16,778,078	\$ 5,504,277	\$ 998,442	\$ 23,280,797	\$ 2,008,415
Restricted cash, cash equivalents and investments	1,308,419	2,465,020	17,992	3,791,431	-
Receivables:					
Accounts	2,123,406	-	147,287	2,270,693	-
Interest	-	108,000	-	108,000	24,000
Intergovernmental	3,245,323	95,333	639,240	3,979,896	-
Inventory	3,012,369	-	-	3,012,369	-
Prepaid items	17,165	1,021,346	-	1,038,511	645,950
Unbilled revenue	888,252	-	122,886	1,011,138	-
<b>Total Current Assets</b>	<b>27,373,012</b>	<b>9,193,976</b>	<b>1,925,847</b>	<b>38,492,835</b>	<b>2,678,365</b>
<b>Noncurrent Assets:</b>					
Restricted Assets:					
Investments	1,678,041	6,257,397	-	7,935,438	-
Accrued interest on restricted assets	-	1,684	-	1,684	-
Advances from other funds	-	2,700,000	-	2,700,000	600,000
Capital Assets:					
Nondepreciable capital assets	6,481,236	2,146,048	480,474	9,107,758	-
Depreciable capital assets, net	109,491,724	52,536,803	17,295,874	179,324,401	-
<b>Total Noncurrent Assets</b>	<b>117,651,001</b>	<b>63,641,932</b>	<b>17,776,348</b>	<b>199,069,281</b>	<b>600,000</b>
<b>Total Assets</b>	<b>145,024,013</b>	<b>72,835,908</b>	<b>19,702,195</b>	<b>237,562,116</b>	<b>3,278,365</b>
<b>Deferred Outflow of Resources</b>	<b>61,284</b>	<b>-</b>	<b>-</b>	<b>61,284</b>	<b>-</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>145,085,297</b>	<b>72,835,908</b>	<b>19,702,195</b>	<b>237,623,400</b>	<b>3,278,365</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	3,211,029	87,318	65,913	3,364,260	115,399
Accrued interest	295,856	144,021	4,297	444,174	-
Customer deposits	363,508	-	-	363,508	-
Advances to other funds	266,209	-	-	266,209	-
Compensated absences payable	77,833	3,130	3,497	84,460	132,729
Unearned revenue	54,310	-	-	54,310	-
General obligation bonds payable	-	-	68,032	68,032	-
Revenue bonds payable	2,160,385	913,561	13,548	3,087,494	-
Claims payable	-	-	-	-	143,000
<b>Total Current Liabilities</b>	<b>6,429,130</b>	<b>1,148,030</b>	<b>155,287</b>	<b>7,732,447</b>	<b>391,128</b>
<b>Long-Term Liabilities:</b>					
Accrued interest	4,498	-	7,081	11,579	-
Compensated absences payable (net of current portion)	700,494	28,173	31,474	760,141	1,194,561
Advances from other funds	3,733,791	-	-	3,733,791	-
Revenue bonds payable (net of current portion)	25,589,169	32,343,839	281,915	58,214,923	-
General obligation bonds payable (net of current portion)	-	-	2,643,938	2,643,938	-
<b>Total Long-Term Liabilities</b>	<b>30,027,952</b>	<b>32,372,012</b>	<b>2,964,408</b>	<b>65,364,372</b>	<b>1,194,561</b>
<b>Total Liabilities</b>	<b>36,457,082</b>	<b>33,520,042</b>	<b>3,119,695</b>	<b>73,096,819</b>	<b>1,585,689</b>
<b>Net Position</b>					
Net investment in capital assets	88,284,690	21,425,451	14,768,915	124,479,056	-
Restricted for bond retirement	2,699,009	3,296,211	6,614	6,001,834	-
Restricted for repair and replacement	-	3,664,611	-	3,664,611	-
Restricted commercial passenger excise tax funds	-	1,619,258	-	1,619,258	-
Restricted for bond construction	208,971	-	-	208,971	-
Unrestricted	17,435,545	9,310,335	1,806,971	28,552,851	1,692,676
<b>Total Net Position</b>	<b>\$ 108,628,215</b>	<b>\$ 39,315,866</b>	<b>\$ 16,582,500</b>	<b>\$ 164,526,581</b>	<b>\$ 1,692,676</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, 2014**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Ketchikan Public Utilities</b>	<b>Ketchikan Port</b>	<b>Wastewater Service</b>	<b>Total</b>	
<b>Operating Revenues</b>					
Charges for services	\$ 35,659,553	\$ 8,578,059	\$ 2,575,541	\$ 46,813,153	\$ 2,273,691
Miscellaneous	327,364	-	(500)	326,864	118,911
<b>Total Operating Revenues</b>	<u>35,986,917</u>	<u>8,578,059</u>	<u>2,575,041</u>	<u>47,140,017</u>	<u>2,392,602</u>
<b>Operating Expenses</b>					
Operation and maintenance	23,307,990	4,726,515	2,020,133	30,054,638	-
Administration and general	5,754,985	-	-	5,754,985	-
Depreciation	6,908,978	1,587,253	427,712	8,923,943	-
Compensated absences	-	-	-	-	1,082,361
Insurance	-	-	-	-	1,249,013
Claims	-	-	-	-	37,228
<b>Total Operating Expenses</b>	<u>35,971,953</u>	<u>6,313,768</u>	<u>2,447,845</u>	<u>44,733,566</u>	<u>2,368,602</u>
<b>Operating Income (Loss)</b>	<u>14,964</u>	<u>2,264,291</u>	<u>127,196</u>	<u>2,406,451</u>	<u>24,000</u>
<b>Non-Operating Revenues (Expenses)</b>					
Operating grants - CPV funds	-	2,409,395	-	2,409,395	-
Operating grants	459,899	81,902	22,636	564,437	-
Interest and fiscal charges	(1,024,837)	(1,699,246)	(29,402)	(2,753,485)	-
Gain or (loss) on disposal of capital assets	-	(2,999,297)	-	(2,999,297)	-
Investment earnings	11,666	117,529	(28)	129,167	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(553,272)</u>	<u>(2,089,717)</u>	<u>(6,794)</u>	<u>(2,649,783)</u>	<u>-</u>
<b>Income (Loss) Before Capital Contributions, Grants and Transfers</b>	<u>(538,308)</u>	<u>174,574</u>	<u>120,402</u>	<u>(243,332)</u>	<u>24,000</u>
<b>Total Contributions and Capital Grants</b>	<u>7,154,111</u>	<u>4,407,753</u>	<u>699,200</u>	<u>12,261,064</u>	<u>-</u>
<b>Net Income before Transfers</b>	<u>6,615,803</u>	<u>4,582,327</u>	<u>819,602</u>	<u>12,017,732</u>	<u>-</u>
<b>Transfers Out</b>					
Payments in lieu of taxes	(786,000)	(319,000)	(80,000)	(1,185,000)	-
Transfer to general fund	-	(111,642)	-	(111,642)	-
Transfer to major capital improvements fund	-	(4,907,162)	-	(4,907,162)	-
<b>Total Transfers Out</b>	<u>(786,000)</u>	<u>(5,337,804)</u>	<u>(80,000)</u>	<u>(6,203,804)</u>	<u>-</u>
<b>Change in Net Position</b>	<u>5,829,803</u>	<u>(755,477)</u>	<u>739,602</u>	<u>5,813,928</u>	<u>24,000</u>
<b>Net Position Beginning 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>
<b>Net Position End of Year</b>	<u>\$ 108,628,215</u>	<u>\$ 39,315,866</u>	<u>\$ 16,582,500</u>	<u>\$ 164,526,581</u>	<u>\$ 1,692,676</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, 2014

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service		
<b>Cash Flows from Operating Activities</b>					
Cash received from customers and users	\$ 36,902,771	\$ 8,506,186	\$ 2,423,272	\$ 47,832,229	\$ 2,392,602
Cash payments to employees for services	(13,186,745)	(994,641)	(814,024)	(14,995,410)	-
Cash payments to suppliers for goods and services	(15,915,601)	(3,606,578)	(1,197,360)	(20,719,539)	-
Cash payments for insurance and claims	-	-	-	-	(1,352,309)
Cash payments for compensated absences	-	-	-	-	(1,055,994)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>7,800,425</u>	<u>3,904,967</u>	<u>411,888</u>	<u>12,117,280</u>	<u>(15,701)</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating grant from other governments	459,899	2,491,297	22,636	2,973,832	-
Transfers out	-	(5,018,804)	-	(5,018,804)	-
Payment in lieu of taxes to the general fund	(786,000)	(319,000)	(80,000)	(1,185,000)	-
<b>Net Cash Used by Noncapital Financing Activities</b>	<u>(326,101)</u>	<u>(2,846,507)</u>	<u>(57,364)</u>	<u>(3,229,972)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital grant received from other governments	7,274,085	7,230,723	1,275,257	15,780,065	-
Capital debt proceeds	243,052	-	28,564	271,616	-
Proceeds from disposition of capital assets	-	76	-	76	-
Principal paid on general obligation bonds	-	-	(80,371)	(80,371)	-
Interest paid on general obligation bonds	-	-	(38,995)	(38,995)	-
Principal paid on revenue bonds	(2,044,901)	(845,000)	-	(2,889,901)	-
Interest paid on revenue bonds	(1,106,833)	(1,731,226)	-	(2,838,059)	-
Payments for capital acquisitions and construction	(15,630,422)	(990,081)	(629,650)	(17,250,153)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(11,265,019)</u>	<u>3,664,492</u>	<u>554,805</u>	<u>(7,045,722)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>					
Investment earnings	7,559	4,355	(28)	11,886	(24,000)
Proceeds from bond reserve fund investments	-	(3,495)	-	(3,495)	-
Purchase of bond reserve fund investments	80,637	(521,051)	-	(440,414)	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>88,196</u>	<u>(520,191)</u>	<u>(28)</u>	<u>(432,023)</u>	<u>(24,000)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(3,702,499)</u>	<u>4,202,761</u>	<u>909,301</u>	<u>1,409,563</u>	<u>(39,701)</u>
<b>Cash and Cash Equivalents Beginning 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>
<b>Cash and Cash Equivalents End of Year (including \$1,308,419 for Ketchikan Public Utilities, \$845,762 for Port and \$17,992 for Wastewater Services reported in restricted accounts)</b>	<u>\$ 18,086,497</u>	<u>\$ 7,969,297</u>	<u>\$ 1,016,434</u>	<u>\$ 27,072,228</u>	<u>\$ 2,008,415</u>

(continued)

City of Ketchikan, Alaska  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2014

(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>	\$ 14,964	\$ 2,264,291	\$ 127,196	\$ 2,406,451	\$ 24,000
<b>Adjustments:</b>					
Depreciation	6,908,978	1,587,253	427,712	8,923,943	-
Other	129,629	-	-	129,629	-
<b>(Increase) Decrease in Assets:</b>					
Accounts receivable	404,722	(71,873)	(147,287)	185,562	-
Unbilled revenue	443,818	-	(4,482)	439,336	-
Prepaid expenses	2,647	102,996	-	105,643	(68,844)
Inventory	105,514	-	-	105,514	-
Customer deposits	(3,152)	-	-	(3,152)	-
<b>Increase (Decrease) in Liabilities:</b>					
Accounts payable	(169,729)	22,521	1,886	(145,322)	109,776
Accrued expenses	-	-	-	-	-
Compensated absences payable	(14,485)	(221)	6,863	(7,843)	26,367
Unearned revenue	(22,481)	-	-	(22,481)	-
Claims payable	-	-	-	-	(107,000)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 7,800,425</b>	<b>\$ 3,904,967</b>	<b>\$ 411,888</b>	<b>\$ 12,117,280</b>	<b>\$ (15,701)</b>
<b>Noncash investing, capital and financing activities</b>					
Revenue bond arbitrage	\$ 4,107				

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.

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

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

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

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

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

The City reports the following major funds:

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Inventories included in the Ketchikan Public 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, 2014 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 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, 2014 the balance on hand in the KPU Revenue Bond Redemption Fund amounted to \$1,099,448, which was \$192 more than required. The KPU Revenue Bond Reserve Fund contained \$1,678,041, which was the required amount per applicable bond ordinances. The Port Revenue Bond Redemption Fund amounted to \$845,762, which was \$218 more than required. The Port Revenue Bond Reserve Fund contained \$2,592,786, which was \$14,594 more than required by applicable bond ordinances. The Wastewater Service Fund contained \$17,992 in the Bond Redemption Fund.

The KPU Bond Construction Fund, the Harbor Construction Fund and the Hospital Construction Fund have been established in accordance with the provisions of the bond indentures. These funds can only be used for the payment of costs incurred in the construction of the Whitman Hydroelectric project, improvements to Harbor facilities and the Ketchikan Medical Center addition, respectively. The total amount available as of December 31, 2014 is \$208,971 in the Whitman Construction Fund, \$2,683,878 in Harbor Construction Fund and \$42,738,247 in the Hospital Construction Fund. The City also has bond construction funds remaining from the Fire Station Replacement bond issue and the Library Facility bond issue in the amount of \$321,500 and \$194,315 respectively.

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, 2014 the amount required to satisfy the bond covenants and lease agreement was \$2,730,260 for the revenue bonds and \$934,351 for the long-term lease for a total of \$3,664,611.

The City received Commercial Passenger Vessel Excise Tax Funds from the State of Alaska. These funds are restricted for purposes established by the State. The City currently has \$196,727 in the Major Capital Improvements Fund and \$1,619,258 in the Port Enterprise fund to be spent in accordance with state statutes.

The City is holding funds related to police investigations as restricted assets. These funds total \$137,151. In addition to this the City also receives funds confiscated as a result of Ketchikan police investigations. These funds total \$162,752.

**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.

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

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:

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

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

**1-D-8 Compensated Absences**

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

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

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

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

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

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

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

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

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

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

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

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

**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.

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

**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.

**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.

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

**2-A. Budgetary Information**

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

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

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

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

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

On December 19, 2013, the 2014 General Government Operating and Capital Budget and the 2014 Ketchikan Public Utilities Operating and Capital Budget were adopted by the City Council with the passage of Resolution 13-2530 and Resolution 13-2531, respectively. During the year, the 2014 General Government Operating and Capital Budget was amended to provide for supplemental appropriations as follows:

- Increase appropriations of the risk management department in the amount of \$22,000.
- Acceptance of a grant for the fire department in the amount of \$3,500.
- Acceptance of a grant for the fire department in the amount of \$80,000.
- Acceptance of a grant for the fire department in the amount of \$5,000.
- Acceptance of a grant for the fire department in the amount of \$8,500.
- Acceptance of a grant for the fire department in the amount of \$18,448.
- Acceptance of a grant for the fire department in the amount of \$215.
- Acceptance of a grant for the police department in the amount of \$4,000.
- Increase appropriations for the health and welfare department in the amount of \$36,665.
- Acceptance of a grant for the library department in the amount of \$1,000.
- Acceptance of a grant for the museum department in the amount of \$8,780.
- Acceptance of a grant for the tourism and economic development department in the amount of \$350,657.
- Acceptance of a grant for the tourism and economic development department in the amount of \$37,422.
- Acceptance of a grant for the tourism and economic development department in the amount of \$122,387.
- Acceptance of a private contribution for the tourism and economic development department in the amount of \$22,035.
- Issuance of bonds for the harbor department in the amount of \$149,928.
- Increase appropriations for the port department in the amount of \$45,000.

During the year, the 2014 Ketchikan Public Utilities Operating and Capital Budget was amended as follows:

- Increase appropriations for the electric department in the amount of \$96,300.
- Issuance of bonds for the water department in the amount of \$100,000.

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

All unencumbered appropriations lapse at the end of each fiscal year, but encumbered appropriation balances carry forward automatically and may be expended after year-end. All unencumbered, unexpended annual appropriations lapse at year-end. Payments made against prior year purchase orders result in current year expenditures being increased and current year encumbrance balances being reduced so that these payments do not reduce current year appropriations. 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 3 - Detailed Notes on All Funds**

**3-A. Deposits and Investments**

Cash and investments for the City are comprised of governmental and business-type activities. The balances at December 31, 2014 were:

Cash on hand	\$ 9,570
Deposits with financial institutions	52,842,794
Investments	52,161,666
Total	<u>\$ 105,014,030</u>

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

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

	Governmental Activities	Business-type Activities	Total
Unrestricted	\$ 23,571,794	\$ 23,280,797	\$ 46,852,591
Restricted	46,434,570	11,726,869	58,161,439
Total	<u>\$ 70,006,364</u>	<u>\$ 35,007,666</u>	<u>\$ 105,014,030</u>

The restricted cash and investments are comprised entirely of \$2,777,489, \$17,992 and \$3,438,548 for bond reserve accounts established for the City’s municipal utility, wastewater services and port revenue bonds, respectively, \$45,937,940 for bond construction accounts, \$208,971 for City utility bond constructions accounts, \$3,664,611 for the Port repair and replacement accounts, \$1,815,985 for commercial passenger excise tax fund accounts and \$299,903 for public safety confiscated funds.

**Deposits**

**Custodial credit risk-deposits.** This is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s deposit policy is in accordance with guidelines established by the City Charter, the City Council and its bond ordinances. All deposits were covered by federal depository insurance up to \$250,000 and collateralized with eligible securities in amounts equal at least 100 percent of the book value of deposits. As of December 31, 2014, the book value of all the City deposits was \$52,842,794. 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, 2014, the weighted average maturity of the City’s investment portfolio was .40 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, 2014, the City had investments in money market funds totaling \$49,850,265. 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, 2014, .4 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 95 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, 2014, 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.

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

As of December 31, 2014, 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	\$ 2,311,401	\$ -	\$ 1,883,449	\$ 427,952	\$ -	0.4
Cash in Mutual Funds	49,850,265	49,850,265	-	-	-	0
	<u>\$ 52,161,666</u>	<u>\$ 49,850,265</u>	<u>\$ 1,883,449</u>	<u>\$ 427,952</u>	<u>\$ -</u>	

Portfolio weighted average maturity .4

**3-B. Receivables**

Receivables at December 31, 2014, 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, 2014, consisted of the following:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 10,855,659	\$ 7,447,727	\$ 18,303,386
Allowance for doubtful accounts	(147,600)	(78,000)	(225,600)
Net accounts receivable	<u>\$ 10,708,059</u>	<u>\$ 7,369,727</u>	<u>\$ 18,077,786</u>

**3-C. Property Taxes**

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

**3-D. Leases**

**3-D-1 Operating Leases**

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

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

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

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.

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, 2014:

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
2015	\$ 51,339
2016	51,338
2017	41,539
2018	41,538
2019	41,539
2020-2024	199,637
2025-2029	164,511
2030-2039	163,299
2035-2039	89,900
2040-2044	71,615
2045-2049	67,250
2050-2054	37,450
2055-2059	30,000
2060-2064	24,000
Total minimum future lease rentals	\$ 1,074,955

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.

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

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

<u>Year Ending December 31</u>	<u>Amount</u>
2015	\$ 1,800,000
2016	1,800,000
2017	1,800,000
2018	1,800,000
2019	1,800,000
2020-2024	9,000,000
2025-2029	9,000,000
2030-2034	9,000,000
2035-2037	5,400,000
Total future minimum lease payments	<u>\$ 41,400,000</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 2014, the City paid the minimum lease of \$1,800,000 plus a contingent lease payment of \$550,270 for a total of \$2,350,270

**3-E. Capital Assets**

Capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 28,904,498	\$ -	\$ -	\$ 28,904,498
Easements	-	588,168		588,168
Construction in progress	6,087,334	14,061,923	3,036,331	17,112,926
Other capital assets	100,750	-	-	100,750
Total nondepreciable capital assets	<u>35,092,582</u>	<u>14,650,091</u>	<u>3,036,331</u>	<u>46,706,342</u>
Depreciable capital assets:				
Land improvements	1,554,203	-	-	1,554,203
Buildings	74,783,310	34,800	-	74,818,110
Machinery and equipment	15,462,000	608,128	567,676	15,502,452
Infrastructure	58,548,008	12,528,752	-	71,076,760
Software	624,705	-	-	624,705
Total depreciable capital assets	<u>150,972,226</u>	<u>13,171,680</u>	<u>567,676</u>	<u>163,576,230</u>
Total capital assets	<u>186,064,808</u>	<u>27,821,771</u>	<u>3,604,007</u>	<u>210,282,572</u>
Accumulated depreciation:				
Land improvements	1,194,482	95,528	-	1,290,010
Buildings	17,924,468	1,264,014	-	19,188,482
Machinery and equipment	8,584,921	962,311	490,362	9,056,870
Infrastructure	21,015,168	1,854,805	-	22,869,973
Software	466,649	58,875	-	525,524
Total accumulated depreciation	<u>49,185,688</u>	<u>4,235,533</u>	<u>490,362</u>	<u>52,930,859</u>
Governmental activities capital assets, net	<u>\$ 136,879,120</u>	<u>\$ 23,586,238</u>	<u>\$ 3,113,645</u>	<u>\$ 157,351,713</u>

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

Governmental activities depreciation expense

General government	\$ 69,987
Public safety	706,731
Public works	1,834,907
Health and welfare	562,945
Harbor	814,950
Culture	<u>246,013</u>
Total governmental activities depreciation expense	<u><u>\$ 4,235,533</u></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	\$ 48,250	\$ -	\$ 4,498,606
Other capital assets	981,630		675,128	306,502
Construction in progress	<u>40,159,571</u>	<u>2,439,065</u>	<u>38,295,986</u>	<u>4,302,650</u>
Total non-depreciable capital assets	<u>45,591,557</u>	<u>2,487,315</u>	<u>38,971,114</u>	<u>9,107,758</u>
Depreciable capital assets:				
Electric utility plant	90,023,191	31,874,651	296,744	121,601,098
Telecommunications utility plant	55,825,736	5,265,376	845,675	60,245,437
Water utility plant	48,924,405	4,660,228	571,912	53,012,721
Wastewater utility plant	20,830,341	3,948,166	129,638	24,648,869
Port facilities	<u>67,104,874</u>	<u>5,408,627</u>	<u>5,919,516</u>	<u>66,593,985</u>
Total depreciable capital assets	<u>282,708,547</u>	<u>51,157,048</u>	<u>7,763,485</u>	<u>326,102,110</u>
Total capital assets	<u>328,300,104</u>	<u>53,644,363</u>	<u>46,734,599</u>	<u>335,209,868</u>
Accumulated depreciation:				
Electric utility plant	61,641,491	2,769,401	296,744	64,114,148
Telecommunications utility plant	43,445,845	2,873,290	845,675	45,473,460
Water utility plant	15,076,281	1,266,287	562,643	15,779,925
Wastewater utility plant	7,054,922	427,711	129,638	7,352,995
Port facilities	<u>15,390,070</u>	<u>1,587,253</u>	<u>2,920,142</u>	<u>14,057,181</u>
Total accumulated depreciation	<u>142,608,609</u>	<u>8,923,942</u>	<u>4,754,842</u>	<u>146,777,709</u>
Business-type activities capital assets, net	<u><u>\$ 185,691,495</u></u>	<u><u>\$ 44,720,421</u></u>	<u><u>\$ 41,979,757</u></u>	<u><u>\$ 188,432,159</u></u>

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

**3-F. Commitments**

The City has the following commitments as of December 31, 2014:

	Operational	Capital	Total
Governmental Funds			
General	\$ 285,778	\$ 1,383,724	\$ 1,669,502
Hospital construction fund	-	38,729,042	38,729,042
Major capital improvements fund	-	470,886	470,886
Harbor improvements fund	-	4,450,000	4,450,000
Non-major special revenue funds	30,339	74,218	104,557
Total Governmental Funds	<u>\$ 316,117</u>	<u>\$ 45,107,870</u>	<u>\$ 45,423,987</u>
Enterprise Funds			
KPU	\$ 859,655	\$ 2,199,962	\$ 3,059,617
Port	-	197,079	197,079
Wastewater	38,226	111,426	149,652
Total Enterprise Funds	<u>\$ 897,881</u>	<u>\$ 2,508,467</u>	<u>\$ 3,406,348</u>

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

Interfund balances at December 31, 2014, consisted of the \$4,302,147 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, 2014, consisted of the following:

Transfers from	Transfers to:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 2,000,237	\$ 2,000,237
KPU Fund	786,000	-	786,000
Port Fund	430,642	4,907,162	5,337,804
Wastewater Fund	80,000	-	80,000
Nonmajor governmental funds	<u>317,049</u>	<u>488,730</u>	<u>805,779</u>
Total	<u>\$ 1,613,691</u>	<u>\$ 7,396,129</u>	<u>\$ 9,009,820</u>

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

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

State and federal laws and regulations require the City to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for up to thirty years after closure. Operating and capital expenditures related to current activities of the landfill are recorded in the Solid Waste Services special revenue fund. During 2014, the City did not have any current expenditures for landfill closure costs nor any post-closure care costs. The total estimated liability for

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

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

During 2014, the future closure and postclosure costs were reevaluated and adjusted to reflect current conditions. As of December 31, 2014, the estimated liability for landfill closure and postclosure care costs totaled \$956,040, an increase of \$4,500 from the estimated liability as of December 31, 2013.

The estimated liability is based on an engineer's estimate taking into account various factors including used capacity. As of December 31, 2014 used capacity was approximately 59.34%. It is estimated that an additional \$743,960 will be recognized as closure and postclosure care expenses between the date of the balance sheet, and the year 2037, in 24 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, 2014. 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, 2014.

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

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

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

**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%.

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

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

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

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

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

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

**Wastewater General Obligation Bonds, ADEC Clean Water Fund 481101** – issued to finance the replacement of a portion of the Jackson/Monroe Avenue sewer main, bearing an interest rate of 1.5%. The amount authorized is \$2,603,505. As of December 31, 2014, the City had incurred \$1,307,579 of construction costs eligible for funding from this loan program. The amount to be borrowed and the loan amortization schedule will be finalized upon completion of the project.

Annual debt service requirements to amortize general obligation bonds outstanding, as of December 31, 2014 follow:

Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 1,315,000	\$ 2,480,700	\$ 3,795,700	\$ 68,032	\$ 20,812	\$ 88,844
2016	1,365,000	2,424,650	3,789,650	69,056	19,787	88,843
2017	1,420,000	2,364,493	3,784,493	70,096	18,748	88,844
2018	1,430,000	2,279,568	3,709,568	71,152	17,692	88,844
2019	1,495,000	2,209,224	3,704,224	72,223	16,621	88,844
2020-2024	8,555,000	9,857,224	18,412,224	377,756	66,463	444,219
2025-2029	10,675,000	7,510,006	18,185,006	407,063	37,156	444,219
2030-2034	9,775,000	5,128,041	14,903,041	269,013	7,692	276,705
2035-2039	9,395,000	3,263,500	12,658,500	-	-	-
2040-2044	11,470,000	1,183,600	12,653,600	-	-	-
Total	\$ 56,895,000	\$ 38,701,006	\$ 95,596,006	\$ 1,404,391	\$ 204,971	\$ 1,609,362

This amortization schedule does not include \$1,307,579 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 June 1, 2017, bearing interest rates of 3.00 – 5.75%.

**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, 2014 the City had incurred \$3,745,005 in constructions costs of which \$3,531,178 has been put into a loan schedule. An additional \$213,827 in construction costs eligible for funding from this loan program has been incurred as of December 31, 2014. The additional amount to be borrowed and loan amortization schedule will be finalized upon completion of the project.

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

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

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

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

**KPU Revenue Bonds, ADEC Drinking Water Fund 481141**– issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Jackson/Monroe replacement. The amount authorized is \$2,217,795. As of December 31, 2014 the City incurred \$1,616,031 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, 2014 follow:

Year	Principal	Interest	Total
2015	\$ 2,943,450	\$ 2,503,238	\$ 5,446,688
2016	3,063,319	2,392,081	5,455,400
2017	3,178,263	2,278,923	5,457,186
2018	1,968,280	2,177,915	4,146,195
2019	2,048,374	2,099,872	4,148,246
2020-2024	11,440,992	9,113,135	20,554,127
2025-2029	14,080,330	6,234,997	20,315,327
2030-2034	15,968,940	2,704,491	18,673,431
2035	2,455,000	122,750	2,577,750
<b>Total</b>	<b>\$ 57,146,948</b>	<b>\$ 29,627,402</b>	<b>\$ 86,774,350</b>

This amortization schedule does not include \$1,829,858 for KPU Water Drinking Water Loan Funds because the projects are not complete.

*(This page continued on the subsequent page)*

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

**Changes in Long-term Debt** - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	in One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 14,035,000	\$ 44,040,000	\$ 1,180,000	\$ 56,895,000	\$ 1,315,000
Plus deferred amounts:					
For issuance premiums	500,682	2,134,130	88,367	2,546,445	88,367
Total bonds payable	14,535,682	46,174,130	1,268,367	59,441,445	1,403,367
Landfill closure costs	951,540	4,500		956,040	-
Compensated absences	1,300,924	1,082,361	1,055,994	1,327,291	132,729
<b>Total Governmental Activities</b>	<b>\$ 16,788,146</b>	<b>\$ 47,260,991</b>	<b>\$ 2,324,361</b>	<b>\$ 61,724,776</b>	<b>\$ 1,536,096</b>
Business-Type Activities					
Bonds payable:					
General obligation bonds	\$ 2,750,427	\$ 28,564	\$ 67,021	\$ 2,711,970	\$ 68,030
Revenue bonds	61,714,415	237,444	2,975,054	58,976,805	2,943,450
Plus deferred amounts:					
For issuance premiums	2,481,988		156,376	2,325,612	144,045
Total bonds payable	66,946,830	266,008	3,198,451	64,014,387	3,155,525
Compensated absences	852,444	1,102,809	1,110,651	844,602	84,460
<b>Total Business-Type Activities</b>	<b>\$ 67,799,274</b>	<b>\$ 1,368,817</b>	<b>\$ 4,309,102</b>	<b>\$ 64,858,989</b>	<b>\$ 3,239,985</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, 2014, \$6,035,000 of the bonds outstanding was considered defeased.

**3-J. Pensions**

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

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

**Alaska Public Employees' Retirement System**

**Plan Description**

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

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

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

Or by calling (907) 465-4460

**Funding**

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

	Pension and Postemployment	
	1/1/14 - 6/30/14	7/1/14 - 12/31/14
Contribution Rates		
Employee Rate:		
Police Officers and Firefighters	7.50%	7.50%
Other Employees	6.75%	6.75%
Actuarially Required Employer Rate:		
Police Officers and Firefighters	35.68%	44.03%
Other Employees	35.68%	44.03%
Adjusted Actual Employer Rate:		
Police Officers and Firefighters	22.00%	22.00%
Other Employees	22.00%	22.00%

The actuarially determined 2014 employer contribution rate for the City was 35.68% percent from January 1 to June 30, 2014 and 44.03% percent from July 1 to December 31, 2014. 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. The City accounts for the contributions from the State as on-behalf payments for fringe benefits. In 2014, the State contributed \$2,632,399, \$2,330,922 for pension and \$301,477 for post-employment healthcare, to the PERS on behalf of the City. These amounts were reported as intergovernmental revenues and pension related expenditures/expenses.

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

The annual pension and other post-employment benefit costs for the year ended December 31, 2014 and the amounts actually contributed by the City are listed below:

<u>Annual Contribution</u>	<u>Pension</u>	<u>Postemployment</u>	<u>Total</u>	<u>Percentage of Required Contribution</u>
2014	\$ 955,643	\$ 720,924	\$ 1,676,567	100%
2013	993,937	679,357	1,673,294	100%
2012	880,061	812,364	1,692,425	100%

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

	<u>Pension and Postemployment</u>	
	<u>1/1/14 - 6/30/14</u>	<u>7/1/14 - 12/31/14</u>
<b>Pension Contribution Rates</b>		
Employee Rate:		
Police Officers and Firefighters	8.00%	8.00%
Other Employees	8.00%	8.00%
Employer Rate:		
Police Officers and Firefighters	5.00%	5.00%
Other Employees	5.00%	5.00%
<b>Health Contribution Rates</b>		
Employer Health Rate*:		
Police Officers and Firefighters	0.48%	1.66%
Other Employees	0.48%	1.66%
Employer Occupational Disability & Death Rate*:		
Police Officers and Firefighters	1.14%	1.06%
Other Employees	0.20%	0.22%
<b>Health Reimbursement Account:</b>		
Police Officers and Firefighters	\$158.05/month**	\$163.38/month**
Other Employees	\$158.05/month**	\$163.38/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 \$3,396,993 in 2014, members contributed \$272,066 and the City contributed \$315,509 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 for craft employees and \$2.75 to \$4.32 for non-craft employees. The City's total payroll for the year ended December 31, 2014 was \$20,804,144 and payroll for covered employees totaled \$10,390,118. The total amount contributed to the IBEW plan in 2014 was \$1,534,101, which represents 14.76% of the City's current covered payroll.

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

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

Net Investment in capital assets on the government-wide statement of net position as of December 31, 2014 are as follows:

	Governmental Activities	Business-type Activities
Cost of capital assets	\$ 210,282,572	\$ 335,209,868
Less accumulated depreciation	(52,930,859)	(146,777,709)
Book value	157,351,713	188,432,159
Less capital related debt	(13,503,506)	(64,014,387)
Plus bond discount and refunding amounts	60,887	61,284
Net investment in capital assets	<u>\$ 143,909,094</u>	<u>\$ 124,479,056</u>

**3-L. Deferred Inflows and Outflows of Resources**

Deferred inflows of resources consist of revenues earned but unavailable for use. The City's deferred inflows of resources consist of taxes in the amount of \$2,140,355 and charges for services in the amount of \$56,997.

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 \$122,171.

**Note 4- Other Notes**

**4-A. Risk Management**

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters. The City utilizes a self-insurance fund to account for and finance its uninsured risks of loss and insurance deductibles. The Self-Insurance Fund provides coverage up to a maximum of \$25,000 for each property claim, \$75,000 for each general liability claim, and \$100,000 for each employment practices claim. The City purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in two of the past three fiscal years. All funds of the City participate in the risk management program and make payments to the Self-Insurance Fund based on the amounts needed to pay insurance and related risk management services, claims paid, claims incurred, but not reported, and to maintain adequate reserves for losses not covered by insurance. As of December 31, 2014, the City had a net position of \$1,692,676 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, 2014 pending claims in the amount of \$143,000 and unpaid incurred claims in the amount of \$115,399 are included as a liability of the self-insurance fund. Amounts due within one year are \$115,399.

Changes in the balances of claims liabilities for the years ended December 31, 2014, 2013 and 2012 are as follows:

Date	(1) Beginning of Fiscal Year Liability	(2) Current Year Claims and Changes in Estimates	(3) Claim Payments	(4) End of Fiscal Year Liability
2012	\$ 269,204	\$ 164,823	\$ 99,972	\$ 334,055
2013	334,055	39,066	117,498	255,623
2014	255,623	115,399	112,623	258,399

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

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

**4-B. Contingent Liabilities**

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

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

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

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

The City operates and maintains the Swan Lake hydroelectric facility under the terms of a long-term operating agreement with the SEAPA. The City also purchases power from the SEAPA under the terms and conditions of a long-term power sales agreement. In 2014, the SEAPA paid the City \$820,871 to operate the Swan Lake hydroelectric facility. The City paid the SEAPA \$5,674,201 for power purchased from the Swan Lake hydroelectric facility. During 2014, approximately 51% of the City's total electric generation, or 87,923,000 kWh, was produced by the Swan Lake hydroelectric facility. At December 31, 2014, the amount due to the SEAPA was \$969,248.

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

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

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

In 2005, the Alaska Department of Environmental Conservation (ADEC) cited the municipal water system owned and operated by the City of Ketchikan d/b/a Ketchikan Public Utilities for exceeding acceptable levels of haloacetic acids. This occurrence was deemed to be a violation of the Stage I Disinfection and Disinfection Byproducts Rule and the City was ordered to correct the violation or begin water filtration. The City 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 showed an improvement in the levels of haloacetic acids, it was determined that the improvement was insufficient to correct the violation of the Stage I Disinfection and Disinfection Byproduct Rule. In addition, it has been determined that the municipal water system is experiencing water coliform levels that exceed acceptable levels. In December of 2014, the City entered into a second compliance order by consent with ADEC to construct a two-point chlorination facility in order to address the issue of elevated chloramines and coliform in the municipal water system. In June 2015, the City awarded a \$1.36 million contract to construct the two-point chlorination facility.

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

***4-F. Issuance of Debt***

In 2015, the City issued general obligation refunding bond totaling \$2.28 million to refund its 1997 Hospital General Obligation Bond. Net present value savings of \$129,786 were realized. The refunding bond will mature in 2017.

**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, 2014**

	Original Budget	Final Budget	Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Taxes						
Real & personal property taxes	\$ 5,744,628	\$ 5,744,628	\$ 5,801,986	\$ -	\$ 5,801,986	\$ 57,358
Automobile & boat taxes	35,000	35,000	48,747	-	48,747	13,747
Penalty & interest	40,000	40,000	56,487	-	56,487	16,487
Senior citizen local contribution	(405,000)	(405,000)	(427,956)	-	(427,956)	(22,956)
Sales tax	4,874,000	4,874,000	3,746,390	-	3,746,390	(1,127,610)
Payments in lieu of taxes	10,000	10,000	11,896	-	11,896	1,896
	<u>10,298,628</u>	<u>10,298,628</u>	<u>9,237,550</u>	<u>-</u>	<u>9,237,550</u>	<u>(1,061,078)</u>
Payments in lieu of taxes						
Ketchikan public utilities fund	786,000	786,000	-	786,000	786,000	-
Port fund	319,000	319,000	-	319,000	319,000	-
Wastewater services fund	80,000	80,000	-	80,000	80,000	-
	<u>1,185,000</u>	<u>1,185,000</u>	<u>-</u>	<u>1,185,000</u>	<u>1,185,000</u>	<u>-</u>
Licenses and permits						
Entertainment	500	500	-	-	-	(500)
Building permits	73,500	73,500	95,788	-	95,788	22,288
Other	1,600	1,600	2,210	-	2,210	610
	<u>75,600</u>	<u>75,600</u>	<u>97,998</u>	<u>-</u>	<u>97,998</u>	<u>22,398</u>
Intergovernmental						
Federal fire grants	-	3,500	102,989	-	102,989	99,489
Liquor licenses tax	30,000	30,000	48,000	-	48,000	18,000
Other state revenues	648,550	688,493	2,480,548	(1,969,201)	511,347	(177,146)
Federal revenues	-	1,000	3,000	-	3,000	2,000
	<u>678,550</u>	<u>722,993</u>	<u>2,634,537</u>	<u>(1,969,201)</u>	<u>665,336</u>	<u>(57,657)</u>
Charges for services						
Ambulance	500,000	500,000	606,369	-	606,369	106,369
Rentals	13,000	13,000	16,567	-	16,567	3,567
Parking fees	90,000	90,000	76,520	-	76,520	(13,480)
Cemetery	1,000	1,000	842	-	842	(158)
Library services	622,100	622,100	641,607	-	641,607	19,507
Museum services	202,700	202,700	215,571	-	215,571	12,871
E-911 emergency dispatch services	400,000	400,000	418,178	-	418,178	18,178
Civic center services	147,500	147,500	90,717	-	90,717	(56,783)
Other charges	131,500	131,500	50,035	-	50,035	(81,465)
	<u>2,107,800</u>	<u>2,107,800</u>	<u>2,116,406</u>	<u>-</u>	<u>2,116,406</u>	<u>8,606</u>
Fines and forfeitures						
Parking fines	105,000	105,000	68,443	-	68,443	(36,557)
Other fines	8,500	8,500	29,034	-	29,034	20,534
Court deposits	38,000	38,000	14,788	-	14,788	(23,212)
	<u>151,500</u>	<u>151,500</u>	<u>112,265</u>	<u>-</u>	<u>112,265</u>	<u>(39,235)</u>
Investment earnings						
	1,000	1,000	285	-	285	(715)
Other revenue						
Miscellaneous	79,417	79,417	69,849	-	69,849	(9,568)
Interdepartmental charges						
	3,438,000	3,438,000	3,150,268	-	3,150,268	(287,732)
<b>Total Revenues</b>	<u>18,015,495</u>	<u>18,059,938</u>	<u>17,419,158</u>	<u>(784,201)</u>	<u>16,634,957</u>	<u>(1,424,981)</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, 2014**

	<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	176,940	192,940	186,778	(9,147)	177,631	15,309
City Clerk	249,566	249,566	280,913	(31,416)	249,497	69
Law	384,062	384,062	341,312	(21,627)	319,685	64,377
City Manager	731,515	731,515	754,085	(99,523)	654,562	76,953
Finance	1,853,844	1,861,960	2,014,090	(214,452)	1,799,638	62,322
Information Technology	1,131,623	1,131,623	1,187,298	(105,425)	1,081,873	49,750
	<u>4,527,550</u>	<u>4,551,666</u>	<u>4,764,476</u>	<u>(481,590)</u>	<u>4,282,886</u>	<u>268,780</u>
Public safety						
Fire	3,235,110	3,265,773	3,616,698	(493,023)	3,123,675	142,098
Police	4,988,282	4,992,282	5,261,014	(724,970)	4,536,044	456,238
	<u>8,223,392</u>	<u>8,258,055</u>	<u>8,877,712</u>	<u>(1,217,993)</u>	<u>7,659,719</u>	<u>598,336</u>
Culture						
Library	1,331,852	1,332,852	1,293,286	(55,395)	1,237,891	94,961
Museum	886,787	895,567	792,777	(44,697)	748,080	147,487
Civic Center	435,989	435,989	441,728	(34,288)	407,440	28,549
	<u>2,654,628</u>	<u>2,664,408</u>	<u>2,527,791</u>	<u>(134,380)</u>	<u>2,393,411</u>	<u>270,997</u>
Health and welfare						
Public Health	15,000	15,000	11,211	-	11,211	3,789
Public works						
Engineering	1,710,554	1,710,554	1,555,163	(107,052)	1,448,111	262,443
Streets	1,782,125	1,782,125	1,630,234	(25,053)	1,605,181	176,944
Cemetery	86,000	86,000	74,513	2,456	76,969	9,031
Garage	526,055	526,055	479,516	(23,746)	455,770	70,285
Building Maintenance	429,575	429,575	367,971	160	368,131	61,444
	<u>4,534,309</u>	<u>4,534,309</u>	<u>4,107,397</u>	<u>(153,235)</u>	<u>3,954,162</u>	<u>580,147</u>
<b>Total Expenditures</b>	<u>19,954,879</u>	<u>20,023,438</u>	<u>20,288,587</u>	<u>(1,987,198)</u>	<u>18,301,389</u>	<u>1,722,049</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(1,939,384)</u>	<u>(1,963,500)</u>	<u>(2,869,429)</u>	<u>1,202,997</u>	<u>(1,666,432)</u>	<u>297,068</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, 2014*

	<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	2,000,000	2,000,000	2,000,000	-	2,000,000	-
Transient occupancy tax fund	364,000	364,000	312,049	-	312,049	(51,951)
Shoreline area fund	6,374	6,374	6,374	-	6,374	-
Bayview cemetery fund	5,000	5,000	5,000	-	5,000	-
Ketchikan public utilities fund	-	-	786,000	(786,000)	-	-
Port fund	138,835	138,835	430,642	(319,000)	111,642	(27,193)
Wastewater services fund	-	-	80,000	(80,000)	-	-
Transfers out						
GO bond debt service fund	(361,044)	(371,573)	(371,572)	-	(371,572)	1
Community grant fund	(51,147)	(51,147)	(51,147)	-	(51,147)	-
Sale of capital assets	10,000	10,000	17,696	-	17,696	7,696
<b>Total Other Financing Sources (Uses)</b>	<b>2,532,018</b>	<b>2,521,489</b>	<b>3,635,042</b>	<b>(1,185,000)</b>	<b>2,450,042</b>	<b>(71,447)</b>
<b>Net Change in Fund Balances</b>	<b>592,634</b>	<b>557,989</b>	<b>765,613</b>	<b>17,997</b>	<b>783,610</b>	<b>225,621</b>
<b>Fund Balances Beginning of Year</b>	<b>3,513,662</b>	<b>3,513,662</b>	<b>4,074,588</b>	<b>(332,515)</b>	<b>3,742,073</b>	<b>228,411</b>
<b>Fund Balances End of Year</b>	<b>\$ 4,106,296</b>	<b>\$ 4,071,651</b>	<b>\$ 4,840,201</b>	<b>\$ (314,518)</b>	<b>\$ 4,525,683</b>	<b>\$ 454,032</b>

*City of Ketchikan, Alaska*  
*Notes to Required Supplementary Information*  
*For the Year Ended December 31, 2014*

*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 included in the adopted budget for the General Fund.

## GOVERNMENTAL FUNDS

**City of Ketchikan, Alaska**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - by Fund Type**  
**December 31, 2014**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>			
Cash and temporary investments	\$ 5,092,638	\$ 2,277,291	\$ 7,369,929
Restricted cash:			
Bond construction funds	-	515,815	515,815
Property seizure funds	162,752	-	162,752
Commercial passenger excise tax funds	-	-	-
Receivables:			
Accounts	308,148	-	308,148
Taxes	65,613	-	65,613
Intergovernmental	108,724	-	108,724
Interest	-	28,000	28,000
Advances from other funds	-	700,000	700,000
Unbilled revenue	53,216	-	53,216
<b>Total Assets</b>	<b>\$ 5,791,091</b>	<b>\$ 3,521,106</b>	<b>\$ 9,312,197</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 318,069	\$ -	\$ 318,069
Customer deposits payable	9,701	-	9,701
Interfund payable	25,077	-	25,077
Unearned revenue	128,153	-	128,153
Advances to other funds	-	-	-
<b>Total Liabilities</b>	<b>481,000</b>	<b>-</b>	<b>481,000</b>
<b>Deferred Inflows of Resources</b>	<b>65,613</b>	<b>-</b>	<b>65,613</b>
<b>Fund Balances</b>			
Restricted:			
Law enforcement	162,752	-	162,752
Commercial passenger excise tax	-	-	-
Bond construction funds	-	515,815	515,815
Assigned:			
Subsequent years budget	1,499,050	-	1,499,050
Public safety	-	-	-
Culture and tourism	178,479	-	178,479
Collection and disposal of solid waste	2,527,895	-	2,527,895
Cemetery operations	127,305	-	127,305
Harbor operations	748,997	-	748,997
Harbor construction	-	-	-
Public works projects	-	3,005,291	3,005,291
<b>Total Fund Balances</b>	<b>5,244,478</b>	<b>3,521,106</b>	<b>8,765,584</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 5,791,091</b>	<b>\$ 3,521,106</b>	<b>\$ 9,312,197</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, 2014**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Debt Service Funds</b>	<b>Nonmajor Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 389,342	\$ -	\$ -	\$ 389,342
Intergovernmental	2,639,088	-	-	2,639,088
Charges for services	4,174,185	-	-	4,174,185
Fines and forfeitures	153,833	-	-	153,833
Investment earnings	(137)	-	28,117	27,980
Contributions	-	-	131,487	131,487
Miscellaneous	42,152	135,704	-	177,856
<b>Total Revenues</b>	<b>7,398,463</b>	<b>135,704</b>	<b>159,604</b>	<b>7,693,771</b>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	79,282	-	-	79,282
Health and welfare	2,417,264	-	-	2,417,264
Public works	2,861,981	-	12,010	2,873,991
Port and harbor	1,284,723	-	-	1,284,723
<b>Debt Service:</b>				
Principal retirement	-	1,180,000	-	1,180,000
Interest and fiscal charges	-	1,444,671	-	1,444,671
<b>Total Expenditures</b>	<b>6,643,250</b>	<b>2,624,671</b>	<b>12,010</b>	<b>9,279,931</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>755,213</b>	<b>(2,488,967)</b>	<b>147,594</b>	<b>(1,586,160)</b>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	76	-	-	76
Transfers in	-	2,488,967	-	2,488,967
Transfers out	(317,049)	-	(488,730)	(805,779)
<b>Total Other Financing Sources (Uses)</b>	<b>(316,973)</b>	<b>2,488,967</b>	<b>(488,730)</b>	<b>1,683,264</b>
<b>Net Change in Fund Balances</b>	<b>438,240</b>	<b>-</b>	<b>(341,136)</b>	<b>97,104</b>
<b>Fund Balances Beginning of Year</b>	<b>4,806,238</b>	<b>-</b>	<b>3,862,242</b>	<b>8,668,480</b>
<b>Fund Balances End of Year</b>	<b>\$ 5,244,478</b>	<b>\$ -</b>	<b>\$ 3,521,106</b>	<b>\$ 8,765,584</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, 2014**

	<b>Transient Tax</b>	<b>Solid Waste Services</b>	<b>Ketchikan Boat Harbor</b>
<b>Assets</b>			
Cash and temporary investments	\$ 178,479	\$ 3,652,957	\$ 1,119,897
Restricted cash			
Receivables:			
Accounts	-	292,513	15,635
Taxes	65,613	-	-
Intergovernmental	-	-	21,617
Unbilled revenue	-	53,216	-
<b>Total Assets</b>	<b>\$ 244,092</b>	<b>\$ 3,998,686</b>	<b>\$ 1,157,149</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 215,348	\$ 40,691
Customer deposits payable			9,701
Interfund payable	-	-	-
Unearned revenue	-	-	128,153
<b>Total Liabilities</b>	<b>-</b>	<b>215,348</b>	<b>178,545</b>
<b>Deferred Inflows of Resources</b>	<b>65,613</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>			
Restricted:			
Law enforcement	-	-	-
Assigned:			
Subsequent years budget	-	1,255,443	229,607
Culture and tourism	178,479	-	-
Collection and disposal of solid waste	-	2,527,895	-
Cemetery operations	-	-	-
Harbor operations	-	-	748,997
<b>Total Fund Balances</b>	<b>178,479</b>	<b>3,783,338</b>	<b>978,604</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 244,092</b>	<b>\$ 3,998,686</b>	<b>\$ 1,157,149</b>

<b>Bayview Cemetery</b>	<b>Federal and State Grant</b>	<b>US Marshall Property Seizure</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 141,305	\$ -	\$ - 162,752	\$ 5,092,638 162,752
-	-	-	308,148
-	-	-	65,613
-	87,107	-	108,724
-	-	-	53,216
<u>\$ 141,305</u>	<u>\$ 87,107</u>	<u>\$ 162,752</u>	<u>\$ 5,791,091</u>
\$ -	\$ 62,030	\$ -	\$ 318,069 9,701
-	25,077	-	25,077
-	-	-	128,153
-	87,107	-	481,000
-	-	-	65,613
-	-	162,752	162,752
14,000	-	-	1,499,050
-	-	-	178,479
-	-	-	2,527,895
127,305	-	-	127,305
-	-	-	748,997
<u>141,305</u>	<u>-</u>	<u>162,752</u>	<u>5,244,478</u>
<u>\$ 141,305</u>	<u>\$ 87,107</u>	<u>\$ 162,752</u>	<u>\$ 5,791,091</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, 2014**

	<b>Transient Tax</b>	<b>Solid Waste Services</b>	<b>Ketchikan Boat Harbor</b>
<b>Revenues</b>			
Taxes	\$ 389,342	\$ -	\$ -
Intergovernmental	-	20,727	121,815
Charges for services	-	2,907,531	1,247,810
Fines and forfeitures	-	-	1,953
Investment earnings	(5)	(88)	(57)
Miscellaneous	-	42,150	2
<b>Total Revenues</b>	<b>389,337</b>	<b>2,970,320</b>	<b>1,371,523</b>
<b>Expenditures</b>			
<b>Current:</b>			
Public safety	-	-	-
Health and welfare	-	-	-
Public works	-	2,856,706	-
Port and harbors	-	-	1,284,723
<b>Total Expenditures</b>	<b>-</b>	<b>2,856,706</b>	<b>1,284,723</b>
<b>Excess of Revenues Over Expenditures</b>	<b>389,337</b>	<b>113,614</b>	<b>86,800</b>
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	-	-	76
Transfers out	(312,049)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(312,049)</b>	<b>-</b>	<b>76</b>
<b>Net Change in Fund Balances</b>	<b>77,288</b>	<b>113,614</b>	<b>86,876</b>
<b>Fund Balances Beginning Of Year</b>	<b>101,191</b>	<b>3,669,724</b>	<b>891,728</b>
<b>Fund Balances End Of Year</b>	<b>\$ 178,479</b>	<b>\$ 3,783,338</b>	<b>\$ 978,604</b>

<b>Bayview Cemetery</b>	<b>Federal and State Grant</b>	<b>US Marshall Property Seizure</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ -	\$ -	\$ -	\$ 389,342
-	2,496,546	-	2,639,088
18,844	-	-	4,174,185
-	-	151,880	153,833
(2)	-	15	(137)
-	-	-	42,152
<u>18,842</u>	<u>2,496,546</u>	<u>151,895</u>	<u>7,398,463</u>
-	79,282	-	79,282
-	2,417,264	-	2,417,264
5,275	-	-	2,861,981
-	-	-	1,284,723
<u>5,275</u>	<u>2,496,546</u>	<u>-</u>	<u>6,643,250</u>
<u>13,567</u>	<u>-</u>	<u>151,895</u>	<u>755,213</u>
-	-	-	76
<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>(317,049)</u>
<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>(316,973)</u>
8,567	-	151,895	438,240
<u>132,738</u>	<u>-</u>	<u>10,857</u>	<u>4,806,238</u>
<u>\$ 141,305</u>	<u>\$ -</u>	<u>\$ 162,752</u>	<u>\$ 5,244,478</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, 2014*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>(GAAP Basis) Actual</b>	<b>Reclassifications and Encumbrances</b>	<b>(Budgetary Basis) Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>						
Taxes	\$ 350,000	\$ 350,000	\$ 389,342	\$ -	\$ 389,342	\$ 39,342
Investment earnings	10	10	(5)	-	(5)	(15)
<b>Total Revenues</b>	<u>350,010</u>	<u>350,010</u>	<u>389,337</u>	<u>-</u>	<u>389,337</u>	<u>39,327</u>
<b>Other Financing Uses</b>						
Transfers out						
General fund	(364,000)	(364,000)	(312,049)	-	(312,049)	51,951
<b>Total Other Financing Uses</b>	<u>(364,000)</u>	<u>(364,000)</u>	<u>(312,049)</u>	<u>-</u>	<u>(312,049)</u>	<u>51,951</u>
<b>Net Change in Fund Balances</b>	(13,990)	(13,990)	77,288	-	77,288	91,278
<b>Fund Balances Beginning of Year</b>	64,994	64,994	101,191	-	101,191	36,197
<b>Fund Balances End of Year</b>	<u>\$ 51,004</u>	<u>\$ 51,004</u>	<u>\$ 178,479</u>	<u>\$ -</u>	<u>\$ 178,479</u>	<u>\$ 127,475</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, 2014

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ -	\$ -	\$ 20,727	\$ (20,727)	\$ -	\$ -
Charges for services	2,973,000	2,973,000	2,907,531	-	2,907,531	(65,469)
Investment earnings	-	-	(88)	-	(88)	(88)
Miscellaneous	42,150	42,150	42,150	-	42,150	-
<b>Total Revenues</b>	<u>3,015,150</u>	<u>3,015,150</u>	<u>2,970,320</u>	<u>(20,727)</u>	<u>2,949,593</u>	<u>(65,557)</u>
<b>Expenditures</b>						
<b>Current:</b>						
Public works	3,437,337	3,437,337	2,856,706	(149,630)	2,707,076	730,261
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(422,187)	(422,187)	113,614	128,903	242,517	664,704
<b>Fund Balances Beginning of Year</b>	<u>3,443,898</u>	<u>3,443,898</u>	<u>3,669,724</u>	<u>(173,673)</u>	<u>3,496,051</u>	<u>52,153</u>
<b>Fund Balances End of Year</b>	<u>\$ 3,021,711</u>	<u>\$ 3,021,711</u>	<u>\$ 3,783,338</u>	<u>\$ (44,770)</u>	<u>\$ 3,738,568</u>	<u>\$ 716,857</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, 2014*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 24,000	\$ 24,000	\$ 121,815	\$ (78,034)	\$ 43,781	\$ 19,781
Charges for services	1,272,000	1,272,000	1,247,810	-	1,247,810	(24,190)
Fines and forfeitures	6,000	6,000	1,953	-	1,953	(4,047)
Investment earnings	100	100	(57)	-	(57)	(157)
Miscellaneous	-	-	2	-	2	2
<b>Total Revenues</b>	<u>1,302,100</u>	<u>1,302,100</u>	<u>1,371,523</u>	<u>(78,034)</u>	<u>1,293,489</u>	<u>(8,611)</u>
<b>Expenditures</b>						
<b>Current:</b>						
Port and harbor	1,494,415	1,548,438	1,284,723	(22,303)	1,262,420	286,018
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(192,315)</u>	<u>(246,338)</u>	<u>86,800</u>	<u>(55,731)</u>	<u>31,069</u>	<u>277,407</u>
<b>Other Financing Uses</b>						
Sale of assets	-	-	76	-	76	76
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>76</u>	<u>-</u>	<u>76</u>	<u>76</u>
<b>Net Change in Fund Balances</b>	<u>(192,315)</u>	<u>(246,338)</u>	<u>86,876</u>	<u>(55,731)</u>	<u>31,145</u>	<u>277,483</u>
<b>Fund Balances Beginning of Year</b>	<u>834,212</u>	<u>834,212</u>	<u>891,728</u>	<u>-</u>	<u>891,728</u>	<u>57,516</u>
<b>Fund Balances End of Year</b>	<u>\$ 641,897</u>	<u>\$ 587,874</u>	<u>\$ 978,604</u>	<u>\$ (55,731)</u>	<u>\$ 922,873</u>	<u>\$ 334,999</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, 2014*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Charges for services	\$ 16,500	\$ 16,500	\$ 18,844	\$ -	\$ 18,844	\$ 2,344
Investment earnings	20	20	(2)	-	(2)	(22)
<b>Total Revenues</b>	<u>16,520</u>	<u>16,520</u>	<u>18,842</u>	<u>-</u>	<u>18,842</u>	<u>2,322</u>
<b>Expenditures</b>						
<b>Current:</b>						
Public works	24,000	24,000	5,275	(275)	5,000	19,000
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(7,480)	(7,480)	13,567	275	13,842	21,322
<b>Other Financing Uses</b>						
Transfers out						
General fund	(5,000)	(5,000)	(5,000)	-	(5,000)	-
<b>Net Change in Fund Balances</b>	(12,480)	(12,480)	8,567	275	8,842	21,322
<b>Fund Balances Beginning of Year</b>	103,739	103,739	132,738	(700)	132,038	28,299
<b>Fund Balances End of Year</b>	<u>\$ 91,259</u>	<u>\$ 91,259</u>	<u>\$ 141,305</u>	<u>\$ (425)</u>	<u>\$ 140,880</u>	<u>\$ 49,621</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, 2014**

	<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	\$ 989,264	\$ 1,069,264	\$ 2,496,546	\$ -	\$ 2,496,546	\$ 1,427,282
<b>Expenditures</b>						
<b>Current:</b>						
Public safety	-	80,000	79,282	-	79,282	718
Health and welfare	989,264	989,264	2,417,264	(1,441,814)	975,450	13,814
<b>Total Expenditures</b>	<u>989,264</u>	<u>1,069,264</u>	<u>2,496,546</u>	<u>(1,441,814)</u>	<u>1,054,732</u>	<u>14,532</u>
<b>Excess of Revenues Over Expenditures</b>	-	-	-	1,441,814	1,441,814	1,441,814
<b>Fund Balances Beginning of Year</b>	-	-	-	(1,444,297)	(1,444,297)	(1,444,297)
<b>Fund Balances End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,483)</u>	<u>\$ (2,483)</u>	<u>\$ (2,483)</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, 2014**

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Fines & Forfeitures	\$ -	\$ -	\$ 151,880	\$ -	\$ 151,880	\$ 151,880
Investment earnings	-	-	15	-	15	15
<b>Total Revenues</b>	-	-	151,895	-	151,895	151,895
<b>Net Change in Fund Balances</b>	-	-	151,895	-	151,895	151,895
<b>Fund Balances Beginning of Year</b>	270	270	10,857	-	10,857	10,587
<b>Fund Balances End of Year</b>	\$ 270	\$ 270	\$ 162,752	\$ -	\$ 162,752	\$ 162,482



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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, 2014**

	<b>General Obligation Bond Debt Service</b>
<b>Revenues</b>	
Miscellaneous income	\$ 135,704
<b>Expenditures</b>	
Principal retirement	1,180,000
Interest and fiscal charges	1,444,671
<b>Total Expenditures</b>	2,624,671
<b>Deficiency of Revenues Under Expenditures</b>	(2,488,967)
<b>Other Financing Sources</b>	
Transfers in	
General fund	371,572
Sales tax hospital & other public works fund	1,628,665
Community facilities development fund	488,730
<b>Total Other Financing Sources</b>	2,488,967
<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, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>				
Miscellaneous income	\$ 146,233	\$ 146,233	\$ 135,704	\$ (10,529)
<b>Expenditures</b>				
<b>Debt Service:</b>				
Principal retirement	1,180,000	1,180,000	1,180,000	-
Interest and fiscal charges	1,408,007	1,444,672	1,444,671	1
<b>Total Expenditures</b>	<b>2,588,007</b>	<b>2,624,672</b>	<b>2,624,671</b>	<b>1</b>
<b>Other Financing Sources</b>				
Transfers in				
General fund	361,044	361,044	371,572	10,528
Sales tax hospital & other public works fund	1,592,000	1,628,665	1,628,665	
Community facilities development fund	488,730	488,730	488,730	-
<b>Total Other Financing Sources</b>	<b>2,441,774</b>	<b>2,478,439</b>	<b>2,488,967</b>	<b>10,528</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



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## NONMAJOR CAPITAL IMPROVEMENT FUND

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

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

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

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

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

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

**City of Ketchikan, Alaska**  
**Combining Balance Sheet**  
**Nonmajor Capital Project Fund**  
**December 31, 2014**

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	<b>Community Facilities Development</b>
<b>Assets</b>	
Cash and investments	\$ 2,277,291
Restricted cash:	
Bond construction funds	515,815
Accrued interest	28,000
Receivables:	
Advances from other funds	<u>700,000</u>
<b>Total Assets</b>	<u><u>\$ 3,521,106</u></u>
<b>Fund Balances</b>	
Restricted	
Bond construction funds	515,815
Assigned:	
Public works projects	<u>3,005,291</u>
<b>Total Fund Balances</b>	<u>3,521,106</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 3,521,106</u></u>

**City of Ketchikan, Alaska**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Capital Project Fund*  
*For the Year Ended December 31, 2014*

	<b>Community Facilities Development</b>
<b>Revenues</b>	
Investment earnings	\$ 28,117
Contributions	131,487
<b>Total Revenues</b>	159,604
<b>Expenditures</b>	
<b>Current:</b>	
Public works	12,010
<b>Total Expenditures</b>	12,010
<b>Excess of Revenues Over Expenditures</b>	147,594
<b>Other Financing Uses</b>	
Transfers out	
Debt service fund	(488,730)
<b>Total Other Financing Uses</b>	(488,730)
<b>Net Change in Fund Balances</b>	(341,136)
<b>Fund Balances At Beginning of Year</b>	3,862,242
<b>Fund Balances At End of Year</b>	\$ 3,521,106

**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, 2014**

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Investment earnings	\$ 30,000	\$ 30,000	\$ 28,117	\$ -	\$ 28,117	\$ (1,883)
Contributions	-	-	131,487	-	131,487	131,487
<b>Total Revenues</b>	<u>30,000</u>	<u>30,000</u>	<u>159,604</u>	<u>-</u>	<u>159,604</u>	<u>129,604</u>
<b>Expenditures</b>						
Public works	-	12,509	12,010	(11,425)	585	11,924
<b>Total Expenditures</b>	<u>-</u>	<u>12,509</u>	<u>12,010</u>	<u>(11,425)</u>	<u>585</u>	<u>11,924</u>
<b>Excess of Revenues Over Expenditures</b>	<u>30,000</u>	<u>17,491</u>	<u>147,594</u>	<u>11,425</u>	<u>159,019</u>	<u>141,528</u>
<b>Other Financing Sources</b>						
Transfers out						
Debt service fund	(488,730)	(488,730)	(488,730)	-	(488,730)	-
<b>Total Other Financing Sources</b>	<u>(488,730)</u>	<u>(488,730)</u>	<u>(488,730)</u>	<u>-</u>	<u>(488,730)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(458,730)</u>	<u>(471,239)</u>	<u>(341,136)</u>	<u>11,425</u>	<u>(329,711)</u>	<u>141,528</u>
<b>Fund Balances Beginning of Year</b>	<u>2,798,420</u>	<u>2,798,420</u>	<u>3,862,242</u>	<u>(711,425)</u>	<u>3,150,817</u>	<u>352,397</u>
<b>Fund Balances End of Year</b>	<u>\$ 2,339,690</u>	<u>\$ 2,327,181</u>	<u>\$ 3,521,106</u>	<u>\$ (700,000)</u>	<u>\$ 2,821,106</u>	<u>\$ 493,925</u>

City of Ketchikan, Alaska  
Hospital Construction Fund  
Project Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 15,000,000	\$ 15,000,000	\$ 8,927,885	\$ -	\$ 8,927,885	\$ (6,072,115)
Investment earnings	-	-	34,687	-	34,687	34,687
<b>Total Revenues</b>	<u>15,000,000</u>	<u>15,000,000</u>	<u>8,962,572</u>	<u>-</u>	<u>8,962,572</u>	<u>(6,037,428)</u>
<b>Expenditures</b>						
Health and welfare	58,000,000	58,000,000	9,228,671	38,729,042	47,957,713	10,042,287
<b>Deficiency of Revenues Under Expenditures</b>	(43,000,000)	(43,000,000)	(266,099)	(38,729,042)	(38,995,141)	4,004,859
<b>Other Financing Sources and Uses</b>						
Bond issuance costs			(156,132)	-	(156,132)	(156,132)
Proceeds from sale of bonds	43,000,000	43,000,000	41,320,000	-	41,320,000	(1,680,000)
Premium from sale of bonds	-	-	1,840,478	-	1,840,478	1,840,478
<b>Total Other Financing Sources and Uses</b>	<u>43,000,000</u>	<u>43,000,000</u>	<u>43,004,346</u>	<u>-</u>	<u>43,004,346</u>	<u>4,346</u>
<b>Net Change in Fund Balances</b>	-	-	42,738,247	(38,729,042)	4,009,205	4,009,205
<b>Fund Balances Beginning of Year</b>	-	-	-	-	-	-
<b>Fund Balances End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,738,247</u>	<u>\$ (38,729,042)</u>	<u>\$ 4,009,205</u>	<u>\$ 4,009,205</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, 2014

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 22,000,000	\$ 22,000,000	\$ 640		\$ 640	\$ (21,999,360)
Investment earnings	-		16	-	16	16
Contributions	-	22,035	1,676,177	-	1,676,177	1,654,142
<b>Total Revenues</b>	<u>22,000,000</u>	<u>22,022,035</u>	<u>1,676,833</u>	<u>-</u>	<u>1,676,833</u>	<u>(20,345,202)</u>
<b>Expenditures</b>						
Culture and tourism	-	532,501	334,618	196,726	531,344	1,157
Public works	22,000,000	22,000,000	6,052,634	212,392	6,265,026	15,734,974
<b>Total Expenditures</b>	<u>22,000,000</u>	<u>22,532,501</u>	<u>6,387,252</u>	<u>409,118</u>	<u>6,796,370</u>	<u>15,736,131</u>
<b>Deficiency of Revenues Under Expenditures</b>	-	(510,466)	(4,710,419)	(409,118)	(5,119,537)	(4,609,071)
<b>Other Financing Sources</b>						
Transfers in		510,466	4,907,162	-	4,907,162	4,396,696
<b>Total Other Financing Sources</b>	-	510,466	4,907,162	-	4,907,162	4,396,696
<b>Net Change in Fund Balances</b>	-	-	196,743	(409,118)	(212,375)	(212,375)
<b>Fund Balances Beginning of Year</b>	74,116	74,116	74,095	(61,768)	12,327	(61,789)
<b>Fund Balances End of Year</b>	<u>\$ 74,116</u>	<u>\$ 74,116</u>	<u>\$ 270,838</u>	<u>\$ (470,886)</u>	<u>\$ (200,048)</u>	<u>\$ (274,164)</u>

City of Ketchikan, Alaska  
*Harbor Improvements Fund*  
*Project Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual*  
*For the Year Ended December 31, 2014*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 2,950,000	\$ 2,950,000	\$ 4,380,657	\$ -	\$ 4,380,657	\$ 1,430,657
Investment earnings	-	-	2,456	-	2,456	2,456
Contributions	-	-	300,000	-	300,000	300,000
<b>Total Revenues</b>	<u>2,950,000</u>	<u>2,950,000</u>	<u>4,683,113</u>	<u>-</u>	<u>4,683,113</u>	<u>1,733,113</u>
<b>Expenditures</b>						
Port and harbors	5,190,615	5,787,290	5,791,231	(135,220)	5,656,011	131,279
<b>Total Expenditures</b>	<u>5,190,615</u>	<u>5,787,290</u>	<u>5,791,231</u>	<u>(135,220)</u>	<u>5,656,011</u>	<u>131,279</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(2,240,615)</u>	<u>(2,837,290)</u>	<u>(1,108,118)</u>	<u>135,220</u>	<u>(972,898)</u>	<u>1,864,392</u>
<b>Other Financing Sources and Uses</b>						
Transfers out						
Advances from other funds	(312,500)	(88,453)	-	(88,453)	(88,453)	-
Bond issuance costs	-	-	(10,278)	-	(10,278)	(10,278)
Proceeds from sale of bonds	2,500,000	2,649,928	2,720,000	-	2,720,000	70,072
Premium from sale of bonds	-	-	293,653	-	293,653	293,653
<b>Total Other Financing Sources Uses</b>	<u>2,187,500</u>	<u>2,561,475</u>	<u>3,003,375</u>	<u>(88,453)</u>	<u>2,914,922</u>	<u>353,447</u>
<b>Net Change in Fund Balances</b>	(53,115)	(275,815)	1,895,257	46,767	1,942,024	2,217,839
<b>Fund Balances Beginning of Year</b>	<u>240,409</u>	<u>240,409</u>	<u>1,034,647</u>	<u>(3,335,220)</u>	<u>(2,300,573)</u>	<u>(2,540,982)</u>
<b>Fund Balances End of Year</b>	<u>\$ 187,294</u>	<u>\$ (35,406)</u>	<u>\$ 2,929,904</u>	<u>\$ (3,288,453)</u>	<u>\$ (358,549)</u>	<u>\$ (323,143)</u>



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## 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, 2014

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant Fund	Totals
<b>Assets</b>							
Cash and temporary investments	\$ 1,598,162	\$ 5,916,547	\$ 4,958,475	\$ 232,796	\$ 130,100	\$ 5,992	\$12,842,072
Restricted cash - Investigation Funds	137,151	-	-	-	-	-	137,151
Receivables:							
Accounts	473,494	-	-	-	-	-	473,494
Taxes	968,856	505,671	758,506	-	-	-	2,233,033
Intergovernmental	22,318	-	-	-	-	-	22,318
Interfund	4,302,147	-	-	-	-	-	4,302,147
Advances from other funds	-	-	-	1,161,547	-	-	1,161,547
Land for resale	418,618	-	-	-	-	-	418,618
<b>Total Assets</b>	<b>\$ 7,920,746</b>	<b>\$ 6,422,218</b>	<b>\$ 5,716,981</b>	<b>\$ 1,394,343</b>	<b>\$ 130,100</b>	<b>\$ 5,992</b>	<b>\$21,590,380</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 490,306	\$ -	\$ 359,514	\$ 42,750	\$ -	\$ 5,712	\$ 898,282
Payroll payable	1,671,483	-	-	-	-	-	1,671,483
Unearned revenue	51,194	-	-	-	-	-	51,194
<b>Total Liabilities</b>	<b>2,212,983</b>	<b>-</b>	<b>359,514</b>	<b>42,750</b>	<b>-</b>	<b>5,712</b>	<b>2,620,959</b>
<b>Deferred Inflows of Resources</b>	<b>867,562</b>	<b>505,671</b>	<b>758,506</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,131,739</b>
<b>Fund Balances</b>							
Nonspendable	418,618	-	-	-	-	-	418,618
Restricted	137,151	-	-	-	-	-	137,151
Assigned:							
Subsequent years budget	246,451	150,550	470,901	-	6,374	-	874,276
Parking development and abatement of dangerous buildings	-	-	-	1,351,593	-	-	1,351,593
Hospital development and expansion	-	5,765,997	-	-	-	-	5,765,997
General government	137,272	-	197,814	-	-	280	335,366
Public safety	35,447	-	289,012	-	123,726	-	448,185
Culture and tourism	57,337	-	679,250	-	-	-	736,587
Public works	84,923	-	-	-	-	-	84,923
Streets, sidewalks and other public projects	-	-	2,961,984	-	-	-	2,961,984
Unassigned	3,723,002	-	-	-	-	-	3,723,002
<b>Total Fund Balances</b>	<b>4,840,201</b>	<b>5,916,547</b>	<b>4,598,961</b>	<b>1,351,593</b>	<b>130,100</b>	<b>280</b>	<b>16,837,682</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,920,746</b>	<b>\$ 6,422,218</b>	<b>\$ 5,716,981</b>	<b>\$ 1,394,343</b>	<b>\$ 130,100</b>	<b>\$ 5,992</b>	<b>\$21,590,380</b>

City of Ketchikan, Alaska  
 General Fund  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 For the Year Ended December 31, 2014

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
<b>Revenues</b>							
Taxes							
Real & personal property taxes	\$ 5,801,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,801,986
Automobile & boat taxes	48,747	-	-	-	-	-	48,747
Penalty & interest	56,487	10,881	16,321	-	-	-	83,689
Senior citizen local contribution	(427,956)	-	-	-	-	-	(427,956)
Sales tax	3,746,390	2,820,130	4,230,195	-	-	-	10,796,715
Payments in lieu of taxes	11,896	-	-	-	-	-	11,896
	<u>9,237,550</u>	<u>2,831,011</u>	<u>4,246,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,315,077</u>
Licenses and permits							
Building permits	95,788	-	-	-	-	-	95,788
Other	2,210	-	-	-	-	-	2,210
	<u>97,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,998</u>
Intergovernmental							
Federal fire grants	102,989	-	-	-	-	-	102,989
Liquor licenses tax	48,000	-	-	-	-	-	48,000
Other state revenues	2,480,548	-	-	-	-	-	2,480,548
Federal revenues	3,000	-	163,963	-	-	-	166,963
	<u>2,634,537</u>	<u>-</u>	<u>163,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,798,500</u>
Charges for services							
Ambulance	606,369	-	-	-	-	-	606,369
Rentals	16,567	-	-	-	-	-	16,567
Parking fees	76,520	-	-	-	-	-	76,520
Cemetery	842	-	-	-	-	-	842
Library services	641,607	-	-	-	-	-	641,607
Museum services	215,571	-	-	-	-	-	215,571
E-911 emergency dispatch services	418,178	-	-	-	-	-	418,178
Civic center services	90,717	-	-	-	-	-	90,717
Other charges	50,035	-	-	-	-	-	50,035
	<u>2,116,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,116,406</u>
Fines and forfeitures							
Parking fines	68,443	-	-	-	-	-	68,443
Other fines	29,034	-	-	-	-	-	29,034
Court deposits	14,788	-	-	-	-	-	14,788
	<u>112,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,265</u>
Investment earnings	285	(44)	(140)	(58)	(3)	-	40
Other revenue							
Miscellaneous	69,849	2,834	35,000	-	-	179,000	286,683
Interdepartmental charges	3,150,268	-	-	-	-	-	3,150,268
<b>Total Revenues</b>	<u>17,419,158</u>	<u>2,833,801</u>	<u>4,445,339</u>	<u>(58)</u>	<u>(3)</u>	<u>179,000</u>	<u>24,877,237</u>

City of Ketchikan, Alaska  
 General Fund  
 Combining Statment of Revenues, Expenditures and  
 Changes in Fund Balances (Cont'd)  
 For the Year Ended December 31, 2014

	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	186,778	-	-	-	-	358,000	544,778
City Clerk	280,913	-	-	-	-	-	280,913
Law	341,312	-	-	-	-	-	341,312
City Manager	754,085	-	-	-	-	-	754,085
Finance	2,014,090	-	37,499	-	-	-	2,051,589
Information Technology	1,187,298	-	-	-	-	-	1,187,298
	<u>4,764,476</u>	<u>-</u>	<u>37,499</u>	<u>-</u>	<u>-</u>	<u>358,000</u>	<u>5,159,975</u>
Public safety							
Fire	3,616,698	-	677,357	-	-	-	4,294,055
Police	5,261,014	-	343,621	-	-	-	5,604,635
	<u>8,877,712</u>	<u>-</u>	<u>1,020,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,898,690</u>
Culture							
Library	1,293,286	-	-	-	-	-	1,293,286
Museum	792,777	-	202,252	-	-	-	995,029
Civic Center	441,728	-	159,295	-	-	-	601,023
Tourism and development	-	-	-	177,227	-	-	177,227
	<u>2,527,791</u>	<u>-</u>	<u>361,547</u>	<u>177,227</u>	<u>-</u>	<u>-</u>	<u>3,066,565</u>
Health and welfare							
Public Health	11,211	87,990	-	-	-	-	99,201
Public works							
Engineering	1,555,163	-	64,168	-	-	-	1,619,331
Streets	1,630,234	-	973,254	3,198	-	-	2,606,686
Cemetery	74,513	-	-	-	-	-	74,513
Garage	479,516	-	-	-	-	-	479,516
Building Maintenance	367,971	-	1,341,562	46,642	-	-	1,756,175
	<u>4,107,397</u>	<u>-</u>	<u>2,378,984</u>	<u>49,840</u>	<u>-</u>	<u>-</u>	<u>6,536,221</u>
<b>Total Expenditures</b>	<u>20,288,587</u>	<u>87,990</u>	<u>3,799,008</u>	<u>227,067</u>	<u>-</u>	<u>358,000</u>	<u>24,760,652</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(2,869,429)</u>	<u>2,745,811</u>	<u>646,331</u>	<u>(227,125)</u>	<u>(3)</u>	<u>(179,000)</u>	<u>116,585</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, 2014**

	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	312,049	-	-	-	-	-	312,049
Shoreline area fund	6,374	-	-	-	(6,374)	-	-
Bayview cemetery fund	5,000	-	-	-	-	-	5,000
Ketchikan public utilities fund	786,000	-	-	-	-	-	786,000
Port fund	430,642	-	-	-	-	-	430,642
Wastewater services fund	80,000	-	-	-	-	-	80,000
Transfers out							
General obligation bond debt service fund	(371,572)	(1,628,665)	-	-	-	-	(2,000,237)
Community grant fund	(51,147)	(51,147)	(76,706)	-	-	179,000	-
Sale of capital assets	17,696	-	-	-	-	-	17,696
<b>Total Other Financing Sources (Uses)</b>	<b>3,635,042</b>	<b>(2,099,812)</b>	<b>(2,076,706)</b>	<b>-</b>	<b>(6,374)</b>	<b>179,000</b>	<b>(368,850)</b>
<b>Net Change in Fund Balances</b>	<b>765,613</b>	<b>645,999</b>	<b>(1,430,375)</b>	<b>(227,125)</b>	<b>(6,377)</b>	<b>-</b>	<b>(252,265)</b>
<b>Fund Balances Beginning 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>
<b>Fund Balances End of Year</b>	<b>\$ 4,840,201</b>	<b>\$ 5,916,547</b>	<b>\$ 4,598,961</b>	<b>\$ 1,351,593</b>	<b>\$ 130,100</b>	<b>\$ 280</b>	<b>\$ 16,837,682</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, 2014**

	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	\$ 2,820,130	\$ -	\$ 2,820,130	\$ (124,870)
Penalties and interest	13,500	13,500	10,881	-	10,881	(2,619)
Investment earnings	1,000	1,000	(44)	-	(44)	(1,044)
Miscellaneous	-	-	2,834	-	2,834	2,834
<b>Total Revenues</b>	<u>2,959,500</u>	<u>2,959,500</u>	<u>2,833,801</u>	<u>-</u>	<u>2,833,801</u>	<u>(125,699)</u>
<b>Expenditures</b>						
<b>Current:</b>						
Health and welfare	48,700	835,675	87,990	682,873	770,863	64,812
<b>Total Expenditures</b>	<u>48,700</u>	<u>835,675</u>	<u>87,990</u>	<u>682,873</u>	<u>770,863</u>	<u>64,812</u>
<b>Excess of Revenues Over Expenditures</b>	<u>2,910,800</u>	<u>2,123,825</u>	<u>2,745,811</u>	<u>(682,873)</u>	<u>2,062,938</u>	<u>(60,887)</u>
<b>Other Financing Uses</b>						
Transfers out						
General fund	(420,000)	(420,000)	(420,000)	-	(420,000)	-
Community grant fund	(51,147)	(51,147)	(51,147)	-	(51,147)	-
General obligation debt service fund	(1,592,000)	(1,628,665)	(1,628,665)	-	(1,628,665)	-
<b>Total Other Financing Uses</b>	<u>(2,063,147)</u>	<u>(2,099,812)</u>	<u>(2,099,812)</u>	<u>-</u>	<u>(2,099,812)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	847,653	24,013	645,999	(682,873)	(36,874)	(60,887)
<b>Fund Balances Beginning of Year</b>	3,974,480	3,974,480	5,270,548	(113,035)	5,157,513	1,183,033
<b>Fund Balances End of Year</b>	<u>\$ 4,822,133</u>	<u>\$ 3,998,493</u>	<u>\$ 5,916,547</u>	<u>\$ (795,908)</u>	<u>\$ 5,120,639</u>	<u>\$ 1,122,146</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, 2014**

	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	\$ 4,230,195	\$ -	\$ 4,230,195	\$ (187,305)
Penalties and interest	-	-	16,321	-	16,321	16,321
Intergovernmental	-	-	163,963	-	163,963	163,963
Investment earnings	1,700	1,700	(140)	-	(140)	(1,840)
Contributions	-	-	35,000	-	35,000	35,000
<b>Total Revenues</b>	<b>4,419,200</b>	<b>4,419,200</b>	<b>4,445,339</b>	<b>-</b>	<b>4,445,339</b>	<b>26,139</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government						
Finance	20,000	20,000	37,499	(30,047)	7,452	12,548
Public safety						
Fire	550,000	555,000	677,357	(132,408)	544,949	10,051
Police	397,374	397,374	343,621	(8,038)	335,583	61,791
Culture						
Museum	52,000	309,660	202,252	92,151	294,403	15,257
Civic center	219,750	162,750	159,295	-	159,295	3,455
Public works						
Engineering	200,000	200,000	64,168	-	64,168	135,832
Streets	1,601,673	1,666,620	973,254	(305,261)	667,993	998,627
Garage	58,000	58,000	-	(1,929)	(1,929)	59,929
Building maintenance	345,173	353,530	1,341,562	(987,501)	354,061	(531)
<b>Total Expenditures</b>	<b>3,443,970</b>	<b>3,722,934</b>	<b>3,799,008</b>	<b>(1,373,033)</b>	<b>2,425,975</b>	<b>1,296,959</b>
<b>Excess of Revenues Over Expenditures</b>	<b>975,230</b>	<b>696,266</b>	<b>646,331</b>	<b>1,373,033</b>	<b>2,019,364</b>	<b>1,323,098</b>
<b>Other Financing Uses</b>						
Transfer out						
General fund	(2,000,000)	(2,000,000)	(2,000,000)	-	(2,000,000)	-
Community grant fund	(76,706)	(76,706)	(76,706)	-	(76,706)	-
<b>Total Other Financing Uses</b>	<b>(2,076,706)</b>	<b>(2,076,706)</b>	<b>(2,076,706)</b>	<b>-</b>	<b>(2,076,706)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(1,101,476)</b>	<b>(1,380,440)</b>	<b>(1,430,375)</b>	<b>1,373,033</b>	<b>(57,342)</b>	<b>1,323,098</b>
<b>Fund Balances Beginning of Year</b>	<b>3,620,163</b>	<b>3,620,163</b>	<b>6,029,336</b>	<b>(1,931,648)</b>	<b>4,097,688</b>	<b>477,525</b>
<b>Fund Balances End of Year</b>	<b>\$ 2,518,687</b>	<b>\$ 2,239,723</b>	<b>\$ 4,598,961</b>	<b>\$ (558,615)</b>	<b>\$ 4,040,346</b>	<b>\$ 1,800,623</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, 2014*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Investment earnings	\$ 100	\$ 100	\$ (58)	\$ -	\$ (58)	\$ (158)
<b>Total Revenues</b>	100	100	(58)	-	(58)	(158)
<b>Expenditures</b>						
<b>Current:</b>						
Economic tourism and development	171,000	171,000	177,227	(6,227)	171,000	-
Public works						
Engineering	-	-	-	(3,472)	(3,472)	3,472
Streets	-		3,198	(11,570)	(8,372)	8,372
Building maintenance	-	46,642	46,642		46,642	-
	171,000	217,642	227,067	(21,269)	205,798	11,844
<b>Deficiency of Revenues Under Expenditures</b>	(170,900)	(217,542)	(227,125)	21,269	(205,856)	11,686
<b>Other Financing Uses</b>						
Advances from harbor improvements fund	312,500	312,500	-	88,453	88,453	(224,047)
<b>Total Other Financing Uses</b>	312,500	312,500	-	88,453	88,453	(224,047)
<b>Net Change in Fund Balances</b>	141,600	94,958	(227,125)	109,722	(117,403)	(212,361)
<b>Fund Balances Beginning of Year</b>	348,421	348,421	1,578,718	(1,271,269)	307,449	(40,972)
<b>Fund Balances End of Year</b>	\$ 490,021	\$ 443,379	\$ 1,351,593	\$ (1,161,547)	\$ 190,046	\$ (253,333)

City of Ketchikan, Alaska  
*Shoreline Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual*  
*For the Year Ended December 31, 2014*

	<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	\$ (3)	\$ -	\$ (3)	\$ (43)
<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)	(6,377)	-	(6,377)	(43)
<b>Fund Balances Beginning of Year</b>	136,558	136,558	136,477	-	136,477	(81)
<b>Fund Balances End of Year</b>	<u>\$ 130,224</u>	<u>\$ 130,224</u>	<u>\$ 130,100</u>	<u>\$ -</u>	<u>\$ 130,100</u>	<u>\$ (124)</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, 2014*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Contributions	\$ 179,000	\$ 179,000	\$ 179,000	\$ -	\$ 179,000	\$ -
<b>Total Revenues</b>	179,000	179,000	179,000	-	179,000	-
<b>Expenditures</b>						
<b>Current:</b>						
Mayor and council	358,000	358,000	358,000	-	358,000	-
<b>Deficiency of Revenues Under Expenditures</b>	(179,000)	(179,000)	(179,000)	-	(179,000)	-
<b>Other Financing Sources</b>						
Transfers in						
General fund	51,147	51,147	51,147	-	51,147	-
Hospital sales tax fund	51,147	51,147	51,147	-	51,147	-
Public works sales tax fund	76,706	76,706	76,706	-	76,706	-
<b>Total Other Financing Sources</b>	179,000	179,000	179,000	-	179,000	-
<b>Net Change in Fund Balances</b>	-	-	-	-	-	-
<b>Fund Balances Beginning of Year</b>	240	240	280	-	280	40
<b>Fund Balances End of Year</b>	\$ 240	\$ 240	\$ 280	\$ -	\$ 280	\$ 40

# 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, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and temporary investments	\$ 16,778,078	\$ 20,646,326
Restricted cash, cash equivalents and investments:		
Cash and temporary invest. - bond construction funds	208,971	130,827
Revenue bond redemption fund cash	1,099,448	1,011,843
Accounts receivable	\$ 2,193,406	
Less uncollectible accounts	<u>(70,000)</u>	2,123,406
Due from other governments	3,245,323	2,528,127
Prepaid expenses	17,165	3,442,708
Inventory of materials	3,012,369	19,812
Unbilled revenue	888,252	3,117,883
<b>Total Current Assets</b>	<u>27,373,012</u>	<u>32,229,596</u>
<b>Noncurrent assets</b>		
Restricted investments:		
Revenue bond reserve fund investments	1,678,041	1,758,678
Total noncurrent restricted assets	<u>1,678,041</u>	<u>1,758,678</u>
Utility plant in service:		
Land	2,722,866	2,674,616
Other non-depreciable assets	137,141	812,269
Construction work in progress	3,621,229	30,908,014
Plant in service	234,859,257	194,773,333
Less accumulated depreciation	<u>(125,367,533)</u>	<u>(120,163,617)</u>
Total capital assets (net of accumulated depreciation)	<u>115,972,960</u>	<u>109,004,615</u>
<b>Total noncurrent assets</b>	<u>117,651,001</u>	<u>110,763,293</u>
<b>Total Assets</b>	<u>145,024,013</u>	<u>142,992,889</u>
<b>Deferred Outflow of Resources</b>	<u>61,284</u>	<u>129,454</u>
<b>Total Assets and Deferred Outflow of Resources</b>	<u>\$ 145,085,297</u>	<u>\$ 143,122,343</u>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
**Comparative Statements of Net Position**  
**December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,211,029	\$ 5,008,334
Accrued interest payable	295,856	317,860
Compensated absences payable	77,833	79,281
Customer deposits	363,508	366,660
Unearned revenue	54,310	76,791
Unamortized premiums	115,484	122,771
Revenue bonds payable	2,044,901	2,115,305
Advances to other funds	266,209	-
<b>Total current liabilities</b>	<b>6,429,130</b>	<b>8,087,002</b>
<b>Noncurrent liabilities</b>		
Accrued interest payable	4,498	4,845
Unamortized bond premium	1,612,728	1,733,256
Compensated absences payable	700,494	713,531
Revenue bonds payable	23,976,441	25,785,297
Advances to other funds	3,733,791	4,000,000.00
<b>Total noncurrent liabilities</b>	<b>30,027,952</b>	<b>32,236,929</b>
<b>Total liabilities</b>	<b>36,457,082</b>	<b>40,323,931</b>
<b>Net position</b>		
Net investment in capital assets	88,284,690	79,377,440
Restricted bonds construction funds	208,971	130,827
Restricted for bond retirement	2,699,009	2,507,519
Unrestricted	17,435,545	20,782,626
<b>Total net position</b>	<b>108,628,215</b>	<b>102,798,412</b>
<b>Total liabilities and net position</b>	<b>\$ 145,085,297</b>	<b>\$ 143,122,343</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, 2014 and 2013**

	<b>Total</b>		<b>Electric</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Operating Revenues</b>				
Services	\$35,659,553	\$37,243,647	\$16,323,845	\$18,919,766
Other	327,364	473,668	293,569	426,644
<b>Total Operating Revenues</b>	<u>35,986,917</u>	<u>37,717,315</u>	<u>16,617,414</u>	<u>19,346,410</u>
<b>Operating Expenses</b>				
Operation and maintenance	23,307,990	25,687,131	12,203,835	14,904,688
Administration and general	5,754,985	5,426,532	1,693,482	1,644,964
Depreciation	6,908,978	6,264,041	2,769,401	2,502,345
<b>Total Operating Expenses</b>	<u>35,971,953</u>	<u>37,377,704</u>	<u>16,666,718</u>	<u>19,051,997</u>
<b>Operating Income (Loss)</b>	<u>14,964</u>	<u>339,611</u>	<u>(49,304)</u>	<u>294,413</u>
<b>Non-Operating Revenues (Expenses)</b>				
Operating grants	459,899	276,783	133,143	120,275
Interest earnings	11,666	(2,358)	11,215	(1,879)
Revenue bond interest expense	(1,007,523)	(685,165)	(696,067)	(528,196)
Other interest expense	(17,314)	(17,336)	(12,693)	(13,196)
Debt issuance costs	-	(140,595)	-	(132,743)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(553,272)</u>	<u>(568,671)</u>	<u>(564,402)</u>	<u>(555,739)</u>
<b>Net Income (Loss) Before Contributions, Grants and Transfers</b>	<u>(538,308)</u>	<u>(229,060)</u>	<u>(613,706)</u>	<u>(261,326)</u>
Capital contributions	144,259	200,818	66,795	32,420
Capital grants	7,009,852	8,087,997	6,491,142	5,967,743
Transfers out - payment in lieu of taxes	(786,000)	(786,000)	(381,993)	(381,993)
<b>Total Contributions, Grants and Transfers</b>	<u>6,368,111</u>	<u>7,502,815</u>	<u>6,175,944</u>	<u>5,618,170</u>
<b>Change in Net Position</b>	<u>5,829,803</u>	<u>7,273,755</u>	<u>\$5,562,238</u>	<u>\$5,356,844</u>
<b>Net Position Beginning of Year</b>	<u>102,798,412</u>	<u>95,524,657</u>		
<b>Net Position End of Year</b>	<u>\$108,628,215</u>	<u>\$102,798,412</u>		

<b>Telecommunications</b>		<b>Water</b>	
<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
\$16,160,808	\$15,241,977	\$3,174,900	\$3,081,904
-	-	33,795	47,024
<u>16,160,808</u>	<u>15,241,977</u>	<u>3,208,695</u>	<u>3,128,928</u>
9,043,964	8,556,970	2,060,191	2,225,473
3,630,057	3,369,942	431,446	411,626
2,873,290	2,529,229	1,266,287	1,232,467
<u>15,547,311</u>	<u>14,456,141</u>	<u>3,757,924</u>	<u>3,869,566</u>
613,497	785,836	(549,229)	(740,638)
290,314	138,781	36,442	17,727
296	(919)	155	440
(160,702)	(1,241)	(150,754)	(155,728)
(4,621)	(4,140)	-	-
-	(235)	-	(7,617)
<u>125,287</u>	<u>132,246</u>	<u>(114,157)</u>	<u>(145,178)</u>
738,784	918,082	(663,386)	(885,816)
77,464	168,398	-	-
7,564	10,110	511,146	2,110,144
<u>(206,358)</u>	<u>(206,358)</u>	<u>(197,649)</u>	<u>(197,649)</u>
(121,330)	(27,850)	313,497	1,912,495
<u>\$617,454</u>	<u>\$890,232</u>	<u>(\$349,889)</u>	<u>\$1,026,679</u>

City of Ketchikan, Alaska  
*Ketchikan Public Utilities Fund*  
*Comparative Statements of Cash Flows*  
*For the Years Ended December 31, 2014 and 2013*

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and users	\$ 36,902,771	\$ 37,350,675
Cash payments to employees for services	(13,186,745)	(12,815,846)
Cash payments to suppliers for goods and services	<u>(15,915,601)</u>	<u>(18,881,211)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>7,800,425</u>	<u>5,653,618</u>
<b>Cash Flows from Noncapital Financing Activity</b>		
Operating grant from other governments	459,899	276,783
Payment in lieu of taxes to the general fund	<u>(786,000)</u>	<u>(786,000)</u>
<b>Net Cash Used by Noncapital Financing Activities</b>	<u>(326,101)</u>	<u>(509,217)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Advances from other funds	-	4,000,000
Capital grant received from other governments	7,274,085	6,409,363
Capital debt proceeds	243,052	16,344,858
Principal paid on revenue bonds	(2,044,901)	(2,115,305)
Interest paid on revenue bonds	(1,106,833)	(571,707)
Payments for capital acquisitions and construction	<u>(15,630,422)</u>	<u>(25,111,862)</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(11,265,019)</u>	<u>(1,044,653)</u>
<b>Cash Flows from Investing Activities</b>		
Investment earnings	7,559	20,126
Purchase of bond reserve fund investments	<u>80,637</u>	<u>212,016</u>
<b>Net Cash Flows Provided by Investing Activities</b>	<u>88,196</u>	<u>232,142</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(3,702,499)	4,331,890
<b>Cash and Cash Equivalents Beginning of Year</b>	21,788,996	17,457,106
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 18,086,497</u>	<u>\$ 21,788,996</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>		
Cash and temporary investments - current assets	16,778,078	20,646,326
Bond construction fund cash - restricted	208,971	130,827
Revenue bond redemption fund - restricted	<u>1,099,448</u>	<u>1,011,843</u>
	<u>\$ 18,086,497</u>	<u>\$ 21,788,996</u>

(continued)

City of Ketchikan, Alaska  
 Ketchikan Public Utilities Fund  
 Comparative Statements of Cash Flows  
 For the Years Ended December 31, 2014 and 2013

(continued)

	<u>2014</u>	<u>2013</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<b>Operating Income</b>	\$ 14,964	\$ 339,611
<b>Adjustments:</b>		
Depreciation	6,908,978	6,264,041
Other	129,629	12,188
<b>(Increase) Decrease in Assets:</b>		
Accounts receivable	404,722	(120,060)
Unbilled revenue	443,818	(272,648)
Prepaid expenses	2,647	15,745
Inventory	105,514	(518,319)
Customer deposits	(3,152)	29,380
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	(169,729)	(166,438)
Compensated absences payable	(14,485)	44,050
Unearned revenue	(22,481)	26,068
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 7,800,425</u>	<u>\$ 5,653,618</u>
<b>Noncash investing, capital and financing activities</b>		
Fair value of non-cash investments	\$ -	\$ (16,492)
Revenue bond arbitrage	4,107	(2,690)

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
**Comparative Schedules of Revenues**  
**For the Years Ended December 31, 2014 and 2013**

	2014		2013	
	Amount	Total	Amount	Total
<b>Electric Department</b>				
Revenue from Services:				
Residential	\$6,796,723		\$6,929,393	
Boats	298,227		299,465	
Commercial	6,690,774		6,701,322	
Industrial	1,750,002		1,915,505	
Demand	514,972		510,887	
Area Lighting	49,172		48,995	
Street Lighting	127,692		126,178	
Diesel Surcharge	96,283	\$16,323,845	2,388,021	\$18,919,766
Other Revenue:				
Service Charges	110,175		110,011	
Late Payment Charges	25,819		105,808	
Rentals - Interdepartmental	154,217		155,177	
Other	3,358	293,569	55,648	426,644
<b>Total Electric</b>		<u>16,617,414</u>		<u>19,346,410</u>
<b>Telecommunications Department</b>				
Local Network Services:				
Basic Local Service	841,666		915,853	
Local Private Line	859,765		871,649	
Other Local Exchange	304,090	2,005,521	313,493	2,100,995
Network Access Services:				
Interstate End User	886,051		802,142	
Switched Access	5,215,493		5,167,205	
Special Access	1,586,174		1,180,634	
State Access	1,571,991	9,259,709	1,510,075	8,660,056
Other Revenues:				
Directory Revenue	328,528		317,825	
Other	170,818	499,346	126,393	444,218
Nonregulated Revenues	4,396,232	4,396,232	4,036,708	4,036,708
<b>Total Telecommunications</b>		<u>\$ 16,160,808</u>		<u>\$ 15,241,977</u>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
**Comparative Schedules of Revenues (Cont'd)**  
**For the Years Ended December 31, 2014 and 2013**

	2014		2013	
	Amount	Total	Amount	Total
<b>Water Department</b>				
Revenue from Services:				
Residential	\$1,377,255		\$1,343,648	
Apartments	294,082		269,394	
Commercial	1,102,474		1,042,848	
Industrial	228,401		236,039	
Port	172,688	\$3,174,900	189,975	\$3,081,904
Other Revenue:				
Service Charges	304		719	
Late Payment Charges	4,504		18,021	
Other	28,987	33,795	28,284	47,024
<b>Total Water</b>		<u>3,208,695</u>		<u>3,128,928</u>
<b>Total Revenue</b>		<u>\$35,986,917</u>		<u>\$37,717,315</u>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
*Comparative Schedules of Operation and Maintenance Expenses*  
*For the Years Ended December 31, 2014 and 2013*

	2014		2013	
	Amount	Total	Amount	Total
<b>Electric Department</b>				
<b>Hydroelectric Generation</b>				
Operation				
Supervision & Engineering	\$980,751		\$988,987	
Hydraulic Expenses	72,093		47,293	
Electric Expenses	28,462	1,081,306	34,414	1,070,694
Maintenance				
Supervision & Engineering	808		-	
Structures	38,976		37,938	
Reservoirs & Dams	104,100		166,959	
Electric Plant	133,543		92,911	
Other	241,178	518,605	121,039	418,847
<b>Total Hydroelectric Generation</b>		<b>1,599,911</b>		<b>1,489,541</b>
<b>Diesel Generation</b>				
Operation				
Fuel	424,597		2,958,791	
Generation	17,591		127,436	
Other	439,272	881,460	581,856	3,668,083
Maintenance				
Supervision and Engineering	114,079		110,293	
Structures	28,370		58,427	
Electric Plant	99,632		152,462	
Other	178,574	420,655	328,532	649,714
<b>Total Diesel Generation</b>		<b>1,302,115</b>		<b>4,317,797</b>
Purchased Power		5,674,201		5,784,566
Automation Control System		305,068		325,268
<b>Total Generation</b>		<b>8,881,295</b>		<b>11,917,172</b>
<b>Transmission</b>				
Operation				
Overhead and Underground Lines	\$5,970	5,970	\$3,719	3,719
<b>Total Transmission</b>		<b>\$5,970</b>		<b>\$3,719</b>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
*Comparative Schedules of Operation and Maintenance Expenses (Cont'd)*  
*For the Years Ended December 31, 2014 and 2013*

	2014		2013	
	Amount	Total	Amount	Total
<b>Distribution</b>				
Operation				
Supervision & Engineering	\$920,730		\$911,982	
Station Equipment	17,440		11,368	
Overhead & Underground Lines	3,346		7,322	
Street Lighting	80,391		71,670	
Meter Expenses	596,981		552,643	
Customer Installations	0		262	
Other	40,040	\$1,658,928	39,826	\$1,595,073
Maintenance				
Station Equipment	67,655		100,628	
Overhead & Underground Lines	1,402,195		1,140,234	
Line Transformers	7,547		21,603	
Other	180,245	1,657,642	126,259	1,388,724
<b>Total Distribution</b>		<b>3,316,570</b>		<b>2,983,797</b>
<b>Total Electric</b>		<b>12,203,835</b>		<b>14,904,688</b>
<b>Telecommunications Department</b>				
Plant Specific Operations:				
Network Support	197,142		106,383	
General Support	128,063		124,126	
Central Office Switching	435,678		318,725	
Central Office Transmission	983,042		1,192,658	
Cable and Wire Facilities Expense	828,528	2,572,453	919,441	2,661,333
Plant Nonspecific Operations				
Network Operations Expense	2,164,821	2,164,821	2,270,176	2,270,176
Customer Operations				
Customer Operations-Services	104,679	104,679	102,534	102,534
Nonregulated Operations Expenses	\$4,202,011	4,202,011	\$3,522,927	3,522,927
<b>Total Telecommunications</b>		<b>\$9,043,964</b>		<b>\$8,556,970</b>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
*Comparative Schedule of Operation and Maintenance Expenses (Cont'd)*  
*For the Years Ended December 31, 2014 and 2013*

	2014		2013	
	Amount	Total	Amount	Total
<b>Water Department</b>				
Source of Supply				
Operation and Maintenance	\$393,529	\$393,529	\$450,456	\$450,456
Chlorination				
Labor and Supplies	170,944		186,720	
Maintenance	140,310	311,254	114,998	301,718
Distribution				
Supervision & Operation of Mains	419		402	
Maps & Records	397,436		357,554	
Customer Service	139	397,994	4,606	362,562
Maintenance				
Mains & Equipment	398,717		668,535	
Hydrants	3,177		20,692	
Valves & Structures	15,764		24,973	
Pump Stations	81,019		102,602	
PH Adjustment Facility	397,252		262,878	
Reservoirs	\$61,485	957,414	\$31,057	1,110,737
<b>Total Water</b>		<u>2,060,191</u>		<u>2,225,473</u>
<b>Total Operation and Maintenance</b>		<u><u>\$23,307,990</u></u>		<u><u>\$25,687,131</u></u>

**City of Ketchikan, Alaska**  
*Ketchikan Public Utilities Fund*  
**Comparative Schedules of Administrative and General Expenses**  
*For the Years Ended December 31, 2014 and 2013*

	2014	2013
Customer Service	\$1,907,327	\$1,779,319
General Accounting	828,994	837,757
Administrative Expenses	2,153,181	1,929,600
Engineering Services	92,427	103,775
Information Technology	602,114	584,165
Insurance & Claims	170,942	191,916
<b>Total</b>	<b>\$5,754,985</b>	<b>\$5,426,532</b>

**City of Ketchikan, Alaska**  
**Port Fund**  
**Comparative Statements of Net Position**  
**December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and temporary investments	\$ 5,504,277	\$ 2,900,167
Restricted cash, cash equivalents and investments:		
Debt service	845,762	866,369
Commercial passenger excise tax	1,619,258	-
Accounts receivable	95,333	2,846,430
Interest receivable	108,000	-
Prepaid expense	1,021,346	1,124,342
<b>Total Current assets</b>	<u>9,193,976</u>	<u>7,737,308</u>
<b>Noncurrent assets</b>		
Restricted investments:		
Repair and replacement investments	3,664,611	3,137,625
Bond reserve investments	2,592,786	2,589,291
Accrued interest on bond reserve investments	1,684	2,445
Total restricted assets	<u>6,259,081</u>	<u>5,729,361</u>
Internal Receivable	<u>2,700,000</u>	<u>2,700,000</u>
Capital assets		
Land	1,775,740	1,775,740
Other non-depreciable assets	169,361	169,361
Construction work in progress	200,947	5,449,151
Port facilities	66,593,984	67,104,873
Accumulated depreciation	<u>(14,057,181)</u>	<u>(15,390,071)</u>
Total capital assets (net of accumulated depreciation)	<u>54,682,851</u>	<u>59,109,054</u>
<b>Total noncurrent assets</b>	<u>63,641,932</u>	<u>67,538,415</u>
<b>Total Assets</b>	<u>\$ 72,835,908</u>	<u>\$ 75,275,723</u>

**City of Ketchikan, Alaska**  
**Port Fund**  
**Comparative Statements of Net Position**  
**December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 87,318	\$ 894,455
Accrued interest payable	144,021	147,440
Compensated absences payable	3,130	3,152
Unamortized premiums	28,561	28,561
Revenue bonds payable	885,000	845,000
<b>Total current liabilities</b>	<u>1,148,030</u>	<u>1,918,608</u>
<b>Noncurrent liabilities</b>		
Compensated absences payable	28,173	28,372
Unamortized bond premium	568,839	597,400
Revenue bonds payable	31,775,000	32,660,000
<b>Total noncurrent liabilities</b>	<u>32,372,012</u>	<u>33,285,772</u>
<b>Total Liabilities</b>	<u>33,520,042</u>	<u>35,204,380</u>
<b>Net position</b>		
Net investment in capital assets	21,425,451	24,978,093
Restricted repair and replacement funds	3,664,611	3,137,625
Restricted commercial passenger excise tax funds	1,619,258	
Restricted for bond retirement	3,296,211	3,310,665
Unrestricted	9,310,335	8,644,960
<b>Total net position</b>	<u>39,315,866</u>	<u>40,071,343</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 72,835,908</u>	<u>\$ 75,275,723</u>



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**City of Ketchikan, Alaska**  
**Port Fund**  
**Comparative Statements of Revenues, Expenses and**  
**Changes in Net Position**  
**For the Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Operating Revenues</b>		
Charges for services		
Docking	\$1,770,044	\$1,877,195
Passenger wharfage fee	6,110,005	6,556,500
Rental income	406,748	376,761
Water	230,250	253,300
Other	61,012	82,164
<b>Total Operating Revenues</b>	<u>8,578,059</u>	<u>9,145,920</u>
<b>Operating Expenses</b>		
Operation and maintenance		
Personnel services	1,076,322	983,664
Supplies and services	403,784	434,663
Financial service	166,378	171,545
Insurance	159,376	191,300
Utilities	285,512	306,381
Property Taxes	165,412	165,627
Lease payments	2,469,731	2,328,920
Depreciation	1,587,253	1,636,863
<b>Total Operating Expenses</b>	<u>6,313,768</u>	<u>6,218,963</u>
<b>Operating Income</b>	<u>2,264,291</u>	<u>2,926,957</u>
<b>Non-Operating Revenues (Expenses)</b>		
Operating grants - CPV funds	2,409,395	1,952,881
Operating grants	81,902	40,331
Interest earnings	117,529	8,331
Interest expense	(1,699,246)	(1,748,973)
Loss on disposal of capital assets	(2,999,297)	(1,165,204)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(2,089,717)</u>	<u>(912,634)</u>
<b>Net Income Before Grants and Transfers</b>	174,574	2,014,323
Capital grants	4,407,753	8,676,543
<b>Net Income Before Transfers</b>	4,582,327	10,690,866
<b>Transfers Out</b>		
Payment in lieu of taxes to general fund	(319,000)	(319,000)
Transfer to general fund	(111,642)	(80,199)
Transfer to major capital improvements fund	(4,907,162)	-
<b>Total Transfers Out</b>	<u>(5,337,804)</u>	<u>(399,199)</u>
<b>Change in Net Position</b>	(755,477)	10,291,667
<b>Net Position Beginning of Year</b>	<u>40,071,343</u>	<u>29,779,676</u>
<b>Net Position End of Year</b>	<u>\$39,315,866</u>	<u>\$40,071,343</u>

City of Ketchikan, Alaska  
Port Fund  
Comparative Statements of Cash Flows  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and users	\$ 8,506,186	\$ 9,145,920
Cash payments to employees for services	(994,641)	(978,610)
Cash payments to suppliers for goods and services	<u>(3,606,578)</u>	<u>(3,646,667)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>3,904,967</u>	<u>4,520,643</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating grant from other governments	2,491,297	1,993,212
Transfers out	(5,018,804)	(80,199)
Payment in lieu of taxes to the general fund	<u>(319,000)</u>	<u>(319,000)</u>
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(2,846,507)</u>	<u>1,594,013</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from the disposition of capital assets	76	-
Advances to other funds	-	(2,700,000)
Capital grant received from other governments	7,230,723	8,910,174
Principal paid on general obligation bonds, advances and equipment contracts	-	(270,000)
Principal paid on revenue bonds	(845,000)	(810,000)
Interest paid on general obligation bonds	-	(14,850)
Interest paid on revenue bonds	(1,731,226)	(1,767,675)
Payments for capital acquisitions and construction	<u>(990,081)</u>	<u>(8,342,354)</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>3,664,492</u>	<u>(4,994,705)</u>
<b>Cash Flows from Investing Activities</b>		
Investment earnings	4,355	9,870
Sale of investments	(3,495)	(11,810)
Purchase of investments	<u>(521,051)</u>	<u>(521,051)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(520,191)</u>	<u>(522,991)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	4,202,761	596,960
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>3,766,536</u>	<u>3,169,576</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 7,969,297</u>	<u>\$ 3,766,536</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>		
Cash and temporary investments - current assets	5,504,277	2,900,167
Commercial passenger excise tax funds - restricted	1,619,258	-
Revenue bond redemption fund - restricted	<u>845,762</u>	<u>866,369</u>
	<u>\$ 7,969,297</u>	<u>\$ 3,766,536</u>

(continued)

City of Ketchikan, Alaska  
Port Fund  
Comparative Statements of Cash Flows  
For the Years Ended December 31, 2014 and 2013

(continued)

	2014	2013
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<b>Operating Income</b>	\$ 2,264,291	\$ 2,926,957
<b>Adjustments:</b>		
Depreciation	1,587,253	1,636,863
<b>(Increase) Decrease in Assets:</b>		
Accounts receivable	(71,873)	
Prepaid expenses	102,996	(68,602)
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	22,521	20,371
Compensated absences payable	(221)	5,054
<b>Net Cash Provided by Operating Activities</b>	\$ 3,904,967	\$ 4,520,643
 <b>Noncash investing, capital and financing activities</b>		
Fair value of non-cash investments	\$ -	\$ 9,441

**City of Ketchikan, Alaska**  
**Wastewater Services Fund**  
**Comparative Statements of Net Position**  
**December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and temporary investments	\$ 998,442	\$ 74,325
Restricted cash, cash equivalents and investments:		
Debt service	17,992	32,808
Accounts receivable		
Accounts	147,287	-
Intergovernmental	639,240	1,215,297
Unbilled revenue	122,886	118,404
<b>Total current assets</b>	<u>1,925,847</u>	<u>1,440,834</u>
<b>Noncurrent assets</b>		
Capital assets		
Construction work in progress	480,474	3,802,406
Wastewater facilities	24,648,869	20,830,341
Accumulated depreciation	(7,352,995)	(7,054,921)
Total capital assets (net of accumulated depreciation)	<u>17,776,348</u>	<u>17,577,826</u>
<b>Total noncurrent assets</b>	<u>17,776,348</u>	<u>17,577,826</u>
<b>Total Assets</b>	<u>\$ 19,702,195</u>	<u>\$ 19,018,660</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 65,913	\$ 67,443
Accrued interest	4,297	19,316
Compensated absences payable	3,497	2,811
General obligation bonds payable	68,032	67,021
Revenue bonds payable	13,548	13,349
<b>Total current liabilities</b>	<u>155,287</u>	<u>169,940</u>
<b>Noncurrent liabilities</b>		
Accrued interest payable	7,081	1,655
Compensated absences payable	31,474	25,297
General obligation bonds payable	2,643,938	2,683,406
Revenue bonds payable	281,915	295,464
<b>Total noncurrent liabilities</b>	<u>2,964,408</u>	<u>3,005,822</u>
<b>Total liabilities</b>	<u>3,119,695</u>	<u>3,175,762</u>
<b>Net position</b>		
Net investment in capital assets	14,768,915	14,518,586
Restricted for bond retirement	6,614	11,837
Unrestricted	1,806,971	1,312,475
<b>Total net position</b>	<u>16,582,500</u>	<u>15,842,898</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 19,702,195</u>	<u>\$ 19,018,660</u>

**City of Ketchikan, Alaska**  
**Wastewater Services Fund**  
**Comparative Statements of Revenues, Expenses and**  
**Changes in Net Position**  
**For the Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Operating Revenues</b>		
Charges for services	\$ 2,575,541	\$ 2,451,800
Other	(500)	14,891
<b>Total Operating Revenues</b>	<u>2,575,041</u>	<u>2,466,691</u>
<b>Operating Expenses</b>		
Operation and maintenance		
Personnel services	843,523	789,932
Supplies and services	537,935	774,150
Engineering services	258,857	256,453
Financial service	177,517	188,187
Insurance	16,606	19,218
Utilities	185,695	193,202
Depreciation	427,712	398,028
<b>Total Operating Expenses</b>	<u>2,447,845</u>	<u>2,619,170</u>
<b>Operating Income (Loss)</b>	<u>127,196</u>	<u>(152,479)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Operating grants	22,636	10,475
Interest earnings	(28)	(62)
Interest expense	(29,402)	(22,848)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(6,794)</u>	<u>(12,435)</u>
<b>Net Loss Before Grants and Transfers</b>	120,402	(164,914)
<b>Grants and Transfers</b>		
Capital grants	699,200	3,704,853
Transfers out - payment in lieu of taxes	(80,000)	(80,000)
<b>Total Grants and Transfers</b>	<u>619,200</u>	<u>3,624,853</u>
<b>Change in Net Postion</b>	739,602	3,459,939
<b>Net Position Beginning of Year</b>	<u>15,842,898</u>	<u>12,382,959</u>
<b>Net Position End of Year</b>	<u><u>\$16,582,500</u></u>	<u><u>\$15,842,898</u></u>

**City of Ketchikan, Alaska**  
**Wastewater Services Fund**  
**Comparative Statements of Cash Flows**  
**For the Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and users	\$ 2,423,272	\$ 2,454,752
Cash payments to employees for services	(814,024)	(784,556)
Cash payments to suppliers for goods and services	<u>(1,197,360)</u>	<u>(1,488,393)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>411,888</u>	<u>181,803</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating grant from other governments	22,636	10,475
Payment in lieu of taxes to the general fund	(80,000)	(80,000)
Cash overdraft payments	<u>-</u>	<u>(86,909)</u>
<b>Net Cash Used by Noncapital Financing Activities</b>	<u>(57,364)</u>	<u>(156,434)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital grant received from other governments	1,275,257	1,256,958
Capital debt proceeds	28,564	833,138
Principal paid on general obligation bonds and equipment contracts	(80,371)	(39,335)
Interest paid on general obligation bonds and equipment contracts	(38,995)	(13,110)
Payments for capital acquisitions and construction	<u>(629,650)</u>	<u>(1,955,825)</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>554,805</u>	<u>81,826</u>
<b>Cash Flows from Investing Activities</b>		
Investment earnings	<u>(28)</u>	<u>(62)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(28)</u>	<u>(62)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	909,301	107,133
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>107,133</u>	<u>-</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 1,016,434</u>	<u>\$ 107,133</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>		
Cash and temporary investments - current assets	998,442	74,325
Revenue bond redemption fund - restricted	<u>17,992</u>	<u>32,808</u>
	<u>\$ 1,016,434</u>	<u>\$ 107,133</u>

(continued)

**City of Ketchikan, Alaska**  
**Wastewater Services Fund**  
**Comparative Statements of Cash Flows**  
**For the Years Ended December 31, 2014 and 2013**

(continued)

	<b>2014</b>	<b>2013</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>		
<b>Operating Loss</b>	\$ 127,196	\$ (152,479)
<b>Adjustments:</b>		
Depreciation	427,712	398,028
<b>(Increase) in Assets:</b>		
Accounts receivable	(147,287)	
Unbilled revenue	(4,482)	(11,939)
<b>Increase (Decrease) in Liabilities:</b>		
Accounts payable	1,886	(46,708)
Compensated absences payable	6,863	(5,099)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 411,888</b>	<b>\$ 181,803</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, 2014**

	<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	\$ 681,125	\$ 1,327,290	\$ 2,008,415
Interest receivable	24,000		24,000
Prepaid insurance	645,950	-	645,950
<b>Total Current Assets</b>	<u>1,351,075</u>	<u>1,327,290</u>	<u>2,678,365</u>
<b>Noncurrent Assets:</b>			
Internal Receivable	600,000	-	600,000
<b>Total Noncurrent Assets</b>	<u>600,000</u>	<u>-</u>	<u>600,000</u>
<b>Total Assets</b>	<u>\$ 1,951,075</u>	<u>\$ 1,327,290</u>	<u>\$ 3,278,365</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	115,399	-	115,399
Compensated absences payable	-	132,729	132,729
Claims payable	143,000	-	143,000
<b>Total Current Liabilities</b>	<u>258,399</u>	<u>132,729</u>	<u>391,128</u>
<b>Noncurrent Liabilities:</b>			
Compensated absences payable (net of current portion)	-	1,194,561	1,194,561
<b>Total Liabilities</b>	<u>258,399</u>	<u>1,327,290</u>	<u>1,585,689</u>
<b>Net Position</b>			
Unrestricted	<u>\$ 1,692,676</u>	<u>\$ -</u>	<u>\$ 1,692,676</u>

**City of Ketchikan, Alaska**  
**Combining Statement of Revenues,**  
**Expenses and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended December 31, 2014**

	<u>Self-Insurance</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
<b>Operating Revenues</b>			
Charges for services	\$ 1,191,330	\$ 1,082,361	\$ 2,273,691
Miscellaneous income	118,911	-	118,911
<b>Total Revenues</b>	<u>1,310,241</u>	<u>1,082,361</u>	<u>2,392,602</u>
<b>Operating Expenses</b>			
Compensated absences	-	1,082,361	1,082,361
Insurance	1,249,013	-	1,249,013
Claims	37,228	-	37,228
<b>Total Operating Expenses</b>	<u>1,286,241</u>	<u>1,082,361</u>	<u>2,368,602</u>
<b>Operating Income</b>	<u>24,000</u>	<u>-</u>	<u>24,000</u>
<b>Change in Net Position</b>	24,000	-	24,000
<b>Net Position Beginning of Year</b>	<u>1,668,676</u>	<u>-</u>	<u>1,668,676</u>
<b>Net Position End of Year</b>	<u>\$ 1,692,676</u>	<u>\$ -</u>	<u>\$ 1,692,676</u>

**City of Ketchikan, Alaska**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2014**

	<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	\$ 1,310,241	\$ 1,082,361	\$ 2,392,602
Cash payments for insurance and claims	(1,352,309)	-	(1,352,309)
Cash payments for compensated absences	-	(1,055,994)	(1,055,994)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(42,068)</u>	<u>26,367</u>	<u>(15,701)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	(24,000)	-	(24,000)
<b>Net Cash Used by Investing Activities</b>	<u>(24,000)</u>	<u>-</u>	<u>(24,000)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(66,068)	26,367	(39,701)
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>747,193</u>	<u>1,300,923</u>	<u>2,048,116</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 681,125</u>	<u>\$ 1,327,290</u>	<u>\$ 2,008,415</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>			
<b>Operating Income</b>	\$ 24,000	\$ -	\$ 24,000
<b>(Increase) in Assets:</b>			
Prepaid expenses	(68,844)	-	(68,844)
<b>Increase (Decrease) in Liabilities:</b>			
Accounts payable	109,776	-	109,776
Compensated absences payable	-	26,367	26,367
Claims payable	(107,000)	-	(107,000)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (42,068)</u>	<u>\$ 26,367</u>	<u>\$ (15,701)</u>

**CITY OF KETCHIKAN, ALASKA**

(Page 1 of 2)

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

*Year Ended December 31, 2014*

**Cash and Investment Balances**

Cash in Revenue Bond Redemption Accounts	\$1,963,202	
Cash in Petty Cash Funds	9,570	
Cash in Other Accounts	<u>50,879,592</u>	
<b>Total Cash</b>	<u><u>52,852,364</u></u>	

**Investments**

Investments with Financial Institutions	<u>52,161,666</u>	
<b>Total Investments</b>	<u><u>\$52,161,666</u></u>	

**Total Cash and Investments**

\$105,014,030

**General Fund**

Unrestricted Funds	\$1,598,162	
Investigation Funds	<u>137,151</u>	\$1,735,313

**Special Revenue Funds**

Sales Tax Hospital Fund	\$5,916,547	
Sales Tax Public Works Fund	4,958,475	
Economic Development Parking Fund	232,796	
Transient Tax Fund	178,479	
Solid Waste Services Fund	3,652,957	
Ketchikan Boat Harbor Fund	1,119,897	
Bayview Cemetery Fund	141,305	
US Marshall Property Seizure Fund	162,752	
Community Grant Fund	5,992	
Shoreline Fund	<u>130,100</u>	16,499,300

**Capital Project Funds**

Major Capital Improvement Fund		
Unrestricted Funds	144,640	
Commercial Passenger Excise Tax Funds	196,727	
Community Facilities Development Fund		
Unrestricted Funds	2,277,291	
Bond Construction Funds	515,815	
Harbor Improvements Fund		
Unrestricted Funds	1,206,738	
Bond Construction Funds	2,683,878	
Hospital Construction Fund	<u>\$42,738,247</u>	\$49,763,336

**CITY OF KETCHIKAN, ALASKA**

(Page 2 of 2)

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

*Year Ended December 31, 2014*

**Enterprise Funds**

Wastewater Service Fund		
Unrestricted Funds	\$998,442	
Revenue Bond Redemption Funds	17,992	
Ketchikan Port Fund:		
Unrestricted Funds	5,504,277	
Revenue Bond Redemption Funds	845,762	
Commercial Passenger Excise Tax Funds	1,619,258	
Repair & Replacement Funds	3,664,611	
Revenue Bond Reserve Funds	2,592,786	
Ketchikan Public Utilities Fund:		
Unrestricted Funds	16,778,078	
Revenue Bond Redemption Funds	1,099,448	
Bond Construction Funds	208,971	
Revenue Bond Reserve Funds	<u>1,678,041</u>	\$35,007,666

**Internal Service Funds**

Self-Insurance Fund	681,125	
Compensated Leave Fund	<u>\$1,327,290</u>	<u>2,008,415</u>

**Total Cash and Investments**

\$105,014,030

**CITY OF KETCHIKAN, ALASKA**  
**COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS**  
Year Ended December 31, 2014

	<i>Interest Rate</i>	<i>Maturity Date</i>	<u>Amount</u>
<b>BAR HARBOR SOUTH FUND INVESTMENTS</b>			
Wells Fargo Advisors			
Cash and Money Funds			<u>408,065</u>
<b>CITY OF KETCHIKAN GENERAL INVESTMENT ACCOUNT</b>			
Wells Fargo Advisors			
US Treasury Notes	2.250%	1/31/2015	100,164
US Treasury Notes	4.875%	8/15/2016	427,952
Cash and Money Funds			<u>268,076</u>
			<u>796,192</u>
<b>KETCHIKAN PUBLIC UTILITIES - REVENUE BOND RESERVE FUND INVESTMENTS</b>			
Bank of New York Mellon			
Cash and Money Funds			<u>1,758,678</u>
<b>KETCHIKAN PORT - REVENUE BOND RESERVE FUND INVESTMENTS</b>			
Wells Fargo Advisors			
US Treasury Notes	0.250%	2/15/2015	1,783,285
Cash and Money Funds			<u>809,501</u>
			<u>2,592,786</u>
<b>FIRE STATION CONSTRUCTION FUND</b>			
Wells Fargo Advisors			
Cash and Money Funds			<u>321,500</u>
<b>LIBRARY FACILITIES CONSTRUCTION FUND</b>			
Wells Fargo Advisors			
Cash and Money Funds			<u>194,315</u>
<b>HARBOR BOND CONSTRUCTION FUND</b>			
First Bank			
Cash and Money Funds			<u>3,008,595</u>
<b>KETCHIKAN MEDICAL CENTER BOND CONSTRUCTION FUND</b>			
First Bank			
Cash and Money Funds			<u>43,081,535</u>
<b>TOTAL ALL FUNDS</b>			<u><u>52,161,666</u></u>



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# STATISTICAL SECTION

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

<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.	151
<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.	159
<b>Revenue Capacity</b> These schedules present information to help the reader assess the city’s most significant local revenue source, property taxes.	165
<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.	181
<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.	187
<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.	191

**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>2005</u>	<u>2006</u>	<u>2007</u>	<u>Restated 2008</u>
Governmental activities				
Net investment in capital assets	\$ 78,949,802	\$ 82,946,674	\$ 100,387,358	\$ 102,795,408
Restricted	8,208,471	8,500,972	8,635,185	7,867,366
Unrestricted	19,680,452	21,842,202	24,554,392	24,486,577
Total governmental activities net position	<u>\$ 106,838,725</u>	<u>\$ 113,289,848</u>	<u>\$ 133,576,935</u>	<u>\$ 135,149,351</u>
Business-type activities				
Net investment in capital assets	\$ 64,103,610	\$ 65,014,842	\$ 65,421,421	\$ 68,944,529
Restricted	3,045,731	8,528,058	7,819,498	9,173,772
Unrestricted	23,415,765	23,371,639	26,243,152	28,054,404
Total business-type activities net position	<u>\$ 90,565,106</u>	<u>\$ 96,914,539</u>	<u>\$ 99,484,071</u>	<u>\$ 106,172,705</u>
Primary Government				
Net investment in capital assets	\$ 143,053,412	\$ 147,961,516	\$ 165,808,779	\$ 171,739,937
Restricted	11,254,202	17,029,030	16,454,683	17,041,138
Unrestricted	43,096,217	45,213,841	50,797,544	52,540,981
Total primary government net position	<u>\$ 197,403,831</u>	<u>\$ 210,204,387</u>	<u>\$ 233,061,006</u>	<u>\$ 241,322,056</u>

**Table 1**

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Restated 2012</b>	<b>2013</b>	<b>2014</b>
\$ 105,240,716	\$ 109,138,701	\$ 118,331,373	\$ 124,187,486	\$ 123,952,440	\$ 143,909,094
9,302,674	7,975,618	8,010,280	7,668,494	8,148,212	8,922,032
22,137,657	21,265,521	22,791,652	20,015,992	19,781,991	19,246,474
<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>	<u>\$ 172,077,600</u>
\$ 75,194,012	\$ 78,533,777	\$ 88,231,320	\$ 101,715,542	\$ 118,874,119	\$ 124,479,056
8,695,571	8,196,207	8,431,062	8,624,752	9,098,473	11,494,674
23,958,481	26,306,929	27,164,343	27,346,998	30,740,061	28,552,851
<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>	<u>\$ 164,526,581</u>
\$ 171,739,937	\$ 180,434,728	\$ 206,562,693	\$ 225,903,028	\$ 242,826,559	\$ 268,388,150
17,998,245	17,998,245	16,441,342	16,293,246	17,246,685	20,416,706
46,096,138	47,572,450	49,955,995	47,362,990	50,522,052	47,799,325
<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>	<u>\$ 336,604,181</u>

(Un-Audited)

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Restated 2008</u>	<u>2009</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,511,022	\$ 1,959,927	\$ 2,042,750	\$ 2,385,231	\$ 2,103,140
Public safety	6,717,659	6,835,651	7,288,610	8,004,100	7,803,886
Culture	2,396,342	2,566,929	2,551,355	3,336,986	2,896,827
Health and welfare	5,048,556	3,485,604	3,975,894	4,011,821	2,947,696
Public works	4,866,229	5,617,473	6,033,515	8,888,160	10,003,285
Harbor	1,301,859	1,418,733	1,642,466	1,639,600	2,066,607
Interest	355,271	344,778	321,854	296,709	278,749
Total governmental activities expenses	<u>23,196,938</u>	<u>22,229,095</u>	<u>23,856,444</u>	<u>28,562,607</u>	<u>28,100,190</u>
Business-type activities					
Ketchikan Public Utilities					
Electric	\$ 12,828,046	\$ 14,057,328	\$ 15,044,569	\$ 17,331,151	\$ 17,451,474
Telecommunications	10,880,155	11,835,693	12,512,416	11,901,997	13,447,338
Water	2,786,789	2,834,098	2,886,251	2,902,139	2,846,215
Ketchikan Port	2,837,681	4,097,435	4,723,553	7,176,395	9,026,767
Wastewater Service	1,702,546	1,680,328	2,013,615	2,297,544	2,583,454
Total business-type activities expenses	<u>31,035,217</u>	<u>34,504,882</u>	<u>37,180,404</u>	<u>41,609,226</u>	<u>45,355,248</u>
Total primary government expenses	<u>\$ 54,232,155</u>	<u>\$ 56,733,977</u>	<u>\$ 61,036,848</u>	<u>\$ 70,171,833</u>	<u>\$ 73,455,438</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Ambulance	\$ 405,636	\$ 369,017	\$ 389,500	\$ 434,934	\$ 385,373
Library services	418,034	420,246	435,876	436,601	421,585
Mental Health & Substance Abuse	831,529	618,937	472,351	381,844	596,067
Solid Waste	2,719,019	2,833,419	2,821,632	2,881,079	2,776,619
Harbor	894,569	940,106	973,142	1,103,677	1,156,343
Other activities	1,242,098	1,413,971	1,296,568	1,634,340	1,610,935
Operating grants and contributions	1,814,834	1,776,296	1,846,610	2,169,658	1,220,785
Capital grants and contributions	233,637	2,324,529	170,663	375,443	4,125,310
Total governmental activities program revenues	<u>8,559,356</u>	<u>10,696,521</u>	<u>8,406,342</u>	<u>9,417,576</u>	<u>12,293,017</u>
Business-type activities					
Charges for services					
Electric	\$ 13,232,075	\$ 14,468,144	\$ 14,779,712	\$ 17,699,413	\$ 16,619,118
Telecommunications	12,335,107	14,032,603	13,431,826	12,958,489	13,727,676
Water	1,582,841	1,718,781	1,924,163	2,024,614	2,247,801
Port	7,096,948	6,427,207	7,895,063	8,839,267	8,922,228
Wastewater	1,894,718	1,942,529	2,038,361	2,038,287	2,029,614
Operating grants and contributions	57,037	107,582	126,032	257,948	149,270
Capital grants and contributions	218,491	2,137,467	3,563,444	4,304,943	2,991,174
Total business-type activities program revenues	<u>36,417,217</u>	<u>40,834,313</u>	<u>43,758,601</u>	<u>48,122,961</u>	<u>46,686,881</u>
Total primary government program revenues	<u>\$ 44,976,573</u>	<u>\$ 51,530,834</u>	<u>\$ 52,164,943</u>	<u>\$ 57,540,537</u>	<u>\$ 58,979,898</u>

Table 2

2010	2011	Restated 2012	2013	2014
\$ 2,365,376	\$ 1,928,342	\$ 2,290,233	\$ 2,472,898	\$ 2,683,962
7,751,934	8,368,059	8,964,646	8,807,683	9,723,428
2,822,040	2,862,064	3,097,918	3,445,959	3,300,295
1,875,578	1,272,680	2,541,686	747,893	1,099,588
7,788,434	8,015,271	9,423,324	10,840,175	10,373,365
2,057,164	2,169,152	2,154,270	1,851,082	2,192,468
256,909	478,822	757,879	655,947	1,519,245
<u>24,917,435</u>	<u>25,094,390</u>	<u>29,229,956</u>	<u>28,821,637</u>	<u>30,892,351</u>
\$ 16,036,369	\$ 16,141,172	\$ 16,790,404	\$ 19,705,332	\$ 17,352,078
12,321,547	13,172,392	14,500,244	14,405,757	15,649,634
2,833,765	3,221,650	3,595,668	4,029,711	3,905,078
8,929,902	7,452,615	7,194,938	9,133,140	11,012,311
2,228,373	2,401,671	2,735,348	2,642,018	2,477,247
<u>42,349,956</u>	<u>42,389,500</u>	<u>44,816,602</u>	<u>49,915,958</u>	<u>50,396,348</u>
<u>\$ 67,267,391</u>	<u>\$ 67,483,890</u>	<u>\$ 74,046,558</u>	<u>\$ 78,737,595</u>	<u>\$ 81,288,699</u>
\$ 516,049	\$ 521,621	\$ 470,682	\$ 515,158	\$ 606,369
351,494	381,162	471,662	666,621	641,607
140,862				
2,816,287	2,940,490	2,948,507	2,851,958	2,907,531
1,116,361	1,159,273	1,250,292	1,191,053	1,247,810
1,252,815	1,573,835	1,431,758	1,204,043	1,236,754
963,699	1,173,178	1,153,337	1,562,913	2,444,297
2,840,226	10,529,822	6,878,384	2,736,373	18,050,935
<u>9,997,793</u>	<u>18,279,381</u>	<u>14,604,622</u>	<u>10,728,119</u>	<u>27,135,303</u>
\$ 15,370,110	\$ 16,223,890	\$ 16,746,615	\$ 18,898,966	\$ 16,300,445
14,390,486	14,444,541	14,530,914	15,185,977	16,097,808
2,532,659	2,896,152	2,932,254	3,078,704	3,171,300
8,000,492	7,986,404	8,592,255	9,145,920	8,578,059
2,009,767	2,117,793	2,215,314	2,451,800	2,575,541
111,337	221,076	2,225,280	2,280,470	2,973,832
5,361,548	9,908,854	12,327,627	20,670,211	12,261,064
<u>47,776,399</u>	<u>53,798,710</u>	<u>59,570,259</u>	<u>71,712,048</u>	<u>61,958,049</u>
<u>\$ 57,774,192</u>	<u>\$ 72,078,091</u>	<u>\$ 74,174,881</u>	<u>\$ 82,440,167</u>	<u>\$ 89,093,352</u>

(Un-Audited)

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Restated 2008</u>	<u>2009</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (14,637,582)	\$ (11,532,574)	\$ (15,450,102)	\$ (19,145,031)	\$ (15,807,173)
Business-type activities	<u>5,382,000</u>	<u>6,329,431</u>	<u>6,578,197</u>	<u>6,513,735</u>	<u>1,331,633</u>
Total primary government net (expense) revenue	\$ (9,255,582)	\$ (5,203,143)	\$ (8,871,905)	\$ (12,631,296)	\$ (14,475,540)
<b>Governmental Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 3,660,138	\$ 3,895,032	\$ 4,073,391	\$ 4,482,595	\$ 4,634,797
Sales taxes	9,045,296	9,203,890	9,663,743	10,441,027	9,568,759
Transient taxes	383,036	346,341	526,915	449,708	355,729
Intergovernmental - unrestricted	215,211	484,967	701,006	794,368	729,325
Investment earnings	837,639	1,234,797	1,425,411	1,175,583	469,839
Contributions of capital assets not restricted	-	-	-	-	-
Miscellaneous	196,137	212,911	1,209,209	1,316,542	615,419
Special Item	-	-	-	507,229	-
Transfers	<u>3,197,685</u>	<u>2,605,759</u>	<u>6,324,169</u>	<u>1,550,395</u>	<u>965,000</u>
Total governmental activities	<u>\$ 17,535,142</u>	<u>\$ 17,983,697</u>	<u>\$ 23,923,844</u>	<u>\$ 20,717,447</u>	<u>\$ 17,338,868</u>
Business-type activities:					
Investment earnings	\$ 744,364	\$ 1,816,783	\$ 1,873,235	\$ 1,214,525	\$ 671,967
Miscellaneous	482,311	808,978	442,269	408,670	636,759
Special Item	-	-	-	102,099	-
Extraordinary Item	(2,432,884)	-	-	-	-
Transfers	<u>(3,197,685)</u>	<u>(2,605,759)</u>	<u>(6,324,169)</u>	<u>(1,550,395)</u>	<u>(965,000)</u>
Total business-type activities	<u>(4,403,894)</u>	<u>20,002</u>	<u>(4,008,665)</u>	<u>174,899</u>	<u>343,726</u>
Total primary government	<u>\$ 13,131,248</u>	<u>\$ 18,003,699</u>	<u>\$ 19,915,179</u>	<u>\$ 20,892,346</u>	<u>\$ 17,682,594</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 2,897,560	\$ 6,451,123	\$ 8,473,742	\$ 1,572,416	\$ 1,531,695
Business-type activities	<u>978,106</u>	<u>6,349,433</u>	<u>2,569,532</u>	<u>6,688,634</u>	<u>1,675,359</u>
Total primary government	<u>\$ 3,875,666</u>	<u>\$ 12,800,556</u>	<u>\$ 11,043,274</u>	<u>\$ 8,261,050</u>	<u>\$ 3,207,054</u>

Table 2 - (Continued)

2010	2011	Restated 2012	2013	2014
\$ (14,919,642)	\$ (6,815,009)	\$ (14,625,334)	\$ (18,093,518)	\$ (3,757,048)
5,426,443	11,409,210	14,753,657	21,796,090	11,561,701
\$ (9,493,199)	\$ 4,594,201	\$ 128,323	\$ 3,702,572	\$ 7,804,653
\$ 4,681,027	\$ 4,808,930	\$ 4,802,508	\$ 5,496,857	\$ 5,513,202
9,477,890	9,883,856	10,140,108	10,207,189	10,995,570
391,089	377,583	358,343	395,867	388,723
810,802	1,137,762	744,301	522,456	539,771
157,012	101,754	9,488	(2,470)	89,179
77,615	161,589	290,761	219,091	221,756
1,023,000	1,097,000	1,105,178	1,265,199	6,203,804
\$ 16,618,435	\$ 17,568,474	\$ 17,450,687	\$ 18,104,189	\$ 23,952,005
\$ 182,542	\$ 132,196	\$ 116,989	\$ 5,911	\$ 129,167
602,864	345,406	522,859	488,559	326,864
(1,023,000)	(1,097,000)	(1,105,178)	(1,265,199)	(6,203,804)
(237,594)	(619,398)	(465,330)	(770,729)	(5,747,773)
\$ 16,380,841	\$ 16,949,076	\$ 16,985,357	\$ 17,333,460	\$ 18,204,232
\$ 1,698,793	\$ 10,753,465	\$ 2,825,353	\$ 10,671	\$ 20,194,957
5,188,849	10,789,812	14,288,327	21,025,361	5,813,928
\$ 6,887,642	\$ 21,543,277	\$ 17,113,680	\$ 21,036,032	\$ 26,008,885



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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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund				
Reserved	\$ 631,383	\$ 721,656	\$ 804,983	\$ 633,594
Unreserved	4,896,236	4,868,556	4,523,852	4,436,748
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total general fund	<u>\$ 5,527,619</u>	<u>\$ 5,590,212</u>	<u>\$ 5,328,835</u>	<u>\$ 5,070,342</u>
All Other Governmental Funds				
Reserved	\$ 5,922,076	\$ 6,399,364	\$ 3,919,777	\$ 6,516,387
Unreserved, reported in:				
Designated				
Special revenue funds	12,613,716	13,782,467	15,715,623	14,173,319
Capital project funds	1,793,046	2,269,925	5,428,243	2,996,186
Debt service funds				
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total all other governmental funds	<u>\$ 20,328,838</u>	<u>\$ 22,451,756</u>	<u>\$ 25,063,643</u>	<u>\$ 23,685,892</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**

<b>2009</b>	<b>Restated 2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$ 602,723 4,046,686	\$ 391,593	\$ 382,742	\$ 376,517	\$ 391,977	\$ 418,618
	14,025,344 3,298,478	15,834,417 3,271,596	14,323,611 2,606,320	13,347,874 3,350,096	12,696,062 3,723,002
<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>	<u>\$ 16,837,682</u>
\$ 6,320,258					
13,577,367 4,154,046	\$ 7,270,633 455,846 7,962,654	\$ 4,368,168 1,107,501 7,056,295	\$ 2,992,632 7,742,208	\$ 10,857 9,766,365	\$ 46,297,419 8,407,154
<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>	<u>\$ 54,704,573</u>

(Un-Audited)

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

	2005	2006	2007	2008
<b>Revenues</b>				
Taxes	\$ 13,166,875	\$ 13,354,456	\$ 14,199,771	\$ 15,325,083
Licenses and permits	122,894	109,732	122,275	104,742
Intergovernmental	2,650,245	4,563,268	3,109,206	3,704,389
Charges for services	6,184,437	6,246,819	6,083,444	6,494,421
Fines and forfeitures	174,372	144,904	169,049	284,085
Investments earnings	523,444	990,881	1,134,288	1,159,148
Contributions				
Interdepartmental charges	2,313,773	2,711,378	2,663,164	3,001,060
Miscellaneous	207,460	223,378	1,211,136	1,561,193
Total revenues	25,343,500	28,344,816	28,692,333	31,634,121
<b>Expenditures</b>				
General government	\$ 3,850,434	\$ 4,292,014	\$ 4,158,340	\$ 4,700,644
Public safety	6,592,719	6,842,820	7,221,346	8,513,209
Culture	2,426,921	2,316,367	2,342,355	3,458,592
Health and welfare	4,931,566	3,371,208	4,260,761	3,863,755
Public works	8,080,031	8,246,265	7,076,021	9,506,008
Harbor	1,961,213	2,997,601	6,833,930	3,917,652
Debt service				
Interest and fiscal charges	314,428	347,152	324,357	301,170
Principal retirement	624,156	505,130	563,193	573,038
Total expenditures	28,781,468	28,918,557	32,780,303	34,834,068
Excess of revenues over (under) expenditures	(3,437,968)	(573,741)	(4,087,970)	(3,199,947)
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	\$ 6,200	\$ 49,129	\$ 114,311	\$ 13,308
Proceeds of refunded bonds	7,105,051	-	-	-
Proceeds from sale of bonds	-	-	-	-
Premiums from sale of bonds	-	-	-	-
Bond issuance costs	(95,572)	-	-	-
Payments to refunded bond agent	(6,920,463)	-	-	-
Capital lease	30,493	104,364	-	-
Transfers in	7,506,561	6,871,876	10,133,487	5,855,913
Transfers out	(4,308,876)	(4,266,117)	(3,809,318)	(4,305,518)
Total other financing sources (uses)	3,323,394	2,759,252	6,438,480	1,563,703
Net change in fund balances	\$ (114,574)	\$ 2,185,511	\$ 2,350,510	\$ (1,636,244)
Debt service as a percentage of noncapital expenditures	4.29%	3.62%	3.63%	3.00%

**Table 4**

2009	2010	2011	2012	2013	2014
\$ 14,525,068	\$ 14,343,068	\$ 15,128,079	\$ 15,311,798	\$ 16,085,582	\$ 16,704,419
90,922	119,522	276,275	114,480	91,516	97,998
5,553,375	4,515,036	12,834,694	8,694,716	4,550,899	20,400,912
6,520,335	6,050,968	6,082,885	6,208,863	6,191,082	6,290,591
237,599	136,681	159,574	167,553	182,562	266,098
1,495,589	101,960	208,321	9,488	(2,356)	65,179
913,284	86,054	1,598	74,656	105,505	453,522
3,029,714	3,048,226	3,175,838	3,395,081	3,149,075	3,150,268
592,694	223,768	196,281	291,613	407,870	464,539
32,958,580	28,625,283	38,063,545	34,268,248	30,761,735	47,893,526
\$ 4,636,560	\$ 4,635,116	\$ 4,694,767	\$ 5,029,536	\$ 4,914,708	\$ 5,159,975
7,943,723	9,253,467	15,794,570	11,613,580	8,460,223	9,977,972
2,705,436	3,704,718	4,256,978	11,487,388	3,067,307	3,401,183
3,325,151	1,504,139	1,553,869	2,334,980	457,254	11,745,136
11,453,823	9,943,954	9,862,985	10,456,004	11,040,657	15,462,846
3,073,447	2,265,892	3,136,954	2,148,053	3,423,048	7,075,954
283,669	264,280	454,029	598,624	1,140,000	1,444,671
589,339	575,000	800,000	930,000	697,856	1,180,000
34,011,148	32,146,566	40,554,152	44,598,165	33,201,053	55,447,737
(1,052,568)	(3,521,283)	(2,490,607)	(10,329,917)	(2,439,318)	(7,554,211)
\$ 32,414	-	\$ 9,778	\$ 10,795	-	\$ 17,772
-	-	-	-	-	-
-	\$ 7,200,000	-	4,820,003	-	44,040,000
-	1,751	-	414,510	-	2,134,131
-	-	-	-	-	(166,410)
-	-	-	-	-	-
-	-	-	-	-	-
5,682,231	5,277,851	2,750,515	3,975,430	\$ 3,334,665	\$ 9,009,820
(4,717,231)	(4,254,851)	(1,653,515)	(2,870,252)	(2,069,466)	(2,806,016)
997,414	8,224,751	1,106,778	6,350,486	1,265,199	52,229,297
\$ (55,154)	\$ 4,703,468	\$ (1,383,829)	\$ (3,979,431)	\$ (1,174,119)	\$ 44,675,086
3.18%	3.35%	4.96%	5.20%	6.32%	8.56%

(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>
2005	3,823,753	94,688	73,928	(287,132)	9,066,564	395,074	-	13,166,875
2006	4,071,771	71,796	85,124	(292,668)	9,084,670	333,763	-	13,354,456
2007	4,213,607	88,723	87,502	(290,436)	9,581,723	518,652	-	14,199,771
2008	4,710,269	61,766	82,978	(305,235)	10,330,443	444,862	-	15,325,083
2009	4,845,524	63,588	71,381	(321,800)	9,491,524	366,856	7,995	14,525,068
2010	4,881,901	63,593	120,099	(336,120)	9,217,763	385,286	10,546	14,343,068
2011	4,920,064	76,677	124,146	(346,141)	9,965,173	378,096	10,064	15,128,079
2012	5,005,267	77,964	79,216	(354,923)	10,131,203	362,739	10,332	15,311,798
2013	5,750,117	48,589	88,207	(400,242)	10,201,586	386,230	11,095	16,085,582
2014	5,801,986	48,747	83,689	(427,956)	10,796,715	389,342	11,896	16,704,419
Change								
2014-2005	51.74%	-48.52%	13.20%	49.05%	19.08%	-1.45%		26.87%

## 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*

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<b>Fiscal Year</b>	<b>City of Ketchikan</b>	<b>Ketchikan Gateway Borough</b>	<b>Total Rate</b>
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
2014	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>
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
2014	396,406,500	37,402,300	313,022,400	-	62,960,400	3,690,000

<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>
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
56,345,700	869,827,300	63,874,100	805,953,200	6.7

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

<u>Taxpayer</u>	<u>2014</u>			<u>2005</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>
Cape Fox Corporation	\$ 16,049,400	1	1.85%	\$ 10,041,000	1	1.69%
Trident Seafoods Corporation	15,974,200	2	1.84%			
Ketchikan Dock Company, LLC	14,137,800	3	1.63%			
Tongass Trading Company	11,705,500	4	1.35%	7,233,000	2	1.22%
Harbor Enterprises/Petro Marine Services	11,113,300	5	1.28%	4,212,500	9	0.71%
Boyer Towing Inc.	9,169,200	6	1.05%			
Dock Street Building Corporation	8,714,700	7	1.00%			
Landing LLC	8,342,300	8	0.96%			
E C Phillips & Son Inc.	8,069,100	9	0.93%	5,563,200	5	0.94%
Alaska General Seafood Processors	7,715,700	10	0.89%	4,718,900	7	0.79%
Carr-Gottstein Foods Company				6,770,600	3	1.14%
Wal-Mart				5,978,100	4	1.00%
Ketchikan Plaza, Inc.				5,238,100	6	0.88%
Tesoro Alaska				4,430,600	8	0.74%
Swan Bay Holding, Inc.				4,040,000	10	0.68%
<b>Total</b>	<b>\$ 110,991,200</b>		<b>12.78%</b>	<b>\$ 58,226,000</b>		<b>9.79%</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
2005	3,519,293	3,464,863	98.45%	48,041	3,512,904	99.82%
2006	3,760,589	3,736,346	99.36%	24,221	3,760,567	100.00%
2007	3,962,936	3,881,477	97.94%	69,081	3,950,558	99.69%
2008	4,383,745	4,338,730	98.97%	35,105	4,373,835	99.77%
2009	4,546,659	4,472,274	98.36%	63,571	4,535,845	99.76%
2010	4,549,659	4,353,276	95.68%	162,560	4,515,836	99.26%
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%	57,554	4,648,117	100.00%
2013	5,344,326	5,276,616	98.73%	48,334	5,324,950	99.64%
2014	5,399,886	5,295,537	98.07%	-	5,295,537	98.07%

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<sup>1</sup></b>	<b>Ketchikan Gateway Borough</b>	<b>Total Rate</b>
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%
2014	4.0%	2.5%	6.5%

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

Source: Ketchikan Gateway Borough & City of Ketchikan



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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b><u>Collected Charges for Services Revenue</u></b>				
Solid Waste	\$ 2,719,019	\$ 2,833,419	\$ 2,821,632	\$ 2,881,079
Harbor	893,870	940,106	973,142	1,103,677
<b><u>Number of Customers/Services Provided</u></b>				
Solid Waste Collection				
Residential	2,454	2,495	2,516	2,479
Business	225	222	231	230
Solid Waste Disposal	5,339	5,342	5,403	5,405
Harbor				
Reserved Moorage Stalls Rented	780	780	765	759

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

**Table 11**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$	2,776,619	\$ 2,816,287	\$ 2,940,490	\$ 2,948,507	\$ 2,851,958	\$ 2,907,531
	1,156,343	1,116,361	1,159,273	1,250,292	1,191,053	1,247,810
	2,454	2,402	2,524	2,558	2,559	2,599
	231	233	238	251	245	248
	5,446	5,419	5,485	5,537	5,571	5,528
	786	763	765	767	753	735

(Un-Audited)

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

	2005	2006	2007	2008
<b>Collected Charges for Services Revenue</b>				
Electric				
Residential	\$ 5,414,050	\$ 5,952,863	\$ 6,184,106	\$ 6,691,810
Boats	254,450	280,735	290,847	289,017
Commercial	5,663,099	6,126,399	6,126,579	6,327,156
Industrial	1,413,345	1,554,201	1,614,368	1,615,798
Demand	334,829	403,234	411,557	426,839
Area Lighting	45,922	43,618	45,733	50,145
Street Lighting	121,980	122,694	122,122	123,012
Diesel Surcharge				2,205,971
Other	460,057	771,160	567,665	472,660
Telecommunications				
Local Network Services	3,257,503	3,237,357	2,854,206	2,644,869
Inter/Intrastate Network Access Services	6,955,054	8,403,318	7,745,095	7,449,484
Non-Regulated	1,607,548	1,856,903	2,271,838	2,361,103
Other	557,002	577,025	602,687	552,921
Water				
Residential	695,242	775,277	872,455	888,236
Apartments	136,054	153,435	166,001	174,022
Commercial	521,253	579,415	644,746	667,522
Industrial	69,007	72,726	77,977	79,714
Cannery	42,751	45,790	48,862	70,376
Fire Hydrant	7,872	8,511	9,029	9,210
Port	120,934	94,538	116,522	148,781
Other	13,805	26,411	14,156	27,337
Wastewater				
Residential Sewer Service	1,130,795	1,157,245	1,239,257	1,236,392
Business Sewer Service	753,062	774,006	799,104	801,895
Port				
Passenger Wharfage <sup>1</sup>	5,150,634	4,667,968	5,917,231	6,484,425
Docking	1,582,718	1,451,395	1,561,813	1,891,913
<b>Customer Base</b>				
Electric				
Residential	5,616	5,652	5,677	5,731
Commercial	1,068	1,077	1,091	1,105
Industrial	14	14	14	14
Other	504	508	523	496
Telecommunications				
Residential Access Lines	5,589	5,434	5,036	4,265
Commercial Access Lines	4,253	4,120	4,003	3,857
Water				
Residential	2,493	2,586	2,776	2,769
Apartments	15	15	16	18
Commercial	406	420	424	422
Industrial	7	6	7	7
Cannery	3	3	3	3
Fire Hydrant	4	4	4	4
Marine Vessels	33	25	25	31
Wastewater				
Residential <sup>2</sup>	2,507	2,589	2,779	2,772
Business <sup>3</sup>	420	426	431	429
Port				
Cruiseships	37	36	36	37
Stops	562	503	499	502
Passengers <sup>4</sup>	921,429	837,498	894,216	930,958

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

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

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

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

Table 12

	2009	2010	2011	2012	2013	2014
\$	6,743,435	\$ 6,557,170	\$ 6,929,817	\$ 7,240,637	\$ 6,929,393	\$ 6,796,723
	275,352	268,981	293,654	318,564	299,465	298,227
	6,167,549	6,186,808	6,404,792	6,673,188	6,701,322	6,690,774
	1,622,961	1,758,452	1,767,912	1,862,015	1,915,505	1,750,002
	429,295	427,292	443,170	481,321	510,887	514,972
	49,019	48,833	48,890	48,974	48,995	49,172
	123,499	124,526	124,978	126,239	126,178	127,692
	1,228,808	18,848	231,477	16,477	2,388,021	96,283
	564,893	562,291	442,410	464,797	426,644	293,569
	2,442,452	2,274,624	2,194,530	2,131,351	2,100,995	2,005,521
	8,163,920	8,644,023	8,591,786	8,399,849	8,660,056	9,259,709
	2,560,799	2,967,362	3,261,045	3,565,887	4,036,708	4,396,232
	616,505	560,477	453,180	489,827	444,218	499,346
	966,755	1,110,982	1,277,902	1,300,147	1,343,648	1,377,255
	188,158	214,427	250,519	258,792	269,394	294,082
	756,319	864,542	1,003,574	998,294	1,042,848	1,102,474
	68,793	64,890	85,894	87,840	91,425	79,182
	129,648	150,887	156,455	143,560	144,614	149,219
	19,170	30,378	34,922	27,199	22,864	23,539
	141,328	128,792	124,230	146,820	189,975	172,688
	51,879	10,569	51,804	20,970	24,160	10,256
	1,230,812	1,224,650	1,269,208	1,349,227	1,490,983	1,623,781
	798,802	785,117	848,585	866,087	960,818	951,760
	6,471,647	5,725,215	5,786,811	6,183,922	6,556,500	6,110,005
	1,929,406	1,721,945	1,702,405	1,741,242	1,877,195	1,770,044
	5,731	5,756	5,757	5,808	5,819	5,817
	1,127	1,153	1,165	1,173	1,171	1,201
	14	13	12	13	13	13
	493	496	509	524	511	518
	3,804	3,554	3,397	3,235	3,138	3,313
	3,663	3,442	3,225	3,078	2,909	2,550
	2,748	2,738	2,743	2,727	2,724	2,650
	18	17	17	20	21	25
	435	436	442	451	444	436
	6	5	5	4	4	3
	4	4	5	4	5	6
	6	7	7	8	8	8
	29	26	41	29	38	34
	2,752	2,742	2,748	2,731	2,729	2,656
	441	441	447	455	448	439
	36	26	28	34	31	37
	496	429	426	467	456	468
	926,051	820,914	830,547	885,799	938,124	877,589

(Un-Audited)

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Construction	\$ 54,209,252	\$ 46,658,908	\$ 72,042,565
Financial institutions	2,866,491	2,811,058	2,802,760
Hospitality/Lodging establishments	13,327,117	14,745,153	16,466,073
Manufacturing	22,035,684	29,493,656	27,614,238
Real estate	26,967,529	30,287,572	31,805,801
Retail trade	79,712,707	79,906,363	90,127,811
Food stores	49,947,282	52,271,208	55,036,444
Eating and drinking establishments	17,577,519	18,070,196	18,383,424
Auto dealers and supplies	25,949,965	28,051,879	30,444,643
Specialty retail	22,917,692	23,081,277	23,397,268
Curio and jewelry retail stores	57,783,418	49,279,069	55,418,133
Entertainment services	4,549,563	5,321,145	5,743,070
General services	14,980,337	15,851,383	16,139,316
Professional services	6,155,813	7,706,093	6,158,124
Transportation, communications and utilities	64,972,042	71,282,610	79,168,059
<b>Total</b>	<b>\$ 463,952,411</b>	<b>\$ 474,817,570</b>	<b>\$ 530,747,729</b>
City direct sales tax rate	3.50%	3.50%	3.50%

Source: Ketchikan Gateway Borough

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

**Table 13**

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$ 73,419,651	\$ 44,336,638	\$ 50,430,009	\$ 96,054,116	\$ 109,944,013	\$ 77,292,970	\$ 75,525,022
3,178,054	3,531,628	3,521,298	2,948,547	4,041,550	3,555,578	2,953,480
16,941,372	15,096,172	15,376,929	14,593,406	15,548,076	15,757,414	16,198,269
35,183,518	47,045,192	40,265,296	24,915,484	39,842,655	37,030,919	33,672,442
33,418,436	33,876,294	39,293,015	37,189,688	40,328,677	38,342,482	39,616,783
95,610,087	93,595,986	91,187,271	91,067,607	120,267,196	93,184,043	95,665,943
58,269,720	56,907,933	59,534,128	62,759,319	64,720,813	65,445,878	67,860,166
18,434,099	18,073,566	18,639,171	19,400,071	21,035,986	20,528,294	20,329,094
29,902,145	23,294,439	17,822,721	20,253,452	21,410,167	20,509,086	21,430,736
23,543,735	24,380,756	23,788,108	24,721,828	25,669,700	25,542,545	25,989,957
53,061,753	45,324,650	44,097,747	44,387,990	44,886,243	50,336,018	42,097,506
4,545,666	4,464,679	4,119,365	4,248,046	4,434,892	4,370,920	4,658,827
18,944,756	19,430,386	18,805,268	19,366,447	20,665,673	19,931,980	20,119,769
5,415,952	8,807,335	6,949,378	9,475,358	8,187,467	6,944,499	7,779,151
96,250,785	73,575,372	82,042,095	88,121,368	88,384,275	91,629,124	84,817,828
<b>\$ 566,119,729</b>	<b>\$ 511,741,026</b>	<b>\$ 515,871,799</b>	<b>\$ 559,502,727</b>	<b>\$ 629,367,383</b>	<b>\$ 570,401,750</b>	<b>\$ 558,714,973</b>
3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	4.00%



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# DEBT CAPACITY

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

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

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

<u>Governmental Activities</u>			
Fiscal Year	General Obligation Bonds	Capital Lease	Total Governmental Activities
2005	\$ 7,901,348	\$ 21,337	\$ 7,922,685
2006	7,377,902	115,571	7,493,473
2007	6,834,456	67,377	6,901,833
2008	6,266,010	34,339	6,300,349
2009	5,682,565	-	5,682,565
2010	12,280,863	-	12,280,863
2011	11,452,328	-	11,452,328
2012	15,726,032	-	15,726,032
2013	14,535,682	-	14,535,682
2014	59,441,445	-	59,441,445

<u>Business-Type Activities</u>										
	Wastewater General Obligation Bonds <sup>1</sup>	Wastewater Revenue Bonds <sup>1</sup>	Port General Obligation Bonds	Port Revenue Bonds	KPU Junior Lien Bonds <sup>2</sup>	KPU Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income	Total Debt to Population (Table 18)
2005	-	-	\$ 1,880,000	-	-	\$ 22,839,753	\$ 24,719,753	\$ 32,642,438	9.94%	\$ 4,248
2006	-	-	1,685,000	\$ 39,325,888	-	20,910,796	61,921,684	69,415,157	20.48%	9,060
2007	\$ 803,278	-	1,480,000	38,672,327	\$ 1,609,266	18,901,840	61,466,711	68,368,544	18.35%	8,842
2008	847,507	-	1,265,000	37,988,766	2,877,106	17,960,579	60,938,958	67,239,307	17.27%	8,956
2009	900,458	-	1,035,000	37,280,205	4,587,223	15,543,926	59,346,812	65,029,377	16.75%	8,667
2010	4,147,967	-	795,000	36,541,644	7,298,232	13,155,673	61,938,516	74,219,379	17.57%	9,220
2011	4,560,222	-	540,000	35,773,083	8,429,282	10,626,271	59,928,858	71,381,186	16.10%	8,767
2012	4,736,445	\$ 363,210	270,000	34,969,522	8,673,259	8,022,070	57,034,506	72,760,538	15.51%	8,776
2013	2,763,776	308,811	-	34,130,961	8,804,413	20,938,869	66,946,830	81,482,512	17.58%	9,802
2014	2,711,970	295,463	-	33,257,400	10,154,554	17,595,000	64,014,387	123,455,832	26.48%	14,849

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

<sup>1</sup> ADEC Clean Water Loan Program - \$8,263,532 authorized.

<sup>2</sup> ADEC Drinking Water Loan Program - \$13,856,720 authorized.

**Source:** City of Ketchikan financial records

(Un-Audited)

Table 15

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

<b>Fiscal Year</b>	<b>Population (Table 18)</b>	<b>Taxable Assessed Value (Table 7)</b>	<b>General Obligation Bonds</b>	<b>Ratio of GO Debt to Assessed Value of Property</b>	<b>Net GO Debt Per Capita</b>
2005	7,685	\$ 549,889,500	\$ 9,781,348	1.78%	\$ 1,273
2006	7,662	587,592,000	9,062,902	1.54%	1,183
2007	7,732	649,661,700	9,117,734	1.40%	1,179
2008	7,508	718,646,800	8,378,517	1.17%	1,116
2009	7,503	745,354,000	7,618,023	1.02%	1,015
2010	8,050	745,845,700	17,223,830	2.31%	2,140
2011	8,142	745,345,700	16,552,550	2.22%	2,033
2012	8,291	749,698,100	20,732,477	2.77%	2,501
2013	8,313	797,660,600	17,299,458	2.17%	2,081
2014	8,314	805,953,200	62,153,415	7.71%	7,476

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

**Source:** City of Ketchikan financial records

(Un-Audited)

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

<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>	
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
2014	36,458,482	29,062,975	7,395,507	1,810,000	784,780	2.85

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 16

Port Revenue Bonds							
Gross Revenue	Expenses Excluding Depreciation and Lease	Net Available Revenue	Debt Service			Coverage	
			Principal	Interest	Other <sup>2</sup>	Debt Service	Debt Service/ Lease
-	-	-	-	-	-	-	-
7,290,332	2,299,099	4,991,233	-	677,465	-	7.37	-
8,595,881	1,658,254	6,937,627	625,000	1,951,100	-	2.69	-
9,220,727	2,380,586	6,840,141	655,000	1,924,537	2,989,183	2.65	1.24
9,248,432	2,933,667	6,314,765	680,000	1,896,700	2,952,065	2.45	1.13
8,093,975	2,925,697	5,168,278	710,000	1,867,800	2,668,757	2.00	0.99
8,067,105	2,308,515	5,758,590	740,000	1,835,850	2,386,863	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
11,186,885	5,202,311	5,984,574	845,000	1,731,225	2,892,155	2.32	1.09

**City of Ketchikan, Alaska**  
***Direct and Overlapping Governmental Activities Debt***  
***As of December 31, 2014***

Name of Governmental Unit	Debt Outstanding	Estimated Percentage Applicable <sup>1</sup>	Estimated Share of Overlapping Debt
Ketchikan Gateway Borough-Overlapping Debt	-	61.59%	-
City of Ketchikan-Direct Debt	59,441,445	100.00%	<u>59,441,445</u>
Total Direct and Overlapping Debt			<u>\$ 59,441,445</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 FY2014 Comprehensive Annual Financial Report for the year ended June 30, 2014.

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

# **DEMOGRAPHIC AND ECONOMIC INFORMATION**

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

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

(Un-Audited)

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

Year	Population		Personal Income <sup>(1)</sup>	Per Capita	School <sup>(3)</sup> Enrollment
	City	Ketchikan Gateway Borough		Personal Income <sup>(2)</sup>	
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	13,750	778,191,000	56,477	2,201
2013	8,313	13,938	776,938,000	56,591	2,266
2014	8,314	13,856	776,938,000	56,591	2,474

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 2014 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 2014 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 2014 information can be accessed at <http://www.eed.state.ak.us/stats/DistrictEnrollment/2015DistrictEnrollment.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> A change in the way labor force statistics are calculated for sub-state areas makes data prior to 2010 not comparable with other data. The Civilian Labor Force figures are the amounts reflected on State of Alaska website for the Ketchikan Gateway Borough because information specific to the City of Ketchikan is not currently available. The information reflected in this schedule represents the most current data available and may differ from the amounts that have been reported in prior years.

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

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

**Table 18**

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<b>Civilian Labor Force <sup>(4)</sup></b>			<b>Motor</b>
<b>Employed</b>	<b>Unemployed</b>	<b>Unemployment Rate</b>	<b>Vehicles Registered <sup>(5)</sup></b>
7,423	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
6,474	622	8.8%	16,485
6,534	610	8.5%	16,530
6,597	569	7.9%	16,504
6,618	535	7.5%	16,517
6,539	538	7.6%	16,520

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

<b><u>Employer</u></b>	<b>2014<sup>1</sup></b>		<b>2005</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	234	12	307	8
State Government	698	7	629	6
Local Government	1,126	3	1,048	3
Private Ownership	5,527	1	4,973	1
Natural Resource and Mining	1,118	4	154	13
Construction	375	9	275	10
Manufacturing	592	8	454	7
Trade, Transportation and Utilities	1,759	2	1,892	2
Information	93	14	95	14
Financial Activities	368	10	292	9
Professional & Business Services	240	11	211	11
Educational & Health Services	932	5	655	5
Leisure & Hospitality	847	6	741	4
Other Services	179	13	198	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 2014 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 2014.

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.

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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)	
2005	190	19,441,857	589,537,900
2006	199	20,933,707	594,968,200
2007	190	12,120,861	633,321,300
2008	180	24,505,040	697,332,200
2009	198	13,981,121	768,741,400
2010	156	11,084,859	798,108,100
2011	157	106,064,282	800,947,400
2012	139	22,381,845	801,175,000
2013	148	12,109,557	857,398,200
2014	146	52,184,617	869,827,300

## 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>	2005	2006	2007	2008
General government				
Mayor and Council	8.00	8.00	8.00	8.00
Law	2.00	2.00	2.00	2.00
Clerk	2.00	2.00	2.00	2.00
City Manager	4.50	4.50	4.50	4.50
Finance	16.00	16.00	16.00	16.00
Information Technology	7.00	8.00	8.00	9.00
Public Safety				
Fire	18.50	18.50	18.50	19.50
Police	33.80	35.30	35.30	35.80
Culture				
Library	13.86	13.86	13.88	13.33
Museum	9.20	8.45	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>	35.34	39.24	39.24	36.40
Public Works				
Engineering	8.00	9.00	13.00	13.00
Streets	12.00	12.00	12.00	14.00
Solid Waste	9.00	10.00	10.00	11.00
Garage & Warehouse	4.00	4.00	4.00	4.00
Wastewater	7.00	7.00	8.00	8.00
Building Maintenance	1.00	2.00	2.00	2.00
Port and Harbors				
Small Boat Harbors	5.20	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>	7.50	7.50	7.50	7.50
Sales, Marketing & Customer Service <sup>3</sup>	12.50	12.50	12.50	12.50
Electric	40.50	42.00	42.00	42.00
Telephone	42.25	44.50	45.00	47.00
Water	6.50	7.50	7.50	7.50
Total	313.95	327.35	332.87	336.98

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 21**

2009	2010	2011	2012	2013	2014
8.00	8.00	8.00	8.00	8.00	8.00
2.00	2.00	2.00	1.00	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	15.00
8.10	7.00	7.00	7.00	7.00	7.00
20.00	20.00	19.00	19.00	19.00	19.00
35.30	36.30	36.30	36.30	36.30	35.30
13.33	11.83	11.83	12.31	12.31	12.41
8.45	7.45	7.20	7.20	7.20	7.20
3.00	3.00	3.00	3.00	3.00	3.00
19.00					
11.00	11.00	11.50	13.00	12.00	12.00
14.00	13.00	13.00	13.00	13.00	13.00
11.00	11.00	11.00	11.00	11.00	11.00
4.00	4.00	4.00	4.00	4.00	4.00
8.00	8.00	8.00	8.00	8.00	8.00
2.00	2.00	2.00	2.00	2.00	2.00
4.80	4.80	5.40	5.40	5.40	5.40
4.20	4.20	4.60	4.60	4.60	4.60
1.50	1.50	1.50	2.50	2.50	2.50
7.50	4.50	4.50			
16.50	16.00	16.00	16.00	16.83	17.00
42.00	42.00	43.00	43.40	43.40	43.40
41.00	41.00	40.00	43.00	43.92	43.00
7.50	8.50	8.50	10.60	10.60	10.60
314.68	289.58	289.83	292.81	293.56	290.91

(Un-Audited)

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

<b>Function/Program</b>	2005	2006	2007	2008
City Manager				
Personnel Job Postings	117	139	111	130
Information Technology				
Workstations	255	275	281	287
Portables	31	34	39	42
Printers	75	90	96	103
Public Safety				
Fire				
EMS/Rescue Responses	1,112	1,090	1,175	1,242
Fire Responses	70	48	51	60
Volunteer Fire Persons	42	35	33	35
Police				
DUI Offenses	233	243	198	162
Domestic Violence	132	143	154	197
Larceny Offenses	426	444	408	367
Culture				
Library				
Volumes in collection	71,542	65,614	66,057	68,054
Annual Circulation	174,484	161,815	169,743	160,698
Offered Programs	248	238	254	282
Program Attendance	8,826	5,577	5,233	6,877
Museum				
Tongass Historical Museum Attendance	23,122	22,264	21,549	21,116
Tongass Historical Museum Exhibit Openings	4	4	3	4
Totem Heritage Center Attendance	40,345	38,054	36,659	45,228
THC Native Arts Studies Course Offerings	18	18	11	10
Civic Center				
Days Occupied	196	219	199	186
Events	135	139	158	148
Public Works				
Engineering				
Issued Building Permits	190	199	190	180
Solid Waste				
Municipal Solid Waste - tons per day	27.49	27.07	26.35	25.57
Trash - tons per day	11.74	12.07	11.73	12.15
Incineration - tons per day	0.11	0.14	0.09	0.03
Recycle - tons per day	7.55	7.02	8.82	6.02
Port and Harbors				
Reserved Moorage Stalls Rented	780	780	770	758
Transient Moorage Feet Sold	311,390	317,299	291,728	560,453
Cruise Ship Stops	562	503	499	502
Cruise Ship Passengers	921,429	838,880	899,638	941,910
Ketchikan Public Utilities				
Customer Service				
Utility Service Orders	5,739	5,657	5,394	5,538

Sources: Various City Departments

**Table 22**

2009	2010	2011	2012	2013	2014
81	85	137	130	106	100
291	318	318	327	339	351
45	52	52	48	52	66
107	91	91	87	83	89
1,256	1,158	1,196	1,404	1,287	1,401
52	46	434	198	398	406
39	27	27	25	21	17
142	130	122	62	40	55
221	365	181	72	79	75
395	400	415	316	272	263
68,879	69,968	74,228	84,049	77,181	95,427
151,826	190,186	177,454	158,364	178,856	181,105
243	262	243	245	324	572
1,658	6,733	6,230	6,076	8,397	13,151
25,529	20,818	21,451	20,534	25,656	25,593
4	4	4	4	4	3
45,721	43,088	33,603	25,905	30,949	31,266
11	12	10	11	11	12
242	180	174	203	179	143
156	154	132	147	139	90
198	156	157	139	148	146
25.50	24.57	24.53	23.02	23.22	23.54
12.41	12.90	14.14	14.96	12.94	14.64
0.03	0.04	0.02	0.02	0.02	0.03
6.25	6.25	7.13	5.49	18.40	16.53
745	693	726	715	753	735
535,939	529,565	524,316	501,467	343,312	314,517
496	429	426	462	453	468
937,419	828,929	830,547	885,799	938,124	846,636
5,828	5,798	5,417	4,720	4,937	4,120

(Un-Audited)

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

<u>Function/Program</u>	2005	2006	2007	2008
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>	24.71	24.64	24.84	25.07
Miles of Stairways	1	1	1	1
Municipal Parking Lots	36	36	37	37
Cemetery				
Acreage Size	9	9	9	9
Port and Harbors				
Harbors				
Harbor with Boat Launch Ramp	2	2	2	2
Harbor without Boat Launch Ramp	3	3	3	3
Boat Launch Ramp Facility	1	1	1	1
Port Berths	3	3	3	4

<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 23**

2009	2010	2011	2012	2013	2014
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	27.89	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, 2014*

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

**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	
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	7,558	158,146,666	0.1088	0.1068	1,196
2010	7,418	3,207	7,103	156,985,441	0.1016	0.0991	1,087
2011	7,443	3,219	7,057	164,713,929	0.1013	0.0953	1,218
2012	7,518	3,214	6,434	172,190,266	0.1001	0.0955	1,222
2013	7,514	3,206	6,083	170,281,664	0.1136	0.1119	1,220
2014	7,606	3,128	5,863	167,939,155	0.0989	0.0992	1,212

\* 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*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Energy Demand					
Total Sales	145,244,130	152,159,932	154,802,805	159,340,267	158,146,666
System losses	<u>13,225,370</u>	<u>13,044,418</u>	<u>10,001,995</u>	<u>10,641,933</u>	<u>13,668,534</u>
Total	<u>158,469,500</u>	<u>165,204,350</u>	<u>164,804,800</u>	<u>169,982,200</u>	<u>171,815,200</u>
Peak Demand	27,000	28,900	29,000	30,200	30,300
Energy Resources					
KPU Hydroelectric	79,615,400	79,778,150	79,994,900	83,912,500	78,895,500
Southeast Alaska Power Agency <sup>1</sup>	77,529,600	83,596,800	82,195,200	68,294,400	79,027,200
Diesel Generation	<u>1,324,500</u>	<u>1,829,400</u>	<u>2,614,700</u>	<u>17,775,300</u>	<u>13,892,500</u>
Total	<u>158,469,500</u>	<u>165,204,350</u>	<u>164,804,800</u>	<u>169,982,200</u>	<u>171,815,200</u>
Energy Costs (kWh) <sup>2</sup>					
Hydroelectric Generation	\$ 0.0171	\$ 0.0172	\$ 0.0185	\$ 0.0170	\$ 0.0176
Diesel Generation	1.1554	0.8133	0.7305	0.2908	0.3027
Purchased Power <sup>3</sup>	0.0580	0.0583	0.0655	0.0656	0.0659
Total Cost of Production (kWh)	0.0466	0.0468	0.0533	0.0652	0.0629

<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 26**

	2010	2011	2012	2013	2014
	156,985,441	164,713,929	172,190,266	170,281,664	167,939,155
	13,514,059	14,009,987	13,701,858	8,474,536	8,504,552
	<u>170,499,500</u>	<u>178,723,916</u>	<u>185,892,124</u>	<u>178,756,200</u>	<u>176,443,707</u>
	28,800	30,300	27,150	25,900	30,500
	76,062,100	82,594,936	85,816,264	74,703,000	86,755,268
	92,908,800	91,584,000	97,804,800	91,856,000	87,923,000
	<u>1,528,600</u>	<u>4,544,980</u>	<u>2,271,060</u>	<u>12,197,200</u>	<u>1,765,439</u>
	<u>170,499,500</u>	<u>178,723,916</u>	<u>185,892,124</u>	<u>178,756,200</u>	<u>176,443,707</u>
\$	0.0222	\$ 0.0231	\$ 0.0228	\$ 0.0262	\$ 0.0275
	1.0902	0.4867	0.8622	0.3857	0.8715
	0.0610	0.0556	0.0611	0.0630	0.0645
	0.0529	0.0515	0.0532	0.0696	0.0544

(Un-Audited)

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

	2005	2006	2007	2008	2009
Customers (Average)					
Residential	5,616	5,652	5,677	5,731	5,731
Commercial	1,068	1,077	1,091	1,105	1,127
Industrial	14	14	14	14	14
Other	504	508	523	496	493
Total	<u>7,202</u>	<u>7,251</u>	<u>7,305</u>	<u>7,346</u>	<u>7,365</u>
Energy Sales (KWH)					
Residential	56,815,618	59,870,257	62,275,248	65,977,138	66,565,425
Commercial	65,184,075	67,222,118	67,669,664	68,148,711	66,601,484
Industrial	19,919,012	21,181,708	20,865,150	21,275,072	21,215,194
Other	3,325,425	3,885,849	3,992,743	3,939,346	3,764,563
Total	<u>145,244,130</u>	<u>152,159,932</u>	<u>154,802,805</u>	<u>159,340,267</u>	<u>158,146,666</u>
Operating Results					
Operating Revenues					
Revenues from Energy Sales	\$13,247,675	\$14,483,744	\$14,795,312	\$17,729,748	\$16,639,918
Other Operating Revenues	460,057	771,160	567,665	472,660	564,893
Total Operating Revenues	<u>13,707,732</u>	<u>15,254,904</u>	<u>15,362,977</u>	<u>18,202,408</u>	<u>17,204,811</u>
Operating Expenses					
Hydroelectric Generation	945,391	951,476	1,064,215	1,008,647	949,398
Diesel Generation	820,779	778,303	1,230,036	4,504,445	3,536,432
Purchased Power	4,496,621	4,873,547	5,383,696	4,477,324	5,205,128
Transmission and Distribution	1,327,882	1,690,735	1,885,281	1,704,557	2,121,534
Administration and General	1,830,956	2,007,768	1,969,007	2,281,082	2,262,656
Total Operating Expenses	9,421,629	10,301,829	11,532,235	13,976,055	14,075,148
Payment In Lieu of Taxes	333,905	328,965	335,830	335,400	323,730
Total Expenses	<u>9,755,534</u>	<u>10,630,794</u>	<u>11,868,065</u>	<u>14,311,455</u>	<u>14,398,878</u>
Net Revenue	<u>\$3,952,198</u>	<u>\$4,624,110</u>	<u>\$3,494,912</u>	<u>\$3,890,953</u>	<u>\$2,805,933</u>

Table 27

2010	2011	2012	2013	2014
5,756	5,757	5,808	5,819	5,817
1,153	1,165	1,173	1,171	1,201
13	12	13	13	13
496	509	524	511	575
<u>7,418</u>	<u>7,443</u>	<u>7,518</u>	<u>7,514</u>	<u>7,606</u>
64,938,484	68,484,718	71,794,062	68,668,600	67,665,456
66,351,381	69,021,595	71,815,802	72,269,920	72,777,304
21,981,458	23,242,166	24,452,654	25,306,208	23,408,642
3,714,118	3,965,450	4,127,748	4,036,936	4,087,753
<u>156,985,441</u>	<u>164,713,929</u>	<u>172,190,266</u>	<u>170,281,664</u>	<u>167,939,155</u>
\$15,390,910	\$16,244,690	\$16,767,415	\$18,919,766	\$16,323,845
562,291	442,410	464,797	426,644	293,569
<u>15,953,201</u>	<u>16,687,100</u>	<u>17,232,212</u>	<u>19,346,410</u>	<u>16,617,414</u>
1,225,358	1,442,543	1,494,523	1,489,541	1,599,911
1,093,997	1,856,120	1,500,999	4,317,797	1,302,115
5,663,664	5,093,489	5,976,876	5,784,566	5,674,201
2,648,485	2,766,478	3,043,918	3,312,784	3,627,608
1,976,837	2,032,081	1,549,445	1,644,964	1,693,482
12,608,341	13,190,711	13,565,761	16,549,652	13,897,317
351,478	353,954	343,266	381,993	381,993
<u>12,959,819</u>	<u>13,544,665</u>	<u>13,909,027</u>	<u>16,931,645</u>	<u>14,279,310</u>
<u>\$2,993,382</u>	<u>\$3,142,435</u>	<u>\$3,323,185</u>	<u>\$2,414,765</u>	<u>\$2,338,104</u>

(Un-Audited)

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

	2005	2006	2007	2008
Access Lines				
Residential	5,588	5,434	5,036	4,265
Commercial	4,252	4,120	4,003	3,857
Total	9,840	9,554	9,039	8,122
Operating Results				
Operating Revenues				
Local	\$3,257,503	\$3,237,357	\$2,854,206	\$2,644,869
Long Distance	6,955,054	8,403,318	7,745,095	7,449,484
Other	2,164,550	2,433,928	2,874,525	2,914,024
Total Operating Revenues	12,377,107	14,074,603	13,473,826	13,008,377
Operating Expenses				
Operation and Maintenance	4,957,257	5,456,256	6,818,792	6,828,519
Administration and General	2,959,790	3,270,553	2,747,917	2,928,878
Total Operating Expenses	7,917,047	8,726,809	9,566,709	9,757,397
Payment In Lieu of Taxes	151,840	159,575	148,643	149,770
Total Expenses	8,068,887	8,886,384	9,715,352	9,907,167
Net Revenue	\$4,308,220	\$5,188,219	\$3,758,474	\$3,101,210

**Table 28**

2009	2010	2011	2012	2013	2014
4,099	3,836	3,653	3,497	3,326	3,313
3,459	3,267	3,404	2,937	2,757	2,550
<u>7,558</u>	<u>7,103</u>	<u>7,057</u>	<u>6,434</u>	<u>6,083</u>	<u>5,863</u>
\$2,442,452	\$2,274,624	\$2,194,530	\$2,131,351	\$2,100,995	\$2,005,521
8,163,920	8,644,023	8,591,786	8,399,849	8,660,056	9,259,709
3,177,304	3,527,839	3,714,225	4,055,714	4,480,926	4,895,578
<u>13,783,676</u>	<u>14,446,486</u>	<u>14,500,541</u>	<u>14,586,914</u>	<u>15,241,977</u>	<u>16,160,808</u>
7,627,836	6,910,034	7,077,698	8,070,658	8,556,970	9,043,964
3,342,355	3,281,326	3,594,593	3,483,492	3,369,942	3,630,057
10,970,191	10,191,360	10,672,291	11,554,150	11,926,912	12,674,021
<u>175,837</u>	<u>194,376</u>	<u>191,027</u>	<u>192,065</u>	<u>206,358</u>	<u>206,358</u>
<u>11,146,028</u>	<u>10,385,736</u>	<u>10,863,318</u>	<u>11,746,215</u>	<u>12,133,270</u>	<u>12,880,379</u>
<u>\$2,637,648</u>	<u>\$4,060,750</u>	<u>\$3,637,223</u>	<u>\$2,840,699</u>	<u>\$3,108,707</u>	<u>\$3,280,429</u>

(Un-Audited)

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

	2005	2006	2007	2008	2009
Customers (Average)					
Residential	2,493	2,586	2,776	2,769	2,748
Apartments	15	15	16	18	18
Commercial	406	420	424	422	435
Industrial	7	6	7	7	6
Cannery	3	3	3	3	4
Fire Hydrant	4	4	4	4	6
Marine Vessels	33	25	25	31	29
<b>Total</b>	<b>2,961</b>	<b>3,059</b>	<b>3,255</b>	<b>3,254</b>	<b>3,246</b>
Operating Results					
Operating Revenues					
Revenues from Water Sales	\$1,585,241	\$1,721,181	\$1,926,563	\$2,028,651	\$2,251,001
Other Operating Revenues	21,677	34,922	23,185	36,547	71,049
<b>Total Operating Revenues</b>	<b>1,606,918</b>	<b>1,756,103</b>	<b>1,949,748</b>	<b>2,065,198</b>	<b>2,322,050</b>
Operating Expenses					
Source of Supply	264,837	309,422	252,829	261,141	265,409
Chlorination/Disinfection	195,091	183,419	203,440	231,838	247,069
Distribution	270,334	270,097	246,039	255,369	268,791
Maintenance	696,121	675,119	693,646	640,274	639,739
Administration and General	316,161	357,042	359,460	447,091	429,465
<b>Total Operating Expenses</b>	<b>1,742,544</b>	<b>1,795,099</b>	<b>1,755,414</b>	<b>1,835,713</b>	<b>1,850,473</b>
Payment In Lieu of Taxes	164,255	161,460	165,527	164,830	175,433
<b>Total Expenses</b>	<b>1,906,799</b>	<b>1,956,559</b>	<b>1,920,941</b>	<b>2,000,543</b>	<b>2,025,906</b>
<b>Net Revenue</b>	<b>(\$299,881)</b>	<b>(\$200,456)</b>	<b>\$28,807</b>	<b>\$64,655</b>	<b>\$296,144</b>

**Table 29**

2010	2011	2012	2013	2014
2,738	2,743	2,727	2,724	2,650
17	17	20	21	25
436	442	451	444	436
5	5	4	4	3
4	5	4	5	6
7	7	8	8	8
26	28	29	38	34
<u>3,233</u>	<u>3,247</u>	<u>3,243</u>	<u>3,244</u>	<u>3,162</u>
\$2,535,859	\$2,899,352	\$2,935,454	\$3,081,904	\$3,174,900
39,608	85,948	48,168	47,024	33,795
<u>2,575,467</u>	<u>2,985,300</u>	<u>2,983,622</u>	<u>3,128,928</u>	<u>3,208,695</u>
330,625	232,238	259,083	450,456	393,529
228,238	217,441	233,871	301,718	311,254
241,667	238,281	413,547	362,562	397,994
718,571	1,073,567	999,167	1,110,737	957,414
345,242	470,753	378,671	411,626	431,446
<u>1,864,343</u>	<u>2,232,280</u>	<u>2,284,339</u>	<u>2,637,099</u>	<u>2,491,637</u>
<u>182,146</u>	<u>183,019</u>	<u>192,669</u>	<u>197,649</u>	<u>197,649</u>
<u>2,046,489</u>	<u>2,415,299</u>	<u>2,477,008</u>	<u>2,834,748</u>	<u>2,689,286</u>
<u>\$528,978</u>	<u>\$570,001</u>	<u>\$506,614</u>	<u>\$294,180</u>	<u>\$519,409</u>



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**CITY OF KETCHIKAN, ALASKA**  
*Utility Rates and Charges*  
*For the Year Ending December 31, 2014*

<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	
	49.95	DSL Basic (Download Speed 3M and Upload Speed 1M)	
	59.95	DSL Regular (Download Speed 5M and Upload Speed 1M)	
	49.95	IPTV Basic (Does not include \$9.95 for High Definition Service)	
Business	17.95	per single or multi-business line plus \$9.20 for FCC subscriber line charge	
	59.95	DSL Basic (Download Speed 3M and Upload Speed 1M)	
	69.95	DSL Regular (Download Speed 5M and Upload Speed 1.5M)	
	49.95	IPTV Basic (Does not include \$9.95 for High Definition Service)	
Customer Premise Visit	35.00		
<b>Water</b>			
<b>Residential</b>			
Homes & Trailers	46.34	per unit	
1-4 apartments	46.34	per unit	
5-24 apartments	42.23	per unit	
25+ apartments	36.23	per unit	
<b>Business</b>			
	48.31	plus size of line charges as follows	
1 inch	32.19		
1-1/4 inch	96.60		
1-1/2 inch	185.16		
2 inch	336.42		
2-1/2 inch	521.28		
3 inch	788.89		
4 inch	1,340.34		
<b>Industrial</b>			
	<u>Line Charges</u>		
5/8 and 3/4 inch	64.39		
1 inch	96.60		
1-1/4 inch	161.01		
1-1/2 inch	251.54		
2 inch	384.39		
2-1/2 inch	583.86		
3 inch	882.45		
4 inch	1,442.93		
6 inch	2,404.93		
8 inch	2,666.55		
Over 8 inch	by special contract		
<b>Canneries</b>			
		Per Season	
		5/8 and 1 inch	\$690.36
		1 1/4 inch	1,239.67
		1-1/2 inch	1,655.36
		2 inch	4,951.21

(Un-Audited)

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

	2005	2006	2007	2008	2009
<b>Assets</b>					
Cash	\$ 7,066,674	\$ 4,529,687	\$ 8,471,112	\$ 4,939,650	\$ 4,827,125
Port Facilities (net)	9,762,409	10,405,568	41,226,714	46,312,527	44,947,620
Construction Work in Progress	1,632,135	26,082,665	3,493,927	832,620	963,018
Restricted Assets		19,872,348	4,743,690	4,215,908	4,819,708
Prepaid Expense				1,002,572	1,019,538
Other Assets	47,113	515,697	560,772	1,100,476	710,905
<b>Total assets</b>	<u>18,508,331</u>	<u>61,405,965</u>	<u>58,496,215</u>	<u>58,403,753</u>	<u>57,287,914</u>
<b>Liabilities and Net Position</b>					
General Obligation Bonds Payable	1,880,000	1,685,000	1,480,000	1,265,000	1,035,000
Revenue Bonds Payable		38,500,000	37,875,000	37,220,000	36,540,000
Other Liabilities	3,759,032	7,105,081	5,130,176	4,191,404	3,147,957
<b>Total liabilities</b>	<u>5,639,032</u>	<u>47,290,081</u>	<u>44,485,176</u>	<u>42,676,404</u>	<u>40,722,957</u>
<b>Net Position</b>	<u>\$ 12,869,299</u>	<u>\$ 14,115,884</u>	<u>\$ 14,011,039</u>	<u>\$ 15,727,349</u>	<u>\$ 16,564,957</u>
<b>Operating Revenues</b>	<u>\$ 7,096,948</u>	<u>\$ 6,427,207</u>	<u>\$ 7,895,063</u>	<u>\$ 8,839,267</u>	<u>\$ 8,922,228</u>
<b>Operating Expenses</b>					
Operation and Maintenance	\$ 1,945,688	\$ 2,299,099	\$ 1,506,749	\$ 3,653,251	\$ 5,522,050
Depreciation	618,708	657,485	985,775	1,390,850	1,460,265
Payment in Lieu of Taxes/Taxes	102,100	102,100	102,100	282,770	290,000
<b>Total operating expenses</b>	<u>2,666,496</u>	<u>3,058,684</u>	<u>2,594,624</u>	<u>5,326,871</u>	<u>7,272,315</u>
<b>Operating Income</b>	<u>4,430,452</u>	<u>3,368,523</u>	<u>5,300,439</u>	<u>3,512,396</u>	<u>1,649,913</u>
<b>Non-Operating Revenue (Expense)</b>	<u>(68,390)</u>	<u>(310,285)</u>	<u>(1,697,827)</u>	<u>(1,933,922)</u>	<u>(1,738,365)</u>
<b>Income Before Contributions, Extraordinary Item &amp; Transfers</b>	4,362,062	3,058,238	3,602,612	1,578,474	(88,452)
Contributions	12,251	42,006	1,864,611	740,672	366,424
Capital Grants					559,636
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>	<u>\$ (504,156)</u>	<u>\$ 1,246,585</u>	<u>\$ (104,846)</u>	<u>\$ 1,716,310</u>	<u>\$ 837,608</u>
Revenue Bond Debt Coverage:					
1.25 x Annual Debt Service	N/A	7.37	2.69	2.65	2.45
1.0 x Annual Debt Service/Reserves					
Account/Repair and Replacement					
Fund/SPH Lease Payments	N/A	N/A	N/A	1.24	1.13
# of Ships	37	36	36	37	36
# of Calls/Stops	562	503	499	502	496
# of Water Passengers	921,429	837,498	894,216	930,958	926,051

Table 31

2010	2011	Restated <sup>1</sup> 2012	2013	2014
\$ 4,364,226	\$ 2,373,808	\$ 2,285,517	\$ 2,900,167	\$ 5,504,277
43,642,947	42,121,390	47,867,526	53,659,903	54,481,904
1,116,782	5,531,746	5,066,048	5,449,151	200,947
5,307,521	5,623,924	6,082,097	6,595,730	8,724,101
752,856	782,959	1,055,740	1,124,342	1,021,346
528,456	2,786,483	3,080,061	5,546,430	2,903,333
55,712,788	59,220,310	65,436,989	75,275,723	72,835,908
795,000	540,000	270,000	-	-
35,830,000	35,090,000	34,315,000	33,505,000	32,660,000
3,134,814	2,847,180	1,072,313	1,699,380	860,042
39,759,814	38,477,180	35,657,313	35,204,380	33,520,042
\$ 15,952,974	\$ 20,743,130	\$ 29,779,676	\$ 40,071,343	\$ 39,315,866
\$ 8,000,492	\$ 7,986,404	\$ 8,592,255	\$ 9,145,920	\$ 8,578,059
\$ 5,486,471	\$ 4,110,674	\$ 4,026,731	\$ 4,582,100	\$ 4,726,515
1,446,527	1,401,754	1,359,513	1,636,863	1,587,253
295,000	295,000	295,000	319,000	319,000
7,227,998	5,807,428	5,681,244	6,537,963	6,632,768
772,494	2,178,976	2,911,011	2,607,957	1,945,291
(1,917,727)	(1,889,022)	(1,794,603)	(1,740,642)	(1,581,717)
(1,145,233)	289,954	1,116,408	867,315	363,574
14,306	29,536	2,018,165	1,993,212	2,491,297
518,944	4,654,981	6,214,416	8,676,543	4,407,753
	(184,315)	(8,178)	(80,199)	(5,018,804)
			(1,165,204)	(2,999,297)
\$ (611,983)	\$ 4,790,156	\$ 9,340,811	\$ 10,291,667	\$ (755,477)
2.00	2.24	3.36	3.03	2.32
0.99	1.16	1.67	1.42	1.09
26	28	34	31	37
429	426	467	456	468
820,914	830,547	885,799	938,124	877,589



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