A scenic sunset over a body of water with mountains in the background and a tree branch in the foreground. The sun is low on the horizon, creating a bright orange and yellow glow that reflects on the water. The sky transitions from a deep blue at the top to a lighter orange near the horizon. The foreground shows a dark, rocky shoreline with some sparse vegetation.

Ketchikan Gateway Borough
Ketchikan, Alaska

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Photo provided by Ward S. Mace
Photo may not be reproduced without the permission of the photographer.

KETCHIKAN GATEWAY BOROUGH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2014

Prepared by:

Department of Finance

Michael J. Houts, Director
Maureen Crosby-CPA, Controller
1900 First Avenue, Suite 118
Ketchikan, Alaska 99901



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Ketchikan Gateway Borough, Alaska
Comprehensive Annual Financial Report
For The Year Ended June 30, 2014

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INTRODUCTORY SECTION



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KETCHIKAN GATEWAY BOROUGH

1900 FIRST AVENUE, SUITE 118 • KETCHIKAN, ALASKA 99901

Michael J. Houts, Finance Director

• 907/228-6649 • fax 907/247-6698

OFFICE OF THE BOROUGH FINANCE DEPARTMENT

December 19, 2014

Honorable Mayor, Members of the Borough Assembly,
and the Citizens of the Borough of Ketchikan

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Ketchikan Gateway Borough, Alaska for the year ended June 30, 2014. The CAFR is designed for the public to understand the operational accountability with the government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information.

The CAFR was prepared by the Ketchikan Gateway Borough Finance Department and subsequently audited by BDO USA, LLP. 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 Borough's assets from loss, theft, or misuse and to maintain sufficient reliable information for the preparation of the Borough'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 Borough's financial statements were audited by BDO USA, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Borough for the year ended June 30, 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 Borough's financial statements for the year ended June 30, 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.

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 Borough's MD&A can be found immediately following the independent auditor's report.

PROFILE OF THE KETCHIKAN GATEWAY BOROUGH

Located on Revillagigedo Island in southern Southeast Alaska, and within the boundaries of the Tongass National Forest, Ketchikan is 650 miles north of Seattle, Washington, and 200 miles south of Juneau, Alaska's capital. Its boundaries extend around Revillagigedo Island, Gravina Island, Pennock Island and other smaller islands with the defined boundaries. The State Boundary recently approved the Ketchikan

Gateway Borough's application to annex approximately 4,510 square miles. The annexation was acted on in the 2009 session of the Alaska State Legislature. Access is limited to air and marine transportation. The Borough is situated at the southern end of the 16.7-million-acre Tongass National Forest (the Tongass). The Tongass is the largest national forest in the United States. Harvesting and promoting the natural resources of the Tongass provide employment opportunities, directly or indirectly for the Borough. The City of Ketchikan and the City of Saxman are incorporated cities within the Borough.

The Borough has operated under the Assembly-Manager form of government since 1963. Ketchikan Gateway Borough is organized as a second class Borough. The Mayor and seven Assembly Members are elected by the Community at large for staggered three-year terms. Local elections are held annually in October. The Assembly is responsible for enacting ordinances, adopting the annual budget, establishing policy, and appointing the Borough Manager, Borough Clerk and Borough Attorney.

The School District is reported as a discretely presented component. Pension plans, including the State of Alaska Public Employees' Retirement System, and the International Brotherhood of Electrical Workers plan have not met the established criteria for inclusion with the reporting entity and, accordingly, are excluded from this report.

The Borough operates enterprise (funds) services for the Ketchikan International Airport, including the ferry and operates an enterprise fund for areawide services for wastewater. The Borough is responsible for property tax assessments, tax collection and senior citizen exemptions, and funding and construction services for schools. Nonareawide services are provided for water, and fire protection to service areas. The Transit System is operated within the General Fund.

The annual budget serves as the foundation for the Borough's financial plan and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Ketchikan Gateway Borough Assembly. Departments are required to submit requests for appropriation to the Borough Manager. The Borough Manager uses these requests as a basis for developing a proposed annual budget that is submitted to the Borough Assembly by the first regular Assembly meeting in May. Upon adoption of the budget, the manager may authorize the transfer of funds within a fund. The transfer of money between funds require an action of the for Assembly ratification. 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 funds of the Borough, this comparison is presented as part of the basic financial statements. For nonmajor governmental funds with appropriated budgets, this comparison is presented in the governmental fund subsection of this report.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment with which the Borough operates.

Local Economy

In the spring of 2012, the operating interests of the Ketchikan Shipyard, one of Ketchikan's largest employers, was sold by Alaska Ship and Drydock, Inc., to Vigor Industrial, LLC (Vigor). The Borough Assembly endorsed the proposed sale with the expectation that Vigor's greater financial capacity would serve the economic development interests of the community. State and Federal grants funded a \$31 million ship assembly hall and an additional \$10 million for a steel fabrication shop was completed in 2014.

In 2010, the State of Alaska acquired ownership of upland and tideland properties in Ward Cove from the Ketchikan Gateway Borough consisting of 9.5 acres of uplands and 20.5 acres of tidelands. The State subsequently contracted for a master plan and feasibility study of the acquired property and refurbished an existing building into new office space and storage areas, now being used for the marine engineering staff. Alaska Marine Highway System (AMHS) management and vessel operations staff continue to occupy an adjacent building.

Plans provide for the relocation of all Ketchikan based AMHS management and engineering functions to the new office space. Plans also call for working and layup berths for AMHS vessels. The Ward Cove berthing facility will ultimately provide a functional replacement for the AMHS South Berth facility that is presently sited adjacent to the Ketchikan Shipyard facility. The South Berth facility can then be utilized for shipyard purposes.

An AMHS feasibility study document outlines various phases and costs. The estimated project costs for the development of all desired features for AMHS and NOAA are in excess of \$30 million and a phased approach is required to accommodate funding limitations.

Project development efforts are currently separated into the following primary phases:

Phase 1A: Design, Permitting, Dredging and Uplands Development - \$7 million.

Phase 1B: Marine Facilities (AMHS Working Berth and NOAA berth) - \$20 million.

Phase 1C: Terminal Building, AMHS Passenger Amenities & Uplands Paving - \$3 million.

Current project development efforts are focused on Phase 1A which includes most of the project permitting, design, offshore dredging needs and some upland development work. Phase 1A is specifically structured to meet the current funding of \$7.5 million.

In 2012, the Borough Assembly authorized a Memorandum of Understanding with Niblack Project, LLC. The Niblack Project is a copper-zinc-gold-silver prospect in an advanced exploration phase of development located off Moira Sound on southeastern Prince of Wales Island. The site is southwest of Ketchikan, approximately 38 miles by boat from the Ketchikan International Airport Reserve.

The agreement provides for the prospect of an industrial site to process ore on the Gravina Island Industrial Complex. The industrial complex is located on the Ketchikan International Airport Reserve. The ore-processing mill is expected to generate 60 to 80 full time jobs for a minimum of twelve years.

In 2014, the Alaska Legislature granted authority to the Alaska Industrial Development and Export Authority to issue bonds, not to exceed \$125 million, to finance the infrastructure and construction costs of the Niblack project. The Niblack project includes a mineral processing mill, an associated dock, and loading and related infrastructure facilities at the Gravina Island Industrial Complex, as well as infrastructure at the project site on Prince of Wales Island.

The 2014 Legislature also granted authority to the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project approximately 40 miles west of Ketchikan. The principal amount of the bonds provided by the Authority for the Bokan-Dotson Ridge rare earth element project may not exceed \$145 million.

Ketchikan's tourism industry is expected to experience between 800,000 to 900,000 cruise ship visitors. In calendar year 2013, 896,084 cruise passengers visited Ketchikan. For purposes of the Commercial Passenger Vessel (CPV) Excise Tax Fund, it is conservatively estimated that 800,000 CPV excise

taxpaying passengers will visit Ketchikan in calendar year 2014. A number of factors, including the health of the tourism industry, affect sales tax proceeds.

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 Ketchikan Gateway Borough for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This is the eighth consecutive year that the Borough has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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 Achievements 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 requires input from the professional staff of the Finance Department. Without their efforts, it would not have been possible to produce this report. We would like to thank the following staff members for their efforts and contributions:

Tracey Benner
Brenda Bjork
Aubree Kline
Claire Lervick
Marva Lee Otos
Pam Srna
Charlanne Thomas

Respectively submitted,



Michael J. Houts
Finance Director



Maureen Crosby, CPA
Controller



Government Finance Officers Association

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

Presented to

**Ketchikan Gateway Borough
Alaska**

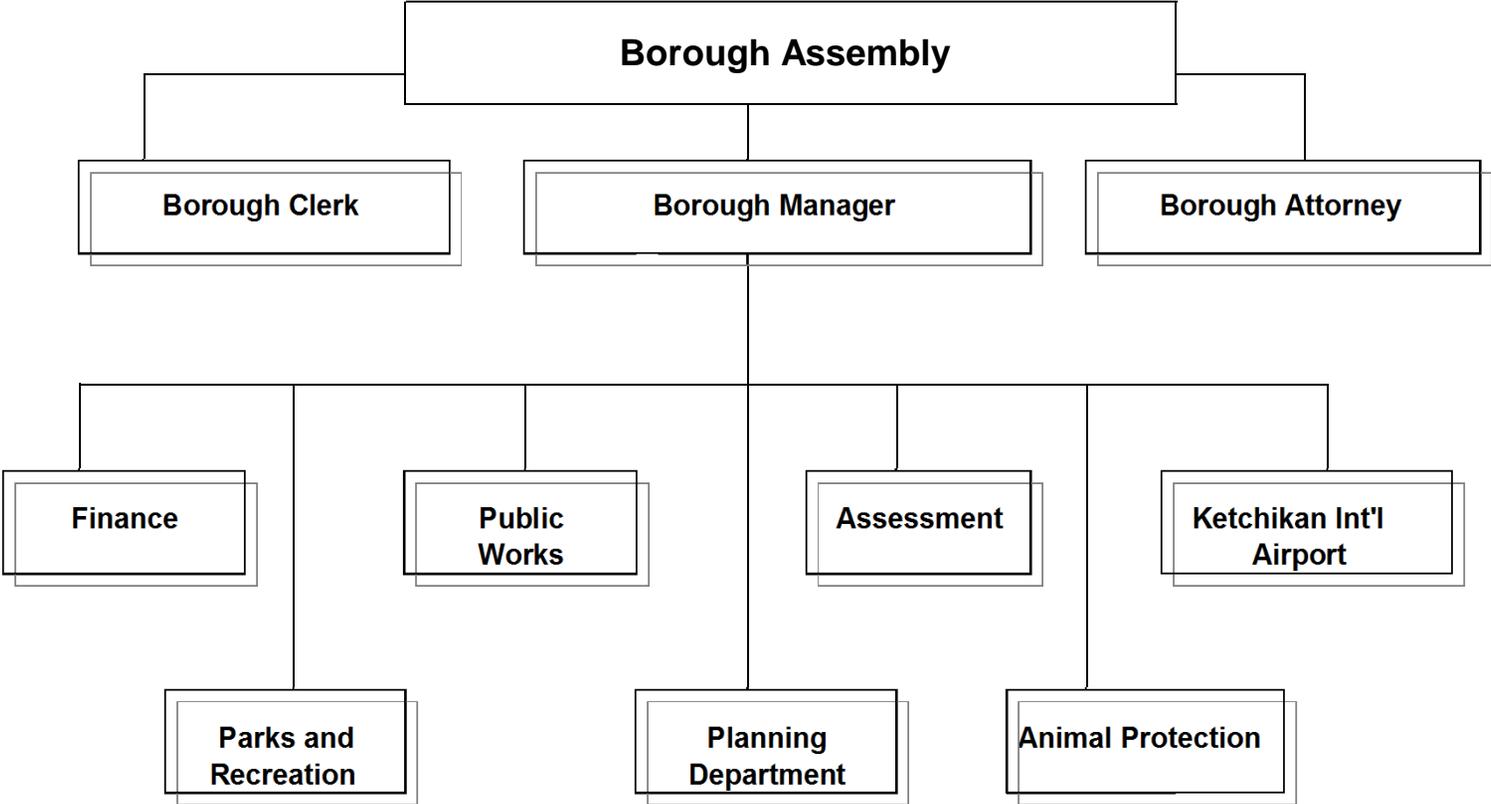
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

KETCHIKAN GATEWAY BOROUGH

Fiscal Year 2013/2014



KETCHIKAN GATEWAY BOROUGH

PRINCIPAL BOROUGH OFFICIALS

June 30, 2014

MAYOR AND ASSEMBLY

| | |
|------------------------|---------------|
| <i>Mayor</i> | Dave Kiffer |
| <i>Vice-Mayor</i> | Agnes Moran |
| <i>Assembly Member</i> | Alan Bailey |
| <i>Assembly Member</i> | Bill Rotecki |
| <i>Assembly Member</i> | Glen Thompson |
| <i>Assembly Member</i> | Jim Van Horn |
| <i>Assembly Member</i> | Mike Painter |
| <i>Assembly Member</i> | Todd Phillips |

The legislative power of the Ketchikan Gateway Borough is vested in an assembly of seven members. This assembly meets in regular session every first and third Monday of the month in the Assembly Chambers located in the White Cliff Building at 1900 First Avenue, Ketchikan, Alaska.

BOROUGH STAFF

| | |
|--|--------------------------|
| <i>Borough Manager</i> | Dan Bockhorst |
| <i>Assistant Borough Manager</i> | Cynna Gubatayao |
| <i>Borough Attorney</i> | Scott A. Brandt-Erichsen |
| <i>Borough Clerk</i> | Kacie Paxton |
| <i>Director of Animal Protection</i> | Eddie Blackwood |
| <i>Director of Assessment</i> | Jeff Hurt |
| <i>Director of Finance</i> | Michael Houts |
| <i>Director of Planning</i> | Tom Williams |
| <i>Airport Manager</i> | Mike Carney |
| <i>Director of Public Works</i> | Ed Schofield |
| <i>Parks and Recreation Supervisor</i> | Wendy Miller |



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FINANCIAL SECTION



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Independent Auditor's Report

Honorable Mayor and Borough Assembly
Ketchikan Gateway Borough

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ketchikan Gateway Borough, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's 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 of 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ketchikan Gateway Borough, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, the Land Trust, School Bond Capital Improvements, and the Economic Development Assistance Program, 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 Management's Discussion and Analysis on pages 13 through 27 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

Supplementary Information

Our audit for the year ended June 30, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ketchikan Gateway Borough's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are 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 for the year ended June 30, 2014 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 accompanying combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2014.

Supplementary Information, continued

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Ketchikan Gateway Borough as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 24, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2013 financial statements. The information has been subjected to the auditing procedures applied in the audit of the June 30, 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

The accompanying introductory and statistical sections, as listed in the table of contents, 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of Ketchikan Gateway Borough'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 the 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 Ketchikan Gateway Borough's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
December 19, 2014



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KETCHIKAN GATEWAY BOROUGH
Management's Discussion and Analysis
Year Ended June 30, 2014

Within this section of Ketchikan-Gateway Borough, Alaska (the Borough) annual financial report, the Borough's management is pleased to provide this narrative discussion and analysis of the financial activities of the Borough for the fiscal year ended June 30, 2014. The Borough's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Borough's net position exceeded its liabilities by \$177,394,515 for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$150,578,370 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$7,148,989 is restricted by constraints imposed from outside the Borough such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$19,667,156 indicates that the Borough has available assets to maintain the Borough's continuing obligations to citizens and creditors.
- The Borough's governmental funds reported total ending fund balances of \$33,981,867 this year. This compares to the prior year ending fund balance of \$33,803,594 showing an increase of \$178,273 during the current year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$7,790,668 or 42% of total General Fund expenditures.

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

Overview of the Financial Statements

This Management's Discussion and Analysis document introduces the Borough'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 Borough also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

Government-wide Financial Statements

The Borough's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Borough'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 Borough'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 Borough as a whole is improving or deteriorating. Evaluation of the overall health of the Borough would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of Borough 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 Borough's net position changed during the current fiscal 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 Borough's distinct activities or functions on revenues provided by the Borough's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Borough 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, library services, public services, fire and EMS, parks and recreation, public works, and education. Business-type activities include the airport and the wastewater systems.

The government-wide financial statements are presented on pages 28 & 29 of this report.

Fund Financial Statements

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

The Borough 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 Borough's governmental funds. These statements report short-term fiscal 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. The budgetary comparison statements for the General Fund, the Land Trust Fund, the School Bond/Capital Improvements Fund, and the Economic Development Assistance Program Fund are presented as basic financial statements. There are no budgetary comparison statements for the State & Federal Grants Fund or for the Capital Projects Fund. State and Federal grants are not budgeted for, since funds are not normally appropriated by the agency until after the completion of the local budget process. Grants from other agencies are approved and accepted by the Assembly by resolution. Major Capital Projects are also not budgeted through the normal budget process because they are budgeted and approved by the Assembly when contracts are awarded.

The basic governmental fund financial statements are presented on pages 30 – 41 of this report.

Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the Borough charges customers a fee. The Borough has four proprietary funds. Two 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 Borough organization for the airport operations and sewer utilities.

The basic enterprise fund financial statements are presented on pages 42 - 45 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 48 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Borough's budget presentations, other than those funds referenced above. These statements and schedules demonstrate compliance with the Borough's adopted and final revised budget. As discussed, the Borough reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on page 82.

Financial Analysis of the Borough as a Whole

The Borough's net position at fiscal year-end is \$177,394,515. The following table provides a summary of the Borough's net position.

(This page continued on the subsequent page).

Summary of Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|--------------------------------|-------------|---------------------------------|-------------|--------------|-------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Assets: | | | | | | |
| Current assets | \$ 40,058,191 | 39,634,198 | 70,494 | 981 | 40,128,685 | 39,635,179 |
| Capital assets | 165,538,562 | 166,827,864 | 29,131,474 | 28,458,282 | 194,670,036 | 195,286,146 |
| Total Assets | 205,596,753 | 206,462,062 | 29,201,968 | 28,459,263 | 234,798,721 | 234,921,325 |
| Deferred Outflows | | | | | | |
| Loss on refunding | 555,408 | 641,253 | - | - | 555,408 | 641,253 |
| Total Assets and Deferred Outflows | \$ 206,152,161 | 207,103,315 | 29,201,968 | 28,459,263 | 235,354,129 | 235,562,578 |
| Liabilities: | | | | | | |
| Current liabilities | \$ 10,894,098 | 10,728,586 | 292,941 | 362,663 | 11,187,039 | 11,091,249 |
| Long-term liabilities | 46,707,274 | 50,651,927 | 65,301 | 51,389 | 46,772,575 | 50,703,316 |
| Total Liabilities | 57,601,372 | 61,380,513 | 358,242 | 414,052 | 57,959,614 | 61,794,565 |
| Net Position: | | | | | | |
| Net investment in capital assets | 121,446,896 | 119,848,381 | 29,131,474 | 28,458,282 | 150,578,370 | 148,306,663 |
| Restricted | 7,148,989 | 13,928,936 | - | - | 7,148,989 | 13,928,936 |
| Unrestricted (deficit) | 19,954,904 | 11,945,485 | (287,748) | (413,071) | 19,667,156 | 11,532,414 |
| Total Net Position | \$ 148,550,789 | 145,722,802 | 28,843,726 | 28,045,211 | 177,394,515 | 173,768,013 |

Approximately 33.2% or \$9,900,607, of Ketchikan Gateway Borough's cash and investments are subject to external restrictions on how they must be used. \$407,596 is restricted for debt in the Land Trust Fund, \$5,454,427 is restricted for capital projects, and \$4,038,584 is restricted for commercial passenger vessel related projects.

The largest component of the Borough's governmental total assets is invested in capital assets. Capital assets account for 80.3% of total assets and deferred outflows and net investment in capital assets accounts for 81.7% of total net position. The Borough's capital assets include land, Borough buildings and improvements, School District buildings and improvements, vehicles, transit buses, and infrastructure. The Borough uses these capital assets to provide services to its citizens. However, with business type activities, the Borough has spent approximately 99.7% of its total assets on capital. Capital assets in the business-type activities provide airport and utility services, but they also generate revenues for these funds. 84.8% of the Borough's total net position is included in capital assets. The Borough's total net position increased by \$3,626,502 during fiscal year 2014. Net investment in capital assets for governmental activities increased by \$1,598,515 and net investment in capital assets for business type activities increased by \$673,192.

The current ratio for governmental activities is 3.7 to 1 and .24 to 1 for business type activities. This compares to 3.7 to 1 for governmental activities and .003 to 1 for business type activities for fiscal year 2013.

Changes in Net Position

The Borough's total net position increased by \$3,626,502 in 2014. The net position for governmental activities increased by \$2,827,987 and the net position for business-type activities increased by \$798,515. The following table provides a summary of the changes in the Borough's net position:

| | Summary of Changes in Net Position | | | | | |
|--------------------------------|---|--------------------|---------------------------------|-------------------|--------------------|--------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program: | | | | | | |
| Charges for services | \$ 7,625,377 | 6,956,266 | 4,998,364 | 4,434,184 | 12,623,741 | 11,390,450 |
| Operating grants | 4,072,710 | 3,738,574 | 73,994 | 2,710,000 | 4,146,704 | 6,448,574 |
| Capital grants | 4,503,237 | 3,529,066 | 1,865,802 | 1,310,860 | 6,369,039 | 4,839,926 |
| General: | | | | | | |
| Taxes | 17,927,043 | 17,608,528 | - | - | 17,927,043 | 17,608,528 |
| Other | 4,031,270 | 3,973,154 | 236,474 | 241,530 | 4,267,744 | 4,214,684 |
| Total revenues | <u>38,159,637</u> | <u>35,805,588</u> | <u>7,174,634</u> | <u>8,696,574</u> | <u>45,334,271</u> | <u>44,502,162</u> |
| Program Expenses: | | | | | | |
| General government | 3,514,098 | 4,623,576 | - | - | 3,514,098 | 4,623,576 |
| Fire and EMS | 1,376,751 | 1,252,822 | - | - | 1,376,751 | 1,252,822 |
| Water treatment & distribution | 318,826 | 249,401 | - | - | 318,826 | 249,401 |
| Library services | 422,570 | 410,326 | - | - | 422,570 | 410,326 |
| Parks and recreation | 3,338,139 | 2,601,546 | - | - | 3,338,139 | 2,601,546 |
| Public works | 1,001,996 | 1,209,701 | - | - | 1,001,996 | 1,209,701 |
| Public services | 5,342,481 | 3,875,327 | - | - | 5,342,481 | 3,875,327 |
| Transit | 2,164,006 | 2,071,438 | - | - | 2,164,006 | 2,071,438 |
| Education | 15,357,268 | 14,465,416 | - | - | 15,357,268 | 14,465,416 |
| Interest | 2,310,634 | 2,394,406 | - | - | 2,310,634 | 2,394,406 |
| Airport | - | - | 5,679,424 | 5,810,984 | 5,679,424 | 5,810,984 |
| Wastewater | - | - | 881,576 | 897,029 | 881,576 | 897,029 |
| Total expenses | <u>35,146,769</u> | <u>33,153,959</u> | <u>6,561,000</u> | <u>6,708,013</u> | <u>41,707,769</u> | <u>39,861,972</u> |
| Excess (deficiency) | 3,012,868 | 2,651,629 | 613,634 | 1,988,561 | 3,626,502 | 4,640,190 |
| Transfers | <u>(184,881)</u> | <u>(1,652,342)</u> | <u>184,881</u> | <u>1,652,342</u> | <u>-</u> | <u>-</u> |
| Change in net position | 2,827,987 | 999,287 | 798,515 | 3,640,903 | 3,626,502 | 4,640,190 |
| Net Position Beginning of Year | <u>145,722,802</u> | <u>144,723,515</u> | <u>28,045,211</u> | <u>24,404,308</u> | <u>173,768,013</u> | <u>169,127,823</u> |
| Net Position End of Year | <u>\$ 148,550,789</u> | <u>145,722,802</u> | <u>28,843,726</u> | <u>28,045,211</u> | <u>177,394,515</u> | <u>173,768,013</u> |

GOVERNMENTAL REVENUES

The Borough is heavily reliant on property and sales taxes to support governmental operations and capital. Property taxes of \$8.2 million accounted for approximately 37.2% of the total general revenues. Sales taxes provided 39.3% of the Borough's total governmental tax revenues. The Borough recognized \$54,254 in investment income for fiscal year 2014. The total income was from market changes in investment accounts, and interest charged on internal loans to other funds. Also, note that program revenues cover 53.9% of governmental operating expenses; this is a decrease of 3.2% over the prior year. As a result, the general economy and the Borough businesses have a major impact on the Borough's revenue streams. In addition, the cruise industry has a major impact on the Borough's economy as we explain later in this document

GOVERNMENTAL FUNCTIONAL EXPENSES

Public services account for 15.20% of our total costs. This is 3.51% more than the cost for public services for fiscal year 2013. Library services account for 1.21% of our total cost. 43.69% of our resources are used to fund the school district, which is a .06% increase from fiscal year 2013. General government costs were 10.00% of total cost. The total cost of services for all governmental functions increased by \$1,995,810 or 6.0% from fiscal year 2013. The total net cost of governmental functions for fiscal year 2014 increased by \$15,392 or .08%. There was a reduction in the net cost of providing general government, public works, public services, transit, education, and interest and an increase in the net cost of providing all other services. The net cost of services increased a nominal amount from fiscal year 13. The government's taxpayers and the Borough's other general governmental revenues fund 53.9% of governmental activities as compared to 57.09% for fiscal year 2013. The Borough received \$2,354,049 or 6.5% more in revenue and expended \$1,992,810 or 6.0% more in fiscal year 2014 than in 2013.

This table presents the cost of each of the Borough's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the Borough's taxpayers by each of these functions.

| | Total Cost of Services | | Net Cost (Benefit) of Services |
|-----------------------------------|------------------------|-------------|--------------------------------------|
| | Amount | % | Amount |
| General government | \$ 3,514,098 | 10.00% | 3,272,002 |
| Fire and EMS | 1,376,751 | 3.92% | 897,093 |
| Water treatment & distribution | 318,826 | 0.91% | 101,677 |
| Library services | 422,570 | 1.21% | 422,570 |
| Parks and recreation | 3,338,139 | 9.50% | 2,422,878 |
| Public works | 1,001,996 | 2.85% | 950,191 |
| Public services | 5,342,481 | 15.20% | 3,374,423 |
| Transit | 2,164,006 | 6.16% | (159,888) |
| Education | 15,357,268 | 43.69% | 5,960,847 |
| Interest | 2,310,634 | 6.57% | 1,703,652 |
| Total | \$ 35,146,769 | 100% | 18,945,445 |

After reducing gross expenses by program revenues, the program costs exceeded program revenues for public services by \$2,422,878 or 12.7 % of the net cost. Education accounts for 31.5% of the net cost as compared to 33.6% for 2013.

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

The primary enterprise fund of Ketchikan Gateway Borough is the Airport Enterprise Fund. This fund is used to account for the operations of the Ketchikan International Airport. The Airport Fund is responsible for the operation and maintenance of the airport facilities and ferry system. Ketchikan Gateway Borough owns and operates the terminal buildings and the airport ferries and leases the Ketchikan International Airport from the State of Alaska. (The lease with the State of Alaska is discussed at Note 3-G).

The operating revenues for the Airport Enterprise Fund increased by \$523,150 or 13.4% and operating expenses increased by \$60,371 or 1.0%.

Personnel services increased by \$76,344 or 2.5% over 2013, and supplies and services decreased by \$95,139 or 6.2%. Insurance costs increased by \$39,670 or 18.5% and the calculated depreciation increased by \$39,496 or 4.2%. The increase in calculated depreciation is due to the addition of new assets at the end of fiscal year 2013 that were subject to depreciation for the first time in fiscal year 2014.

The Wastewater Enterprise Fund (WEF) is used to account for the operations of Ketchikan Gateway Borough's wastewater utility. The operating position of the WEF decreased during fiscal year 2014. Net position decreased by \$284,985 or 2.7% from fiscal year 2013. The operating revenues increased by \$41,030 or 7.3%. That increase is attributable to an increase in fees and customers. The operating expenses increased by \$54,669 or 6.2%. Net Operating Expenses for the WEF decreased by the same amount from the prior year, after the "recovery of expenditures from other funds" was accounted for. Personnel services increased by \$55,513 or 47.7%. Supplies and services and insurance had nominal increases and depreciation decreased.

Financial Analysis of the Borough's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$33,981,867. Of this year-end total, \$7,001,269 is unassigned. Fund balances for interfund loans, and prepaid items in the amount of \$2,055,751 are classified as nonspendable. Legally restricted fund balances in the amount of \$12,912,463 including \$5,763,474 for capital projects, \$3,899,318 for commercial passenger vessel impact, \$14,759 for dock improvements, \$63,747 for library operations, \$119,514 for public safety and water, \$2,771,072 for recreation, and \$280,579 for road maintenance. Fund balances are committed in total for \$6,650,448; consisting of \$2,218,640 for land management, and \$4,431,808 for education. Fund balances totaling \$5,361,936 assigned for economic development.

The total ending fund balances of governmental funds shows an increase of \$178,273 or 1.0% more than the prior year. This increase is nominal and the net change is flat.

Major Governmental Funds

General Fund - The General Fund is the Borough's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by \$1,514,147, a 24.1% increase. The FY 2014 budget under spent projected expenditures and transfers out by \$746,276. The amended budget overspent revenues by \$698,409. All general government departments with the exception of the Finance and the Planning departments under spent their projected budgets. A favorable variance in revenue collections of \$1,545,126 and a favorable variance in expenditures of \$746,276 decreased the projected negative net change in fund balance by \$2,212,556 to a positive net change in fund balance of \$1,514,147. Sales tax collections were \$157,063 less than budgeted, and property tax revenues were \$16,844 more than budgeted. Property tax collections increased by \$411,839 or 6.2% from fiscal year 2013.

Intergovernmental revenues were \$1,664,185 more than budgeted and were \$1,144,096 more than fiscal year 2013. The increase from fiscal year 2013 is due to National Forest Receipts not being budgeted as it was not anticipated that the program would be continued or that payments would be made to municipalities. Revenues received from Parks and Recreation were \$53,563 more than budgeted. This favorable variance is due to the continued popularity of a buddy pass program.

State revenue sharing of \$633,457 was received in fiscal year 2014. The State Legislature provided \$801,854 in PERS relief to Ketchikan Gateway Borough and \$550,619 of the total relief was recognized in the General Fund.

Total General Fund expenditures decreased by \$100,195 or .5% over fiscal year 2013. The decrease in General Fund expenditures is mainly due to decreased spending in the public works department and a decrease in the appropriation to Education in comparison to fiscal year 2013.

Land Trust Fund – During fiscal year 2014, charges for services, land sales, investment earnings, and miscellaneous revenue brought total revenues to \$963,091. The Land Trust Fund expended \$307,504 for public services. The Land Trust Fund also transferred \$306,518 to the Debt Service Fund for principal and interest payments on the certificate of participation for the White Cliff School Building, which houses the Borough's administrative offices, and transferred \$174,036 back to the General Fund for the total budgeted office space rent for governmental offices that are in the White Cliff building. The net change in fund balance was a \$175,033 increase or 5.9%.

Economic Development Assistance Program Fund (EDAPF) – During fiscal year 2014, the only revenues credited were \$1,480 in investment earnings and \$151 that was a final payment for a previous lease. The EDAPF expended \$912,005 for public services and transferred \$120,000 to the General Fund. The net change in the fund balance was a decrease of \$1,030,374 or 13.8%.

State & Federal Grants Fund – During the current fiscal year, the Borough received \$1,716,032 in State and Federal grants. The Borough expended \$641,155 on public services and \$1,074,877 towards governmental capital projects.

Capital Projects Fund – Construction continues on several school facility projects. Total construction costs were \$1,123,700 and \$19,733 for public services. Investment earnings of \$2,021 were received on the unspent bond proceeds.

School Bond/Capital Improvements Fund - This fund is used to account for the receipt of revenues received from the State of Alaska for the School Debt Reimbursement Program and the ½ -cent sales tax that was approved to fund school projects. These funds are used to pay for school bond debt, school building insurance, and school capital projects that would qualify for bonding. This fund recognized \$1,711,478 in sales tax revenue, \$2,513,044 in debt reimbursement revenues, \$6,130 in penalties and interest, and \$849 in investment earnings. This fund transferred out \$3,633,981 for G.O. bond principal and interest payments into Debt Service Funds, \$162,980 to the Recreation CIP Fund and \$81,154 to the General Fund for insurance on

school buildings. This fund also expended \$5,414 for public service projects and \$285,554 for a school building capital project. The ending fund balance increased by \$62,418 or 1.0%.

The 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 Ketchikan Gateway Borough’s proprietary funds have already been addressed in the discussion of the Borough’s business-type activities.

Budgetary Highlights

The General Fund – Total taxes collected were \$157,806 less than budgeted with sales tax showing the largest decrease. Taxes reported include: real property, automobile and boat, sales, and penalties and interest. The Borough recognized \$1,664,185 more than budgeted for intergovernmental revenues due to increases in State fisheries tax, PERS relief, transit operating grants, and national forest receipts. In total revenues and transfers, revenue exceeded budget by 7.8%.

The expenditure side of the original budget for the General Fund was increased \$138,648 during 2014. Budget amendments were made for the following departments or cost centers: Mayor and Assembly, Planning, Public Works, Transit, and Nondepartmental.

In total, the Borough under expended the total General Fund budget by \$746,276. Expenditures declined due to aggressive cost control of operating expenses.

Capital Assets and Debt Administration

Capital Assets

The Borough's net investment in capital assets, for governmental and business-type activities as of June 30, 2014, was \$165,538,562 and \$29,131,474 respectively. The total change in net book value of capital assets was a decrease of .7% for governmental and a 2.4% increase for business-type activities. The overall change was a .3% decrease for the Borough as a whole. See Note 3-D for additional information about changes in capital assets during the fiscal year and 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-type Activities | | Total | |
|---------------------------------|--------------------------------|---------------|---------------------------------|-------------|--------------|-------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Non-depreciable assets: | | | | | | |
| Land | \$ 36,409,257 | \$ 36,550,875 | - | - | 36,409,257 | 36,550,875 |
| Construction in progress | 1,460,138 | 1,279,894 | 2,656,500 | 907,889 | 4,116,638 | 2,187,783 |
| Total non-depreciable | 37,869,395 | 37,830,769 | 2,656,500 | 907,889 | 40,525,895 | 38,738,658 |
| Depreciable assets: | | | | | | |
| Buildings and improvements | 151,151,477 | 148,931,580 | 14,401,469 | 14,304,173 | 165,552,946 | 163,235,753 |
| Vehicles, ferry and equipment | 6,964,295 | 6,758,398 | 14,503,834 | 14,386,643 | 21,468,129 | 21,145,041 |
| Wastewater assets | - | - | 14,095,450 | 14,209,780 | 14,095,450 | 14,209,780 |
| Infrastructure | 14,075,514 | 13,383,713 | - | - | 14,075,514 | 13,383,713 |
| Total depreciable assets | 172,191,286 | 169,073,691 | 43,000,753 | 42,900,596 | 215,192,039 | 211,974,287 |
| Less accumulated depreciation | 44,522,119 | 40,076,596 | 16,525,779 | 15,350,203 | 61,047,898 | 55,426,799 |
| Book value - depreciable assets | 127,669,167 | 128,997,095 | 26,474,974 | 27,550,393 | 154,144,141 | 156,547,488 |
| Percentage depreciated | 26% | 24% | 38% | 36% | 28% | 26% |
| Book value - all assets | \$ 165,538,562 | 166,827,864 | 29,131,474 | 28,458,282 | 194,670,036 | 195,286,146 |

At June 30, 2014, the depreciable capital assets for governmental activities were 26% depreciated. This is comparable to fiscal year 2013. This comparison indicates that the Borough is replacing its assets at the same rate as they are depreciating which is a positive indicator.

The balance remaining in construction-in-progress for business-type activities is for Ketchikan International Airport projects.

With the Borough's business type activities, 38% of the asset values were depreciated at June 30, 2014 compared to 36% at June 30, 2013. The depreciation for FY 14 was comparable to the prior year.

The Borough owns the school district's land and buildings, which is approximately 53.4% of the total cost of the Borough's governmental capital assets.

Major capital asset changes during 2014 included the following:

General Governmental Assets:

- Construction and installation was completed on a portable restroom in the downtown area, capitalized at a cost of \$111,671, and funded through the Commercial Passenger Vessel (CPV) Fund a Federal ARRA grant.
- Improvements were completed on the Esther Shea Sports Field, capitalized at a cost of \$472,392, and funded with G.O. bond proceeds and the Recreation CIP fund.

- Implementation of a new assessment database was completed and capitalized at a cost of \$47,515 and funded through the General Fund.
- Construction continued on several school facility upgrades at a cost of \$983,934 and funded through G.O. bond proceeds and the School Bond CIP fund.
- Construction was completed on upgrades to the Grant Street Park, capitalized at a cost of \$143,809, and funded through a State Designated Legislative grant.
- The implementation was completed on a new generator for the South Tongass Volunteer Fire Department, capitalized at a cost of \$190,283, and funded through a State Designated Legislative grant.
- Contributed capital in the form of a 1995 Ferrara Freightliner Pumper for the South Tongass Fire Department was capitalized at a value of \$15,000 and a total cost of improvements and transportation costs in the amount of \$13,349. The transportation costs and improvements were funded through the South Tongass Fire Department. The asset was obtained from the Municipality of Anchorage.
- Building improvements were begun on the Weiss Building at a cost of \$29,705 and funded through the General Fund.
- A Website and Agenda management project was begun at a cost of \$43,261 and funded through the General Fund.
- Electrical upgrades were begun at Dudley Field at a cost of \$21,685 and funded through the Recreation CIP fund.
- The Transit Bus Barn was purchased and capitalized at a cost of \$733,378 and funded through State and Federal grants.
- An Animal Protection truck and kennel box were purchased at a total cost of \$31,698 and funded through the General Fund.
- A power vault was purchased for the Automation department at a cost of \$10,927 and funded through the General Fund.
- A KACE VK1100S for cyber security was purchased for the Automation Department at a cost of \$14,931 and funded through a Federal Homeland Security grant.
- A new copier was purchased for the Planning Department at a cost of \$11,373 and funded through the General Fund.
- Two Zoll Defibrillators were purchased for the North Tongass Fire Department at a total cost of \$50,259. A trade-in for an older defibrillator was given on one of the new ones. The defibrillators were funded through the North Tongass Fire Department from pass-through funds from the Commercial Passenger Vessel fund.
- Two Zoll Defibrillators were purchased for the South Tongass Fire Department at a total cost of \$55,957. A trade-in for older defibrillators was given on the purchases. The defibrillators were funded through the South Tongass Fire Department from pass-through funds from the Commercial Passenger Vessel fund.

- A Stryker Power Stretcher was purchased for the South Tongass Fire Department at a cost of \$10,447 and funded through the South Tongass Service Area.
- Paving was completed in the Waterfall Service Area at a cost of \$75,600 and funded through an interfund loan from the Land Trust Fund.
- Playground resurfacing was begun and completed at the Fawn Mountain Elementary school at a cost of \$126,140 and funded with G.O. bond proceeds.
- Improvements to the Valley Park roof were completed and capitalized at a cost of \$1,248,708 and funded through a State DEED grant and the School Bond CIP fund.
- Demolition was begun on the Mike Smither's pool at a cost of \$13,626 and funded with G.O. Bond proceeds.

Enterprise Funds:

- Construction was begun on Airport Parking Lot improvements on Gravina in the amount of \$1,748,611 and funded through a State Designated Legislative grant.
- A forklift was purchased for the Airport Field at a cost of \$84,414 and funded through the Airport Enterprise fund.
- An airport police vehicle was purchased at a cost of \$28,435 and funded through the Airport Enterprise fund.
- Seven airport parking pay stations were purchased at a total cost of \$117,191 and funded through a State Designated Legislative grant.
- A Wastewater plant blower was purchased at a cost of \$21,200 and funded through the Wastewater Enterprise fund.

Long-term Debt

The Borough reports five types of long-term debt: general obligation bonds, certificates of participation, revenue bonds, capital leases, and compensated absences.

During the year, the Borough retired \$3,170,000 of its existing G.O. bonds, and \$140,000 of certificates of participation.

See Note 3-H for additional information about the Borough's long-term debt.

Outstanding Long Term Debt

| | Governmental Activities | | Business-type Activities | | Totals | |
|-------------------------------|----------------------------|-------------------|-----------------------------|----------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| General obligation bonds | \$43,805,000 | 46,975,000 | - | - | 43,805,000 | 46,975,000 |
| Certificates of participation | 4,295,000 | 4,435,000 | - | - | 4,295,000 | 4,435,000 |
| Capital lease | - | 48,741 | - | - | - | 48,741 |
| Compensated absences | 688,495 | 671,250 | 221,614 | 243,814 | 910,109 | 915,064 |
| Unamortized premium | 2,001,501 | 2,296,852 | - | - | 2,001,501 | 2,296,852 |
| Unamortized loss on refunding | (555,408) | (641,253) | - | - | (555,408) | (641,253) |
| Total | <u>\$50,234,588</u> | <u>53,785,590</u> | <u>221,614</u> | <u>243,814</u> | <u>50,456,202</u> | <u>54,029,404</u> |

Economic Conditions Affecting the Borough

Tourism Industry

Ketchikan's tourism industry is expected to experience between 800,000 to 900,000 cruise ship visitors. In calendar year 2013, 896,084 cruise passengers visited Ketchikan. For purposes of the Commercial Passenger Vessel (CPV) Excise Tax Fund, it is conservatively estimated that 800,000 CPV excise taxpaying passengers will visit Ketchikan in calendar year 2014. A number of factors, including the health of the tourism industry, affect sales tax proceeds.

Mining Projects

Niblack Project

In 2012, the Borough Assembly authorized a Memorandum of Understanding with Niblack Project, LLC. The Niblack Project is a copper-zinc-gold-silver prospect in an advanced exploration phase of development located off Moira Sound on southeastern Prince of Wales Island. The site is southwest of Ketchikan, approximately 38 miles by boat from the Ketchikan International Airport Reserve.

The agreement provides for the prospect of an industrial site to process ore on the Gravina Island Industrial Complex. The industrial complex is located on the Ketchikan International Airport Reserve. The ore-processing mill is expected to generate 60 to 80 full time jobs for a minimum of twelve years.

In 2014, the Alaska Legislature granted authority to the Alaska Industrial Development and Export Authority to issue bonds, not to exceed \$125 million, to finance the infrastructure and construction costs of the Niblack

project. The Niblack project includes a mineral processing mill, an associated dock, and loading and related infrastructure facilities at the Gravina Island Industrial Complex, as well as infrastructure at the project site on Prince of Wales Island.

Bokan-Dotson Ridge

The 2014 Legislature also granted authority to the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project approximately 40 miles west of Ketchikan. The principal amount of the bonds provided by the Authority for the Bokan-Dotson Ridge rare earth element project may not exceed \$145 million.

Marine Projects

In the spring of 2012, the operating interests of the Ketchikan Shipyard, one of Ketchikan's largest employers, was sold by Alaska Ship and Drydock, Inc., to Vigor Industrial, LLC (Vigor). The Borough Assembly endorsed the proposed sale with the expectation that Vigor's greater financial capacity would serve the economic development interests of the community. State and Federal grants funded a \$31 million ship assembly hall and an additional \$10 million for a steel fabrication shop scheduled for completion in FY 2014.

In 2010, the State of Alaska acquired ownership of upland and tideland properties in Ward Cove from the Ketchikan Gateway Borough consisting of 9.5 acres of uplands and 20.5 acres of tidelands. The State subsequently contracted for a master plan and feasibility study of the acquired property and refurbished an existing building into new office space and storage areas, now being used for the marine engineering staff. Alaska Marine Highway System (AMHS) management and vessel operations staff continue to occupy an adjacent building.

Plans provide for the relocation of all Ketchikan based AMHS management and engineering functions to the new office space. Plans also call for working and layup berths for AMHS vessels. The Ward Cove berthing facility will ultimately provide a functional replacement for the AMHS South Berth facility that is presently sited adjacent to the Ketchikan Shipyard facility. The South Berth facility can then be utilized for shipyard purposes.

An AMHS feasibility study document outlines various phases and costs. The estimated project costs for the development of all desired features for AMHS and NOAA are in excess of \$30 million and a phased approach is required to accommodate funding limitations.

Project development efforts are currently separated into the following primary phases:

- Phase 1A: Design, Permitting, Dredging and Uplands Development - \$7 million.
- Phase 1B: Marine Facilities (AMHS Working Berth and NOAA berth) - \$20 million.
- Phase 1C: Terminal Building, AMHS Passenger Amenities & Uplands Paving - \$3 million.

Current project development efforts are focused on Phase 1A which includes most of the project permitting, design, offshore dredging needs and some upland development work. Phase 1A is specifically structured to meet the current funding of \$7.5 million.

Contacting the Borough's Financial Management

This financial report is designed to provide a general overview of the Borough's finances, comply with finance-related laws and regulations, and demonstrate the Borough's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Borough's Finance Director at 1900 First Avenue, Suite 118, Ketchikan, Alaska, 99901.

Contacting the Ketchikan Gateway Borough School District (the School District) – The School District provides elementary and secondary educational services to Borough students. The School District's Board of Education is an elected body. However, the Borough has responsibility for all significant fiscal matters. The Borough must approve the School District's annual budget and it appropriates resources for School District operations. The Borough issues all debt for School District construction and the Borough owns all of the land and buildings that the School District uses. Separately issued financial statements for the School District are available at their administrative office: Pouch Z, Ketchikan, Alaska 99901.

Ketchikan Gateway Borough, Alaska
Statement of Net Position
June 30, 2014

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|--------------------|------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Current Assets | | | | |
| Cash and investments | \$ 19,198,951 | 718,366 | 19,917,317 | 1,400,425 |
| Restricted cash and investments | 9,900,607 | - | 9,900,607 | - |
| Prepaid items | 75,034 | 75,948 | 150,982 | - |
| Receivables | 9,790,354 | 369,425 | 10,159,779 | 974,626 |
| Receivable from trust fund | - | - | - | 21,446 |
| Receivable from Ketchikan Gateway Borough | - | - | - | 397,004 |
| Internal balances | 1,093,245 | (1,093,245) | - | - |
| Inventory | - | - | - | 18,228 |
| Total Current Assets | <u>40,058,191</u> | <u>70,494</u> | <u>40,128,685</u> | <u>2,811,729</u> |
| Noncurrent Assets | | | | |
| Capital assets: | | | | |
| Nondepreciable capital assets | 37,869,395 | 2,656,499 | 40,525,894 | 354,857 |
| Depreciable capital assets, net | 127,669,167 | 26,474,975 | 154,144,142 | 463,918 |
| Total Noncurrent Assets | <u>165,538,562</u> | <u>29,131,474</u> | <u>194,670,036</u> | <u>818,775</u> |
| Total Assets | <u>\$ 205,596,753</u> | <u>29,201,968</u> | <u>234,798,721</u> | <u>3,630,504</u> |
| Deferred Outflows | | | | |
| Loss on refunding | 555,408 | - | 555,408 | - |
| Total Assets and Deferred Outflows | <u>206,152,161</u> | <u>29,201,968</u> | <u>235,354,129</u> | <u>3,630,504</u> |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | 982,715 | 136,628 | 1,119,343 | 510,971 |
| Accrued salaries and benefits | 5,774 | - | 5,774 | 3,057 |
| Intergovernmental payable | 3,291,303 | - | 3,291,303 | - |
| Accrued interest payable | 577,259 | - | 577,259 | - |
| Due to component unit | 1,388,726 | - | 1,388,726 | - |
| Deposits | 126,386 | - | 126,386 | - |
| Claims payable | 325,777 | - | 325,777 | - |
| Unearned revenue | 113,436 | - | 113,436 | 26,946 |
| Compensated absences payable | 617,722 | 156,313 | 774,035 | 461,712 |
| General obligation bonds payable | 3,325,000 | - | 3,325,000 | - |
| Certificates of participation payable | 140,000 | - | 140,000 | - |
| Total Current Liabilities | <u>10,894,098</u> | <u>292,941</u> | <u>11,187,039</u> | <u>1,002,686</u> |
| Long-Term Liabilities | | | | |
| Compensated absences | 70,773 | 65,301 | 136,074 | - |
| General obligations bonds payable, including unamortized premium | 42,431,240 | - | 42,431,240 | - |
| Certificates of participation payable, including unamortized premium | 4,205,261 | - | 4,205,261 | - |
| Total Long-Term Liabilities | <u>46,707,274</u> | <u>65,301</u> | <u>46,772,575</u> | <u>-</u> |
| Total Liabilities | <u>57,601,372</u> | <u>358,242</u> | <u>57,959,614</u> | <u>1,002,686</u> |
| Net Position | | | | |
| Net investment in capital assets | 121,446,896 | 29,131,474 | 150,578,370 | 818,775 |
| Restricted: | | | | |
| Commercial passenger vessel impact | 3,899,318 | - | 3,899,318 | - |
| Dock improvements | 14,759 | - | 14,759 | - |
| Library operations | 63,747 | - | 63,747 | - |
| Public safety and water | 119,514 | - | 119,514 | - |
| Recreation | 2,771,072 | - | 2,771,072 | - |
| Road maintenance | 280,579 | - | 280,579 | - |
| Unrestricted (deficit) | 19,954,904 | (287,748) | 19,667,156 | 1,696,049 |
| Total Net Position | <u>\$ 148,550,789</u> | <u>28,843,726</u> | <u>177,394,515</u> | <u>2,514,824</u> |

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Statement of Activities
For the Year Ended June 30, 2014

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|---|----------------------|--------------------------------------|--|--|--|-----------------------------|---------------------|------------------------|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-Type Activities | Total | |
| Primary Government | | | | | | | | |
| Governmental Activities | | | | | | | | |
| General government | \$ 3,514,098 | - | 242,096 | - | (3,272,002) | - | (3,272,002) | - |
| Fire and EMS | 1,376,751 | 238,838 | 44,037 | 196,783 | (897,093) | - | (897,093) | - |
| Water treatment & distribution | 318,826 | 217,149 | - | - | (101,677) | - | (101,677) | - |
| Library services | 422,570 | - | - | - | (422,570) | - | (422,570) | - |
| Parks and recreation | 3,338,139 | 753,563 | 27,513 | 134,185 | (2,422,878) | - | (2,422,878) | - |
| Public works | 1,001,996 | - | 51,805 | - | (950,191) | - | (950,191) | - |
| Public services | 5,342,481 | 1,256,400 | 696,727 | 14,931 | (3,374,423) | - | (3,374,423) | - |
| Transit | 2,164,006 | 222,236 | 1,357,680 | 743,978 | 159,888 | - | 159,888 | - |
| Education | 15,357,268 | 4,937,191 | 1,045,870 | 3,413,360 | (5,960,847) | - | (5,960,847) | - |
| Interest | 2,310,634 | - | 606,982 | - | (1,703,652) | - | (1,703,652) | - |
| Total Governmental Activities | <u>35,146,769</u> | <u>7,625,377</u> | <u>4,072,710</u> | <u>4,503,237</u> | <u>(18,945,445)</u> | <u>-</u> | <u>(18,945,445)</u> | <u>-</u> |
| Business-Type Activities | | | | | | | | |
| Airport | 5,679,424 | 4,401,938 | 73,994 | 1,865,802 | - | 662,310 | 662,310 | - |
| Wastewater | 881,576 | 596,426 | - | - | - | (285,150) | (285,150) | - |
| Total Business-Type Activities | <u>6,561,000</u> | <u>4,998,364</u> | <u>73,994</u> | <u>1,865,802</u> | <u>-</u> | <u>377,160</u> | <u>377,160</u> | <u>-</u> |
| Total - Primary Government | <u>41,707,769</u> | <u>12,623,741</u> | <u>4,146,704</u> | <u>6,369,039</u> | <u>(18,945,445)</u> | <u>377,160</u> | <u>(18,568,285)</u> | <u>-</u> |
| Component Unit | | | | | | | | |
| Ketchikan Gateway Borough | | | | | | | | |
| School District | \$ <u>42,966,256</u> | <u>172,168</u> | <u>11,362,070</u> | <u>662,359</u> | | | | \$ <u>(30,769,659)</u> |
| General Revenues | | | | | | | | |
| Property taxes | | | | | \$ 8,169,731 | - | 8,169,731 | - |
| Sales taxes | | | | | 8,625,653 | - | 8,625,653 | - |
| Payment in lieu of taxes | | | | | 1,131,659 | - | 1,131,659 | - |
| Grants and entitlements not restricted to specific programs | | | | | 3,598,414 | 236,309 | 3,834,723 | 22,618,664 |
| E-Rate | | | | | - | - | - | 83,225 |
| Primary government appropriation | | | | | - | - | - | 8,050,000 |
| Investment earnings | | | | | 54,254 | 165 | 54,419 | 66 |
| Miscellaneous | | | | | 378,602 | - | 378,602 | 86,164 |
| Total General Revenues | | | | | <u>21,958,313</u> | <u>236,474</u> | <u>22,194,787</u> | <u>30,838,119</u> |
| Transfers | | | | | <u>(184,881)</u> | <u>184,881</u> | <u>-</u> | <u>-</u> |
| Total General Revenues and Transfers | | | | | <u>21,773,432</u> | <u>421,355</u> | <u>22,194,787</u> | <u>30,838,119</u> |
| Change in Net Position | | | | | <u>2,827,987</u> | <u>798,515</u> | <u>3,626,502</u> | <u>68,460</u> |
| Net Position Beginning of Year | | | | | <u>145,722,802</u> | <u>28,045,211</u> | <u>173,768,013</u> | <u>2,446,364</u> |
| Net Position End of Year | | | | | \$ <u>148,550,789</u> | <u>28,843,726</u> | <u>177,394,515</u> | <u>2,514,824</u> |

Ketchikan Gateway Borough, Alaska
Governmental Funds
Balance Sheet
June 30, 2014

| | <u>General</u> | <u>Land Trust</u> | <u>School Bond Capital Improvements</u> | <u>Economic Development Assistance Program</u> |
|--|----------------------|-----------------------|---|--|
| Assets | | | | |
| Cash and investments | \$ 3,926,830 | 1,646,197 | 3,939,111 | 5,440,678 |
| Restricted cash and investments | - | 407,596 | - | - |
| Prepaid items | - | - | - | - |
| Receivables: | | | | |
| Accounts | 88,386 | 1,101 | - | 4,864 |
| Intergovernmental | 1,202,185 | - | 27,574 | - |
| Property taxes | 166,934 | - | - | - |
| Sales taxes | 4,612,100 | - | 470,073 | - |
| Interfund | 2,778,285 | - | - | - |
| Advances | - | 1,097,733 | - | 1,063,413 |
| Total Assets | \$ 12,774,720 | 3,152,627 | 4,436,758 | 6,508,955 |
| Liabilities | | | | |
| Accounts payable | \$ 379,884 | 4,842 | 4,950 | 82,606 |
| Accrued salaries and benefits | 5,774 | - | - | - |
| Intergovernmental payable | 3,291,303 | - | - | - |
| Interfund payable | - | - | - | - |
| Interfund advances payable | - | - | - | - |
| Due to component unit | 994,659 | - | - | - |
| Deposits | 111,545 | 11,841 | - | 1,000 |
| Unearned revenues | 51,058 | - | - | - |
| Total Liabilities | 4,834,223 | 16,683 | 4,950 | 83,606 |
| Deferred Inflows | | | | |
| Property tax revenues | 149,829 | - | - | - |
| Total Liabilities and Deferred Inflows | 4,984,052 | 16,683 | 4,950 | 83,606 |
| Fund Balances | | | | |
| Nonspendable: | | | | |
| Notes, advances, and prepaids | - | 917,304 | - | 1,063,413 |
| Restricted: | | | | |
| Capital projects | - | - | - | - |
| Commercial passenger vessel impact | - | - | - | - |
| Dock improvements | - | - | - | - |
| Library operations | - | - | - | - |
| Public safety and water | - | - | - | - |
| Recreation | - | - | - | - |
| Road maintenance | - | - | - | - |
| Committed: | | | | |
| Borough-owned land management | - | 2,218,640 | - | - |
| Education | - | - | 4,431,808 | - |
| Assigned: | | | | |
| Economic development | - | - | - | 5,361,936 |
| Unassigned (deficit) | 7,790,668 | - | - | - |
| Total Fund Balances | 7,790,668 | 3,135,944 | 4,431,808 | 6,425,349 |
| Total Liabilities, Deferred Inflows and Fund Balances | \$ 12,774,720 | 3,152,627 | 4,436,758 | 6,508,955 |

Ketchikan Gateway Borough, Alaska
Governmental Funds

| | State & Federal Grants | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---|-----------------------------|--|---|
| Assets | | | | |
| Cash and investments | \$ - | 865,590 | 3,157,880 | 18,976,286 |
| Restricted cash and investments | - | 5,454,427 | 4,038,584 | 9,900,607 |
| Prepaid items | - | - | 75,034 | 75,034 |
| Receivables: | | | | |
| Accounts | - | - | 101,873 | 196,224 |
| Intergovernmental | 2,591,120 | - | 50,982 | 3,871,861 |
| Property taxes | - | - | 3,089 | 170,023 |
| Sales taxes | - | - | 470,073 | 5,552,246 |
| Interfund | - | - | - | 2,778,285 |
| Advances | - | - | - | 2,161,146 |
| Total Assets | \$ 2,591,120 | 6,320,017 | 7,897,515 | 43,681,712 |
| Liabilities | | | | |
| Accounts payable | \$ 217,307 | 3,565 | 289,561 | 982,715 |
| Accrued salaries and benefits | - | - | - | 5,774 |
| Intergovernmental payable | - | - | - | 3,291,303 |
| Interfund payable | 2,373,813 | 156,911 | 52,680 | 2,583,404 |
| Interfund advances payable | - | - | 1,056,655 | 1,056,655 |
| Due to component unit | - | 394,067 | - | 1,388,726 |
| Deposits | - | 2,000 | - | 126,386 |
| Unearned revenues | - | - | 62,378 | 113,436 |
| Total Liabilities | 2,591,120 | 556,543 | 1,461,274 | 9,548,399 |
| Deferred Inflows | | | | |
| Property tax revenues | - | - | 1,617 | 151,446 |
| Total Liabilities and Deferred Inflows | 2,591,120 | 556,543 | 1,462,891 | 9,699,845 |
| Fund Balances | | | | |
| Nonspendable: | | | | |
| Notes, advances, and prepaids | - | - | 75,034 | 2,055,751 |
| Restricted: | | | | |
| Capital projects | - | 5,763,474 | - | 5,763,474 |
| Commercial passenger vessel impact | - | - | 3,899,318 | 3,899,318 |
| Dock improvements | - | - | 14,759 | 14,759 |
| Library operations | - | - | 63,747 | 63,747 |
| Public safety and water | - | - | 119,514 | 119,514 |
| Recreation | - | - | 2,771,072 | 2,771,072 |
| Road maintenance | - | - | 280,579 | 280,579 |
| Committed: | | | | |
| Borough-owned land management | - | - | - | 2,218,640 |
| Education | - | - | - | 4,431,808 |
| Assigned: | | | | |
| Economic development | - | - | - | 5,361,936 |
| Unassigned (deficit) | - | - | (789,399) | 7,001,269 |
| Total Fund Balances | - | 5,763,474 | 6,434,624 | 33,981,867 |
| Total Liabilities, Deferred Inflows and Fund Balances | \$ 2,591,120 | 6,320,017 | 7,897,515 | 43,681,712 |

Ketchikan Gateway Borough, Alaska
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

| | | |
|---|---------------------|---------------------------|
| Total Governmental Fund Balances | \$ | 33,981,867 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Cost | \$ 210,060,681 | |
| Less accumulated depreciation | <u>(44,522,119)</u> | 165,538,562 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | |
| This consists of deferred property taxes receivable. | | 151,447 |
| An internal service fund is used by management to charge the costs of insurance to individual funds and the component unit. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. | | |
| | | (297,993) |
| The internal service fund chargeback to enterprise funds is not reported in the governmental funds but is reported on the government-wide financial statements. | | |
| | | (11,247) |
| Accrued interest payable is not reported at the fund financial reporting level. | | |
| | | (577,259) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| General obligation bonds | (43,805,000) | |
| Certificates of participation | (4,295,000) | |
| Premium for GO bonds | (1,951,240) | |
| Premium for certificates of participation | (50,261) | |
| Deferred loss on refunding | 555,408 | |
| Compensated absences | <u>(688,495)</u> | <u>(50,234,588)</u> |
| Net Position Of Governmental Activities | \$ | <u><u>148,550,789</u></u> |

See accompanying notes to the basic financial statements.



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Ketchikan Gateway Borough, Alaska
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

| | General | Land Trust | School Bond Capital Improvements | Economic Development Assistance Program |
|--|---------------------|-----------------------|---|--|
| Revenues | | | | |
| Taxes | \$ 11,883,678 | - | 1,717,608 | - |
| Intergovernmental | 5,270,398 | - | 2,513,044 | - |
| Licenses and permits | 90 | - | - | - |
| Charges for services | 1,712,951 | 426,778 | - | 151 |
| Water fees | - | - | - | - |
| Commercial passenger vessel tax | - | - | - | - |
| Interest subsidy | - | - | - | - |
| Investment earnings | 1,206 | 46,479 | 849 | 1,480 |
| Proceeds from sale of property | - | 473,320 | - | - |
| Miscellaneous | - | 16,514 | - | - |
| Total Revenues | <u>18,868,323</u> | <u>963,091</u> | <u>4,231,501</u> | <u>1,631</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 3,584,249 | - | - | - |
| Library services | - | - | - | - |
| Fire and EMS | - | - | - | - |
| Water treatment and distribution | - | - | - | - |
| Public services | 1,145,580 | 307,504 | 5,414 | 912,005 |
| Parks and recreation | 2,306,465 | - | - | - |
| Public works | 1,030,382 | - | - | - |
| Transit | 1,994,798 | - | - | - |
| Education | 8,050,000 | - | - | - |
| Nondepartmental | 260,433 | - | - | - |
| Capital Outlay | 142,335 | - | 285,554 | - |
| Debt Service | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total Expenditures | <u>18,514,242</u> | <u>307,504</u> | <u>290,968</u> | <u>912,005</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 354,081 | 655,587 | 3,940,533 | (910,374) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 1,219,971 | - | - | - |
| Transfers out | <u>(59,905)</u> | <u>(480,554)</u> | <u>(3,878,115)</u> | <u>(120,000)</u> |
| Total Other Financing Sources (Uses) | <u>1,160,066</u> | <u>(480,554)</u> | <u>(3,878,115)</u> | <u>(120,000)</u> |
| Net Change in Fund Balances | 1,514,147 | 175,033 | 62,418 | (1,030,374) |
| Fund Balances Beginning of Year | <u>6,276,521</u> | <u>2,960,911</u> | <u>4,369,390</u> | <u>7,455,723</u> |
| Fund Balances End of Year | <u>\$ 7,790,668</u> | <u>3,135,944</u> | <u>4,431,808</u> | <u>6,425,349</u> |

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances, continued

| | State & Federal Grants | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---|-----------------------------|--|---|
| Revenues | | | | |
| Taxes | \$ - | - | 3,203,919 | 16,805,205 |
| Intergovernmental | 1,716,032 | - | 288,334 | 9,787,808 |
| Licenses and permits | - | - | - | 90 |
| Charges for services | - | - | 320,453 | 2,460,333 |
| Water fees | - | - | 217,149 | 217,149 |
| Commercial passenger vessel tax | - | - | 2,240,210 | 2,240,210 |
| Interest subsidy | - | - | 606,982 | 606,982 |
| Investment earnings | - | 2,021 | 2,199 | 54,234 |
| Proceeds from sale of property | - | - | - | 473,320 |
| Miscellaneous | - | - | 372,702 | 389,216 |
| Total Revenues | <u>1,716,032</u> | <u>2,021</u> | <u>7,251,948</u> | <u>33,034,547</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | - | - | - | 3,584,249 |
| Library services | - | - | 422,570 | 422,570 |
| Fire and EMS | - | - | 1,163,729 | 1,163,729 |
| Water treatment and distribution | - | - | 318,826 | 318,826 |
| Public services | 641,155 | 19,733 | 1,699,052 | 4,730,443 |
| Parks and recreation | - | - | - | 2,306,465 |
| Public works | - | - | - | 1,030,382 |
| Transit | - | - | - | 1,994,798 |
| Education | - | - | - | 8,050,000 |
| Nondepartmental | - | - | - | 260,433 |
| Capital Outlay | 1,074,877 | 1,123,700 | 261,769 | 2,888,235 |
| Debt Service | | | | |
| Principal retirement | - | - | 3,358,741 | 3,358,741 |
| Interest and fiscal charges | - | - | 2,562,522 | 2,562,522 |
| Total Expenditures | <u>1,716,032</u> | <u>1,143,433</u> | <u>9,787,209</u> | <u>32,671,393</u> |
| Excess (Deficiency) of Revenues Over Expenditures | - | (1,141,412) | (2,535,261) | 363,154 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 5,738,005 | 6,957,976 |
| Transfers out | - | - | (2,604,283) | (7,142,857) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>3,133,722</u> | <u>(184,881)</u> |
| Net Change in Fund Balances | - | (1,141,412) | 598,461 | 178,273 |
| Fund Balances Beginning of Year | <u>-</u> | <u>6,904,886</u> | <u>5,836,163</u> | <u>33,803,594</u> |
| Fund Balances End of Year | <u>\$ -</u> | <u>5,763,474</u> | <u>6,434,624</u> | <u>33,981,867</u> |

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, 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 June 30, 2014*

| | | |
|--|------------------|-------------------------|
| Net Changes In Fund Balances - Total Governmental Funds | \$ | 178,273 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation outlay exceeded capital outlay expense in the current period. | | |
| Depreciation expense | \$ (4,679,883) | |
| Capital outlay | <u>2,888,235</u> | (1,791,648) |
| 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. | | |
| | | (153,256) |
| The book value of capital assets relating to the capitalization of assets for the component unit representing the 70% contribution from the component unit is not reported at the fund financial reporting level, but is reported at the government-wide financial reporting level. | | |
| | | 656,019 |
| The book value of capital assets relating to the acquisition of: | | |
| a 1995 Ferrara Freightliner pumper representing a contribution from the Municipality of Anchorage is not reported at the fund financial reporting level, but is reported at the government-wide financial reporting level. | | |
| | | 15,000 |
| The book value of capital assets relating to the change in assets for the Borough representing: | | |
| disposition of land by method of replatting. | | |
| | | (2,570,100) |
| capitalization of land by method of replatting. | | |
| | | 2,554,683 |
| Internal service funds are used by management to charge the costs of self-insurance to individual funds. A portion of the net income of their activity is reported with governmental activities. | | |
| | | 355,452 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in deferred property taxes. | | |
| | | (9,820) |
| Interest expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds. | | |
| Liability @ 06/30/14 | (577,259) | |
| Liability @ 06/30/13 | <u>(619,641)</u> | 42,382 |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items: | | |
| Principal payments on long-term debt | 3,358,741 | |
| Net decrease in premium | 295,351 | |
| Net decrease in deferred loss on bonds | <u>(85,845)</u> | 3,568,247 |
| Compensated absences 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. | | |
| Liability @ 06/30/14 | (688,495) | |
| Liability @ 06/30/13 | <u>(671,250)</u> | <u>(17,245)</u> |
| Change In Net Position of Governmental Activities | \$ | <u><u>2,827,987</u></u> |

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

| | 2014 | | | Variance on Final Budget |
|--|----------------------------|-------------------------|----------------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues | | | | |
| Taxes | \$ 12,041,484 | 12,041,484 | 11,883,678 | (157,806) |
| Licenses and permits | - | - | 90 | 90 |
| Intergovernmental | 3,511,683 | 3,606,213 | 5,270,398 | 1,664,185 |
| Charges for services | 1,655,500 | 1,655,500 | 1,712,951 | 57,451 |
| Investment earnings | <u>20,000</u> | <u>20,000</u> | <u>1,206</u> | <u>(18,794)</u> |
| Total Revenues | <u>17,228,667</u> | <u>17,323,197</u> | <u>18,868,323</u> | <u>1,545,126</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 3,812,138 | 3,815,218 | 3,584,249 | 230,969 |
| Public services | 1,130,231 | 1,140,231 | 1,145,580 | (5,349) |
| Parks and recreation | 2,417,902 | 2,417,902 | 2,306,465 | 111,437 |
| Public works | 1,256,758 | 1,286,595 | 1,030,382 | 256,213 |
| Transit - bus system | 1,919,220 | 2,013,270 | 1,994,798 | 18,472 |
| Nondepartmental | 263,786 | 265,467 | 260,433 | 5,034 |
| Education | 8,050,000 | 8,050,000 | 8,050,000 | - |
| Capital Outlay | <u>271,835</u> | <u>271,835</u> | <u>142,335</u> | <u>129,500</u> |
| Total Expenditures | <u>19,121,870</u> | <u>19,260,518</u> | <u>18,514,242</u> | <u>746,276</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (1,893,203) | (1,937,321) | 354,081 | 2,291,402 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 1,298,817 | 1,298,817 | 1,219,971 | (78,846) |
| Transfers out | <u>(59,905)</u> | <u>(59,905)</u> | <u>(59,905)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>1,238,912</u> | <u>1,238,912</u> | <u>1,160,066</u> | <u>(78,846)</u> |
| Net Change in Fund Balance | \$ <u>(654,291)</u> | <u>(698,409)</u> | 1,514,147 | <u>2,212,556</u> |
| Fund Balance Beginning of Year | | | <u>6,276,521</u> | |
| Fund Balance End of Year | | | \$ <u><u>7,790,668</u></u> | |

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

| | 2014 | | | Variance on Final Budget |
|--|----------------------------|-------------------------|-------------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues | | | | |
| Charges for services | \$ 414,792 | 414,792 | 426,778 | 11,986 |
| Intergovernmental | 3,597 | 3,597 | - | (3,597) |
| Investment earnings | - | - | 46,479 | 46,479 |
| Proceeds from sale of property | 250,000 | 250,000 | 473,320 | 223,320 |
| Miscellaneous | - | - | 16,514 | 16,514 |
| Total Revenues | <u>668,389</u> | <u>668,389</u> | <u>963,091</u> | <u>294,702</u> |
| Expenditures | | | | |
| Current | | | | |
| Public services | 406,156 | 406,156 | 307,504 | 98,652 |
| Capital Outlay | <u>300,000</u> | <u>300,000</u> | <u>-</u> | <u>300,000</u> |
| Total Expenditures | <u>706,156</u> | <u>706,156</u> | <u>307,504</u> | <u>398,652</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (37,767) | (37,767) | 655,587 | 693,354 |
| Other Financing Uses | | | | |
| Transfers out | (443,195) | (443,195) | (480,554) | (37,359) |
| Net Change in Fund Balance | \$ <u>(480,962)</u> | <u>(480,962)</u> | 175,033 | <u>655,995</u> |
| Fund Balance Beginning of Year | | | <u>2,960,911</u> | |
| Fund Balance End of Year | | \$ | <u><u>3,135,944</u></u> | |

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
School Bond Capital Improvements Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

| | 2014 | | | Variance on Final Budget |
|---|----------------------------|-------------------------|---------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues | | | | |
| Taxes | \$ 1,767,400 | 1,767,400 | 1,711,478 | (55,922) |
| Intergovernmental | 2,502,295 | 2,502,295 | 2,513,044 | 10,749 |
| Penalties and interest | 10,000 | 10,000 | 6,130 | (3,870) |
| Investment earnings | 5,000 | 5,000 | 849 | (4,151) |
| Total Revenues | <u>4,284,695</u> | <u>4,284,695</u> | <u>4,231,501</u> | <u>(53,194)</u> |
| Expenditures | | | | |
| Current | | | | |
| Public services | 1,500 | 30,172 | 5,414 | 24,758 |
| Capital Outlay | <u>360,000</u> | <u>360,000</u> | <u>285,554</u> | <u>74,446</u> |
| Total Expenditures | <u>361,500</u> | <u>390,172</u> | <u>290,968</u> | <u>99,204</u> |
| Excess of Revenues Over Expenditures | 3,923,195 | 3,894,523 | 3,940,533 | 46,010 |
| Other Financing Uses | | | | |
| Transfers out | <u>(4,111,698)</u> | <u>(4,111,698)</u> | <u>(3,878,115)</u> | <u>233,583</u> |
| Net Change in Fund Balance | \$ <u>(188,503)</u> | <u>(217,175)</u> | 62,418 | <u>279,593</u> |
| Fund Balance Beginning of Year | | | <u>4,369,390</u> | |
| Fund Balance End of Year | | | \$ <u>4,431,808</u> | |

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

| | 2014 | | | Variance on Final Budget |
|--|----------------------------|---------------------------|-------------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues | | | | |
| Intergovernmental | \$ 7,239 | 7,239 | - | (7,239) |
| Charges for services | - | - | 151 | 151 |
| Investment earnings | - | - | 1,480 | 1,480 |
| Total Revenues | <u>7,239</u> | <u>7,239</u> | <u>1,631</u> | <u>(5,608)</u> |
| Expenditures | | | | |
| Current | | | | |
| Public services | <u>433,949</u> | <u>1,071,949</u> | <u>912,005</u> | <u>159,944</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (426,710) | (1,064,710) | (910,374) | 154,336 |
| Other Financing Uses | | | | |
| Transfers out | <u>(120,000)</u> | <u>(120,000)</u> | <u>(120,000)</u> | <u>-</u> |
| Net Change in Fund Balance | \$ <u><u>(546,710)</u></u> | <u><u>(1,184,710)</u></u> | <u>(1,030,374)</u> | <u><u>154,336</u></u> |
| Fund Balance Beginning of Year | | | <u>7,455,723</u> | |
| Fund Balance End of Year | | \$ | <u><u>6,425,349</u></u> | |

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Net Position
June 30, 2014

| | Business-type Activities | | | Governmental Activities - Internal Service Funds |
|---|---------------------------------|-------------------|----------------------|---|
| | Airport | Wastewater | Total | |
| Assets | | | | |
| Current Assets | | | | |
| Cash and investments | \$ - | 718,366 | 718,366 | 222,665 |
| Prepaid items | 75,948 | - | 75,948 | - |
| Receivables: | | | | |
| Accounts | 265,334 | 33,039 | 298,373 | - |
| Intergovernmental | 71,052 | - | 71,052 | - |
| Total Current Assets | <u>412,334</u> | <u>751,405</u> | <u>1,163,739</u> | <u>222,665</u> |
| Noncurrent Assets | | | | |
| Capital Assets | | | | |
| Nondepreciable | 2,656,499 | - | 2,656,499 | - |
| Depreciable, net | 16,688,134 | 9,786,841 | 26,474,975 | - |
| Total Noncurrent Assets | <u>19,344,633</u> | <u>9,786,841</u> | <u>29,131,474</u> | <u>-</u> |
| Total Assets | <u>\$ 19,756,967</u> | <u>10,538,246</u> | <u>30,295,213</u> | <u>222,665</u> |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 98,008 | 38,620 | 136,628 | - |
| Interfund advances payable | 28,452 | 77,217 | 105,669 | - |
| Compensated absences payable | 156,313 | - | 156,313 | - |
| Revenue bonds payable | - | - | - | - |
| Claims payable | - | - | - | 325,777 |
| Total Current Liabilities | <u>282,773</u> | <u>115,837</u> | <u>398,610</u> | <u>325,777</u> |
| Long-Term Liabilities, net of current portion | | | | |
| Compensated absences payable | 65,301 | - | 65,301 | - |
| Interfund advances payable | 155,782 | 304,564 | 460,346 | - |
| Interfund payable | 538,477 | - | 538,477 | 194,881 |
| Total Long-Term Liabilities | <u>759,560</u> | <u>304,564</u> | <u>1,064,124</u> | <u>194,881</u> |
| Total Liabilities | <u>1,042,333</u> | <u>420,401</u> | <u>1,462,734</u> | <u>520,658</u> |
| Net Position | | | | |
| Net investment in capital assets | 19,344,633 | 9,786,841 | 29,131,474 | - |
| Unrestricted (deficit) | (629,999) | 331,004 | (298,995) | (297,993) |
| Total Net Position - Fund Level | <u>\$ 18,714,634</u> | <u>10,117,845</u> | <u>28,832,479</u> | <u>(297,993)</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds. | | | 11,247 | |
| Total Net Position - Government-wide Statement of Net Position | | | <u>\$ 28,843,726</u> | |

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit)
For the Year Ended June 30, 2014

| | Business-type Activities | | | Governmental Activities - Internal Service Funds |
|---|---------------------------------|-------------------|--------------|---|
| | Airport | Wastewater | Total | |
| Operating Revenues | | | | |
| Charges for services | \$ 4,401,938 | 596,426 | 4,998,364 | 7,361,273 |
| Operating Expenses | | | | |
| Personnel services | 3,130,485 | 171,955 | 3,302,440 | - |
| Supplies and services | 1,427,860 | 390,945 | 1,818,805 | - |
| Insurance | 253,555 | 5,724 | 259,279 | - |
| Administration | - | - | - | 925,524 |
| Claims and premiums | - | - | - | 5,970,780 |
| Depreciation | 975,268 | 357,067 | 1,332,335 | - |
| Total Operating Expenses | 5,787,168 | 925,691 | 6,712,859 | 6,896,304 |
| Less recovery of expenses from other funds | - | (1,596) | (1,596) | - |
| Net Operating Expenses | 5,787,168 | 924,095 | 6,711,263 | 6,896,304 |
| Operating Income (Loss) | (1,385,230) | (327,669) | (1,712,899) | 464,969 |
| Non-Operating Revenues (Expenses) | | | | |
| Interest and fiscal charges | (6,048) | (23,931) | (29,979) | - |
| Gain on disposal of capital assets | 4,255 | 66,450 | 70,705 | - |
| Investment earnings | - | 165 | 165 | 20 |
| Operating grants | 310,303 | - | 310,303 | - |
| Total Non-Operating Revenues (Expenses) | 308,510 | 42,684 | 351,194 | 20 |
| Income (Loss) before Capital Contributions and Transfers | (1,076,720) | (284,985) | (1,361,705) | 464,989 |
| Capital contributions | 1,865,802 | - | 1,865,802 | - |
| Transfers in | 184,881 | - | 184,881 | - |
| Change in Net Position | 973,963 | (284,985) | 688,978 | 464,989 |
| Net Position (Deficit) Beginning of Year | 17,740,671 | 10,402,830 | | (762,982) |
| Net Position (Deficit) End of Year | \$ 18,714,634 | 10,117,845 | | (297,993) |
| Reconciliation of the fund level operating statement to the government-wide statement of activities: | | | | |
| Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds. | | | 109,537 | |
| Change in net position of business-type activities | | | \$ 798,515 | |

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2014

| | Business-type Activities | | | Governmental |
|--|---------------------------------|-------------------|------------------|--|
| | Airport | Wastewater | Total | Activities - Internal Service Funds |
| Increase (Decrease) in Cash and Cash Equivalents | | | | |
| Cash Flows from Operating Activities | | | | |
| Cash received from customers | \$ 4,431,345 | 600,365 | 5,031,710 | 7,361,273 |
| Cash payments to employees for services | (3,152,685) | (171,955) | (3,324,640) | - |
| Cash payments for goods and services | (1,729,453) | (456,447) | (2,185,900) | (1,234,411) |
| Cash payments for claims | - | - | - | (5,691,876) |
| Net Cash Provided by (Used in) Operating Activities | <u>(450,793)</u> | <u>(28,037)</u> | <u>(478,830)</u> | <u>434,986</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Interfund advances | (148,529) | - | (148,529) | - |
| Operating grants | 310,303 | - | 310,303 | - |
| Transfers in | 184,881 | - | 184,881 | - |
| Net Cash Provided by Noncapital Financing Activities | <u>346,655</u> | <u>-</u> | <u>346,655</u> | <u>(212,341)</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Sale of capital assets | 4,255 | 66,450 | 70,705 | - |
| Capital grant | 1,865,802 | - | 1,865,802 | - |
| Interest paid on debt service | (6,048) | (23,931) | (29,979) | - |
| Interfund advance payable | (27,613) | (73,352) | (100,965) | - |
| Payments for capital acquisitions | (1,984,327) | (21,200) | (2,005,527) | - |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>(147,931)</u> | <u>(52,033)</u> | <u>(199,964)</u> | <u>-</u> |
| Cash Flows from Investing Activities | | | | |
| Investment earnings | - | 165 | 165 | 20 |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>(252,069)</u> | <u>(79,905)</u> | <u>(331,974)</u> | <u>222,665</u> |
| Cash and Cash Equivalents Beginning of Year | <u>252,069</u> | <u>798,271</u> | <u>1,050,340</u> | <u>-</u> |
| Cash and Cash Equivalents End of Year | <u>\$ -</u> | <u>718,366</u> | <u>718,366</u> | <u>222,665</u> |

(continued)

See accompanying notes to the basic financial statements.

Ketchikan Gateway Borough, Alaska

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2014

(continued)

| | Business-type Activities | | | Governmental Activities - Internal Service Funds |
|---|--------------------------|-----------------|------------------|--|
| | Airport | Wastewater | Total | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | | | | |
| Operating Income (Loss) | \$ (1,385,230) | (327,669) | (1,712,899) | 464,969 |
| Adjustments: | | | | |
| Depreciation | 975,268 | 357,067 | 1,332,335 | - |
| (Increase) Decrease in Assets: | | | | |
| Accounts receivable | 62,652 | 3,939 | 66,591 | - |
| Intergovernmental | (33,245) | - | (33,245) | - |
| Prepaid items | (75,802) | - | (75,802) | - |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts payable | 27,764 | (61,374) | (33,610) | - |
| Compensated absences payable | (22,200) | - | (22,200) | - |
| Claims payable | - | - | - | (29,983) |
| Net Cash Provided by (Used in) Operating Activities | \$ (450,793) | (28,037) | (478,830) | 434,986 |

See accompanying notes to the basic financial statements.



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NOTES TO THE BASIC FINANCIAL STATEMENTS

Ketchikan Gateway Borough, Alaska
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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

The Ketchikan Gateway Borough, Alaska (the “Borough”) was incorporated September 13, 1963, under the provisions of the State of Alaska Borough Act of 1961, as a Second Class Borough. The Borough operates under a seven-member elected Assembly and a Manager form of government.

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Borough have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the Borough’s accounting policies are described below.

1-A. Reporting Entity

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 Borough consists of all funds, departments, boards and agencies that are not legally separate from the Borough.

Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, levies their taxes or issues their debt.

The component unit columns included on the government-wide financial statements identify the financial data of the Borough’s discretely presented component unit. It is reported separately to emphasize that it is legally separate from the Borough.

A brief description of the discretely presented component unit follows:

Ketchikan Gateway Borough School District (the School District) – The School District provides elementary and secondary educational services to Borough students. The School District’s Board of Education is an elected body. However, the Borough has responsibility for all significant fiscal matters. The Borough must approve the School District’s annual budget and it appropriates resources for School District operations. The Borough issues all debt for School District construction and the Borough owns all of the land and buildings that the School District uses. Separately issued financial statements for the School District are available at their administrative office;

Pouch Z
Ketchikan, AK 99901

1-B. Basis of Presentation

The Borough’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Government-wide Financial Statements - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Borough as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and Borough's general revenues, from business-type activities, generally financed in whole or in part with airport and water and sewer fees charged to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the Borough and its discretely presented component unit at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Borough's governmental activities and for each identifiable activity of the business-type activities of the Borough. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The Borough does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Borough's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the Borough. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Borough.

Fund Financial Statements - During the year, the Borough segregates transactions related to certain Borough functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Borough at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns. The internal service funds are aggregated into a single column.

Fund Accounting - The Borough uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Borough uses two categories of funds: governmental and proprietary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Borough reports the difference between governmental fund assets and liabilities as fund balance. The following are the Borough's major governmental funds:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

The 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 Borough for any purpose provided it is expended or transferred according to the general laws of the State of Alaska.

Land Trust Special Revenue Fund - This fund is used to account for revenues from land sales, office space leases, and loans to other Borough funds and related expenditures. Management of the Borough has chosen to reflect this fund as a major fund for consistency purposes.

Economic Development Assistance Program Special Revenue Fund - This fund is used to account for economic development assistance which would include but not be limited to: preservation of existing living wage jobs within the Borough, creation of new long-term living wage jobs within the Borough, establishment of economic development related infrastructure, provide a foundation of promoting private enterprise, diversification of the local economy, provide leverage to bring in other economic development funding or resources, stimulation of the local economy through the purchase of local goods and services, and the preservation or creation of other living wage and/or seasonal jobs within the Borough. Revenue sources for this fund are charges for services and investment earnings.

School Bond/Capital Improvements Special Revenue Fund - This fund is used to account for the receipt of revenues from the State of Alaska for the School Debt Reimbursement Program and the ½ -cent sales tax that was approved to fund school projects. These funds are used to pay for school bond debt, school building insurance, and school capital projects that would qualify for bonding.

Capital Projects Fund - This fund is used to account for the acquisition and construction of major school and other capital facilities other than those financed by proprietary funds.

State and Federal Grants Special Revenue Fund – This fund is used to account for the expenditures and receipts of all State and Federal grant programs. State and Federal grant expenditures are governed by the requirements of the individual grant agreements.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds and internal service funds. The major enterprise funds follow.

Airport Fund - This fund accounts for the operations of the Ketchikan International Airport.

Wastewater Fund – This fund is used to account for the Borough's sewer systems.

The Borough's internal service funds account for the Borough's and its discretely presented component unit's self-insurance programs.

1-C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities, and all deferred inflows/outflows associated with the operation of the Borough are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and all deferred inflows/outflows generally are included on the balance sheet. The statement of revenues,

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

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

1-D. Basis of Accounting

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

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Borough, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the Borough receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 3-C) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Borough must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Unearned Grant Revenue – Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as unearned revenue.

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

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

1-E. Assets, Liabilities and Fund Equity

1-E-1 Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Borough and all investments in the cash central treasury. For purposes of the statement of cash flows, the Borough has defined cash and cash equivalents as the demand deposits and all investments maintained in the cash central treasury regardless of maturity period, since the various funds use the central treasury essentially as a demand deposit account.

The Borough utilizes a central treasury to aggregate cash from all funds for cash management and investment purposes. Each fund has an account titled "cash in treasury" which is the cash balance of that particular fund. Each fund whose monies are deposited in the central treasury has equity therein. Investment earnings are allocated monthly to participating funds based on their ending equity balance.

Investments are stated at fair value based on quoted market prices.

A Borough ordinance authorizes the Borough to invest in:

- Obligations of the U. S. Treasury, its agencies and instrumentalities,
- Bankers' acceptances of the fifty largest banks,
- The highest rated commercial paper,
- Repurchase agreements,
- Fully collateralized certificates of deposits,
- The highest rated bonds and notes issued by a state or political subdivision thereof.

Borough ordinance places limitations on maturity of investments, and Borough investment procedures limit the level of investment by type.

Certain long-term investments are made in the equity market, not to exceed 25 percent of the portfolio and stock investments restricted to companies with assets greater than \$5 billion. These investments are managed through an account with Wells Fargo Advisors. The equity investments are cash assets that will not be expended within the next three to ten years.

1-E-2 Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges are accrued as receivables and revenue at June 30, 2014.

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." Long-term loans between funds are classified as "advances receivable/advances payable." These 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.

On the fund financial reporting level, an "advance receivable" is offset by nonspendable fund balance to indicate that it is not available for general appropriation.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

1-E-4 Consumable Inventories

On the government-wide financial statements, Borough inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method). Component unit inventories are presented at cost using the first-in, first-out basis.

On the fund financial statements, inventories of governmental and proprietary funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditure in the governmental fund types when consumed. Inventories of the proprietary funds are expensed when consumed.

1-E-5 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 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 shown as nonspendable; as this amount is not available for general appropriation.

1-E-6 Restricted Assets

The investment account within the capital projects fund segregates cash and investments that are restricted for school construction projects. Cash and investments restricted for debt service payments are segregated in the revenue bond current debt service account for debt service payments over the next 12 months, and in the revenue bond future debt service account for debt service payments beyond that period. The revenue bond renewal and replacement account segregates cash and investments reserved to cover unexpected contingencies or to fund asset renewals and replacements. The customer deposits account reflects cash from security deposits in the Borough's Planning Department that will eventually be returned to customers.

1-E-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 Borough reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental 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. The Borough maintains a capitalization threshold of five thousand dollars for capital assets consisting of equipment, and fifty thousand dollars for buildings, building improvements, land improvements, and infrastructure. The Borough's infrastructure consists of roads, bridges, airport runways, and water and sewer lines. 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 funds is capitalized.

All reported capital assets are depreciated except for land 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 Borough's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

| Asset Class | Estimated Lives | |
|-------------------------------|----------------------------|-----------------------------|
| | Governmental Activities | Business-type Activities |
| Buildings | 50 Years | 40 Years |
| Machinery and equipment | 6-10 Years | 6-10 Years |
| Vehicles and moving equipment | 5-10 Years | 5-10 Years |
| Intangibles | 10 Years | --- |
| Infrastructure | 50 Years | --- |
| Airport field facilities | --- | 15-30 Years |
| Ferry slip | --- | 40 Years |
| Ferries | --- | 20 Years |

Works of art are not depreciated if the artwork is removable from the building. Artwork that has become part of the building such as ceramic walls is depreciated over 50 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-E-8 Compensated Absences

It is the Borough's policy to permit employees to accumulate paid time off (PTO) benefits up to a maximum of 720 hours at calendar year-end.

PTO 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. All PTO liabilities include salary-related payments, where applicable.

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

1-E-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 payable are recognized as a liability in the governmental fund financial statements when due.

1-E-10 Bond Premiums, Discounts and Issuance Costs

On the government-wide and the proprietary fund type statements of net position, bond premiums and discounts are netted against bonds payable. Any gain or loss on refunding is reported as a deferred charge. On the government-wide and proprietary fund type statement of activities, bond premiums, and discounts are deferred and amortized over the life of the bonds using the straight-line method. At the governmental fund

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure/expense in both the government wide statement of activities and at the fund level.

1-E-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.”

The Ketchikan Gateway Borough Assembly passed resolution 2553 August 4, 2014 to be implemented with preparation of the FY 2014 CAFR, adopting fund balance classification and spending prioritization. The spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balances.

Fund Balance - In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items, inventories, on long term advances and receivables; or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the Borough Assembly - the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Borough Assembly removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance — This classification reflects the amounts constrained by the Borough's "intent" to be used for specific purposes, but are neither restricted nor committed. The Borough Assembly has delegated the assignment ability to the Finance Director through Resolution 2553. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Borough’s policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Net Position - Net position represent the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Borough or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-12 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Borough, these revenues are charges for services for the wastewater and the airport enterprise funds and premiums for the self-insurance internal service funds. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of each fund. Nonoperating revenues include investment earnings and operating grants, and nonoperating expenses include interest expense and the loss on the disposition of capital assets.

1-E-13 Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

1-E-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 and eliminated from the total column. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

1-E-15 Estimates

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

1-E-16 Comparative Data

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. In addition, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

Note 2 – Changes in Accounting Principles Stewardship, Compliance and Accountability

2-A. Change in Accounting Principle – In fiscal year 2013, the Borough adopted newly issued GASB pronouncements 63 and 65, resulting in a change in presentation of the government-wide and fund level financial statements. The new pronouncements require reporting two new categories of accounts. Certain items previously reported as assets are now categorized as *deferred outflows* of resources. A *deferred outflow* represents the consumption of the government's net position or fund balance that is applicable to a future reporting period. Other items previously categorized as liabilities are now categorized as *deferred*

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

inflows of resources. A *deferred inflow* represents the acquisition of net position or fund balance that is applicable to a future reporting period. For example, revenues that have been earned but are not yet available in the governmental funds are now reported as *deferred inflows*. In the government-wide financial statements, the residual net of all of the accounts is now called *net position*.

2-B. Budgetary Information – The Borough adopts an annual operating budget for the following funds: General Fund, Land Trust, Commercial Passenger Vessel, Recreation Sales Tax, School Bond/Capital Improvement, Economic Development Assistance Program, Airport PFC Fund, and the following Service Areas: Mud Bight, South Tongass, Loring, Waterfall, Nichols View, Forest Park, Gold Nugget, Gold Nugget Special Assessment, Homestead Special Assessment, North Tongass Fire and EMS, and Non Area-wide Library. A project budget is adopted for each capital projects fund. The budget resolution reflects the total budget of each fund.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is the individual fund. Borough department heads may make transfers of appropriations within a department and the Borough Manager may authorize transfers of appropriations between departments within an individual fund. Transfers of appropriations between funds require the approval of the Borough Assembly.

During the year the Borough Assembly approved budget revisions.

All unexpended annual appropriations lapse at year-end, with exception for appropriations made for a capital project or grant project in the budget ordinance, or in an ordinance for a prior budget year, are valid for the life of the project or grant term, and the unexpended balance for all such appropriations shall be carried forward to subsequent fiscal years.

At 6/30/2014, the Borough had open encumbrances as follows:

| Fund | Encumbrances |
|---|---------------|
| General Fund | \$ 330,443 |
| Land Trust | 17,916 |
| Economic Development Assistance Program | 2,665,109 |
| State and Federal Grants | 7,920,425 |
| Capital Improvements | 21,676 |
| Nonmajor | 950,910 |
| Total | \$ 11,906,479 |

2-C. Excess of Expenditures over Appropriations

The following individual funds had an excess of expenditures over appropriations at June 30, 2014:

Nonareawide Library Fund and the Loring Service Area Special Revenue Fund.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

2-D. Deficit Fund Equities

The following individual funds had a deficit fund balance at the fund reporting level at June 30, 2014:

| | |
|--|------------|
| Gold Nugget Special Assessment Area Fund | \$ (2,517) |
| North Tongass Fire & EMS Service Area Fund | (295,958) |
| Airport PFC Special Revenue Fund | (457,424) |
| Waterfall Service Area | (33,500) |

The Borough entered into agreement with the Federal Aviation Administration, allowing the Borough to redeem the 2001 B airport revenue bond and subsequently to be reimbursed by the Airport PFC Special Revenue Fund (PFC Fund). The PFC Fund balance has a negative fund balance of \$457,424 and will reimburse the Borough central treasury approximately \$350,000 per year for one and a half years.

Note 3 - Detailed Notes on All Funds

3-A. Cash and Investments

Cash and investments for Ketchikan Gateway Borough are comprised of governmental and business-type activities. The balances at June 30, 2014 are as follows:

| | | | |
|--------------|--------------------------------------|----------------------|-------------------|
| | Cash on hand | \$ | 2,980 |
| | Deposits with financial institutions | | 29,563,484 |
| | Investments | | <u>251,460</u> |
| | Total | \$ | <u>29,817,924</u> |
| | | | |
| | <u>Governmental</u> | <u>Business-Type</u> | <u>Total</u> |
| | Activities | Activities | |
| Unrestricted | \$ 19,198,951 | 718,366 | 19,917,317 |
| Restricted | <u>9,900,607</u> | <u>-</u> | <u>9,900,607</u> |
| Total | <u>\$ 29,099,558</u> | <u>718,366</u> | <u>29,817,924</u> |

The restricted cash and investments are comprised of investments in construction funds for school projects, passenger facility charges for the payment of airport revenue bonds, commercial passenger vessel revenues for commercial passenger vessel related expenditures, and for a revenue bond reserve fund.

Deposits – Custodial credit risk-deposits. This is the risk that in the event of a bank failure, the Borough’s deposits may not be returned to it. The Borough’s deposit policy is in accordance with guidelines established by the Borough’s Code of Ordinances, the Borough Assembly and its bond ordinances. All deposits are covered by federal depository insurance up to \$250,000 and collateralized with eligible securities to secure at least 100 percent of the book value of deposits. As of June 30, 2014, the carrying value of all the Borough’s deposits was \$29,817,924, and the bank value was \$29,795,649 per bank confirmations. All collateral securities were held by third parties in the Borough’s name, and were not exposed to custodial credit risk.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Investments – All investment pool cash purchases and sales are part of the Borough’s cash management activity and considered cash and cash equivalents. Interest earned from the pooled investments is allocated to each fund based on an average earnings rate and monthly cash balance of each fund. The Borough has recorded investments at the current portfolio value. The Borough’s investment policy is in accordance with guidelines established by the Borough’s Code of Ordinances.

The following investments are permitted under the Borough’s investment policy:

- U. S. government obligations, U. S. government agency obligations and U. S. government instrumentality obligations which have a liquid market with a readily determinable market value;
- Investment grade obligations of U. S. corporations, state and local governments and public authorities;
- Repurchase agreements whose underlying purchased securities consist of the foregoing;
- Money market mutual funds regulated by the securities and exchange commission and whose portfolio consist only of dollar-denominated securities;
- Mutual funds whose investments are limited to U. S. government securities or treasury securities;
- A majority of the equity position will be invested in common stock issued by U. S. corporations with market capitalization in excess of five billion dollars (\$5,000,000,000) at time of purchase which trade on NASDAQ or New York Stock Exchange. A maximum of ten (10) percent of the equity allocation may be invested in mutual funds that invest in small capitalization companies or individual companies whose market capitalization is less than one billion dollars (\$1,000,000,000).
- A maximum of ten (10) percent of the equity allocation may be invested in international mutual funds or individual companies that are non-U. S. based

Concentration of credit risk. The majority of the Borough’s investments as of June 30, 2014 were held in a portfolio in Wells Fargo Bank, N.A. and were invested in direct obligations of the U. S. Government.

The Borough has no formal policy relating to the concentration credit risk.

Credit risk. One hundred (100%) of the Borough’s investments are invested with the Wells Fargo Advisors. The Wells Fargo investments include fixed income, equities, bond and money market funds. Fixed income investments are rated AAA.

| | |
|--------------------------|--------------------------|
| Fixed Income: | <u>Amount</u> |
| Federal Home Ln Mtg Corp | \$ <u><u>251,460</u></u> |

The Borough has no formal policy relating to credit risk.

Interest rate risk. As of June 30, 2014, the weighted average maturity of the Borough’s investment portfolio was less than one year. To minimize interest rate risk, the Borough’s investment policy limits the portfolio to a maximum weighted average of maturity of 24 months to meet the Borough’s cash flow requirements.

The Borough’s investments subject to categorization are as follows:

| Investment Type | Investment Maturity (in years) | | |
|-----------------|--------------------------------|-----------------------|-----------------|
| | Current Market Value | Less than 1 | 1 - 5 |
| Fixed Income | \$ <u><u>251,460</u></u> | <u><u>251,460</u></u> | <u><u>-</u></u> |

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

3-B. Receivables

Receivables at June 30, 2014, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the Borough'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, collectibility.

Receivables as of year-end for the Borough's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

| | <u>General</u> | <u>Land Trust</u> | <u>School Bond Capital Improvements</u> | <u>Economic Development</u> | <u>State & Federal Grants</u> |
|------------------------------------|---------------------|-------------------|---|---------------------------------|---|
| Receivables: | | | | | |
| Accounts | \$ 154,342 | 1,101 | - | 4,864 | - |
| Intergovernmental | 1,202,185 | - | 27,574 | - | 2,591,120 |
| Property taxes | 218,628 | - | - | - | - |
| Sales taxes | 4,612,100 | - | 470,073 | - | - |
| Interfund | <u>2,778,285</u> | <u>1,097,733</u> | <u>-</u> | <u>1,063,413</u> | <u>-</u> |
| Total receivables | 8,965,540 | 1,098,834 | 497,647 | 1,068,277 | 2,591,120 |
| Allowance for doubtful accounts | <u>(117,650)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net receivables | <u>\$ 8,847,890</u> | <u>1,098,834</u> | <u>497,647</u> | <u>1,068,277</u> | <u>2,591,120</u> |

| | <u>Nonmajor Governmental</u> | <u>Airport Enterprise</u> | <u>Wastewater Enterprise</u> | <u>Totals</u> |
|------------------------------------|----------------------------------|-------------------------------|----------------------------------|-------------------|
| Receivables: | | | | |
| Accounts | \$ 251,681 | 301,392 | 233,006 | 946,386 |
| Intergovernmental | 53,141 | 71,052 | - | 3,945,072 |
| Property taxes | 12,854 | - | - | 231,482 |
| Sales taxes | 470,073 | - | - | 5,552,246 |
| Interfund | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,939,431</u> |
| Total receivables | <u>787,749</u> | <u>372,444</u> | <u>233,006</u> | <u>15,614,617</u> |
| Allowance for doubtful accounts | <u>(161,732)</u> | <u>(36,058)</u> | <u>(199,967)</u> | <u>(515,407)</u> |
| Net receivables | <u>\$ 626,017</u> | <u>336,386</u> | <u>33,039</u> | <u>15,099,210</u> |

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Governmental funds report *deferred inflows* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of the end of the current fiscal year, the various components of deferred inflows and unearned revenue reported in the governmental funds were as follows:

| | Deferred/Unavailable | Unearned |
|--|----------------------|----------|
| Delinquent property taxes receivable (General Fund) | \$ 149,829 | - |
| Delinquent property taxes receivable (Nonmajor Funds) | 1,617 | - |
| Unearned revenue (General Fund) | - | 51,058 |
| Unearned revenues (nonmajor) | - | 62,378 |
| Total deferred/unearned revenue for governmental funds | \$ 151,446 | 113,436 |

3-C. Property and Sales Taxes

The Borough levies its real property taxes on July 1 of each fiscal year based upon the assessed valuation as of the previous January 1. Property taxes are considered due the following July 1 and are considered delinquent on October 1, which is also the lien date. The Borough collects its own sales tax as well as that of the cities within the Borough. The Borough-wide sales tax rate is 2.5% while the city rate is 4.0%.

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

3-D. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

| | Balance 7/1/2013 | Additions | Deductions | Balance 6/30/2014 |
|---|-----------------------|------------------|------------------|----------------------|
| Governmental activities: | | | | |
| Nondepreciable capital assets: | | | | |
| Land - Borough | \$ 29,153,431 | 2,570,100 | 2,711,717 | 29,011,814 |
| Land - School | 7,397,443 | - | - | 7,397,443 |
| Construction in progress - Borough | 386,419 | 94,652 | 141,867 | 339,204 |
| Construction in progress - School | 893,475 | 997,560 | 770,101 | 1,120,934 |
| Total nondepreciable capital assets | <u>37,830,768</u> | <u>3,662,312</u> | <u>3,623,685</u> | <u>37,869,395</u> |
| Depreciable capital assets: | | | | |
| Buildings - Borough | 23,797,767 | 845,049 | - | 24,642,816 |
| Buildings - School | 102,361,783 | 1,374,848 | - | 103,736,631 |
| Equipment | 4,489,293 | 466,982 | 261,085 | 4,695,190 |
| Equipment - Ward Cove | 6,995 | - | - | 6,995 |
| Fields | 3,689,284 | 472,392 | - | 4,161,676 |
| Infrastructure | 891,714 | 219,408 | - | 1,111,122 |
| Land Improvements | 466,883 | - | - | 466,883 |
| Pool | 22,772,030 | - | - | 22,772,030 |
| South Tongass Water | 8,335,833 | - | - | 8,335,833 |
| Transit - Buses | 2,262,110 | - | - | 2,262,110 |
| Total depreciable capital assets | <u>169,073,692</u> | <u>3,378,679</u> | <u>261,085</u> | <u>172,191,286</u> |
| Total cost of capital assets | 206,904,460 | 7,040,991 | 3,884,770 | 210,060,681 |
| Accumulated depreciation: | | | | |
| Buildings - Borough | 3,787,649 | 604,464 | - | 4,392,113 |
| Buildings - School | 30,082,014 | 2,353,971 | - | 32,435,985 |
| Equipment | 2,790,860 | 260,014 | 234,360 | 2,816,514 |
| Fields | 1,478,645 | 151,127 | - | 1,629,772 |
| Infrastructure | 644,642 | 37,379 | - | 682,021 |
| Land Improvements | 67,382 | 23,344 | - | 90,726 |
| Pool | - | 910,881 | - | 910,881 |
| South Tongass Water | 337,458 | 166,717 | - | 504,175 |
| Transit - Buses | 887,946 | 171,986 | - | 1,059,932 |
| Total accumulated depreciation | <u>40,076,596</u> | <u>4,679,883</u> | <u>234,360</u> | <u>44,522,119</u> |
| Governmental activities capital assets, net | \$ <u>166,827,864</u> | <u>2,361,108</u> | <u>3,650,410</u> | <u>165,538,562</u> |

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Governmental activities depreciation:

| | | |
|--|----|-------------------------|
| Administration | \$ | 74,646 |
| Education | | 2,362,293 |
| Fire and EMS | | 212,634 |
| Parks and Recreation | | 1,120,055 |
| Public Service | | 665,851 |
| Public Works | | 33,661 |
| Transit | | <u>210,743</u> |
| Total governmental activities depreciation expense | \$ | <u><u>4,679,883</u></u> |

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

| | <u>Balance</u> <u>7/1/2013</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>6/30/2014</u> |
|--|-----------------------------------|----------------------|--------------------|------------------------------------|
| Business-type activities: | | | | |
| Nondepreciable capital assets | | | | |
| Construction in progress | \$ 907,889 | 1,748,610 | - | 2,656,499 |
| Depreciable capital assets: | | | | |
| Ferry | 14,177,843 | 117,192 | - | 14,295,035 |
| Field | 4,203,971 | 84,414 | 21,231 | 4,267,154 |
| Terminal building | 10,100,202 | 34,113 | - | 10,134,315 |
| Murphy's landing | 208,800 | - | - | 208,800 |
| Sludge/compost | 135,530 | - | 135,530 | - |
| Wastewater | 270,261 | - | - | 270,261 |
| Mountain Point wastewater | 13,771,289 | 21,200 | - | 13,792,489 |
| Forest Park wastewater | 32,700 | - | - | 32,700 |
| Total depreciable capital assets | <u>42,900,596</u> | <u>256,919</u> | <u>156,761</u> | <u>43,000,754</u> |
| Total capital assets | <u>43,808,485</u> | <u>2,005,529</u> | <u>156,761</u> | <u>45,657,253</u> |
| Accumulated depreciation: | | | | |
| Ferry | 3,145,593 | 698,536 | - | 3,844,129 |
| Field | 2,652,827 | 90,089 | 21,230 | 2,721,686 |
| Terminal building | 5,255,912 | 186,644 | - | 5,442,556 |
| Murphy's landing | 208,800 | - | - | 208,800 |
| Sludge/compost | 135,078 | 451 | 135,529 | - |
| Wastewater | 211,156 | 12,479 | - | 223,635 |
| Mountain Point wastewater | 3,710,518 | 342,828 | - | 4,053,346 |
| Forest Park wastewater | 30,319 | 1,308 | - | 31,627 |
| Total accumulated depreciation | <u>15,350,203</u> | <u>1,332,335</u> | <u>156,759</u> | <u>16,525,779</u> |
| Business-type activities capital assets, net | \$ <u>28,458,282</u> | <u>673,194</u> | <u>2</u> | <u>29,131,474</u> |

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

3-E. Interfund Balances and Transfers

Interfund balances at June 30, 2014, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The Borough expects to repay interfund balances due to the Economic Development Fund over five years. The balances due to the Land Trust Fund are interfund loans and payment schedules have been established for the various funds that call for repayment within eight years.

| Payable to: | Payable From: | | | Total |
|--|---|-------------------------------|----------------------------------|-----------|
| | Non-Major Governmental Special Revenue Funds | Airport Enterprise Fund | Wastewater Enterprise Fund | |
| Land Trust Fund - Advances Receivable | \$ 531,719 | 184,233 | 381,781 | 1,097,733 |
| Economic Development- Advances Receivable | 524,936 | 538,477 | - | 1,063,413 |
| Total | \$ 1,056,655 | 722,710 | 381,781 | 2,161,146 |

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Interfund transfers for the year ended June 30, 2014, consisted of the following:

| Transfers To: | Transfers From: | | |
|--|-------------------------|-----------------------|-------------------------------------|
| | General Fund | Land Trust Fund | School Bond Capital Imp. Fund |
| General Fund | \$ - | 174,036 | 81,154 |
| Debt Service | - | 306,518 | 3,633,981 |
| Non-Major Governmental Airport Enterprise | 54,405 <u>5,500</u> | - <u>-</u> | 162,980 <u>-</u> |
| Total | \$ <u>59,905</u> | <u>480,554</u> | <u>3,878,115</u> |

| Transfers To: | Transfers From: | | |
|--|---------------------------------|------------------------------------|---------------------------|
| | Economic Development Fund | Non-Major Governmental Funds | Totals |
| General Fund | \$ 120,000 | 844,781 | 1,219,971 |
| Debt Service | - | 1,373,782 | 5,314,281 |
| Non-Major Governmental Airport Enterprise | - <u>-</u> | 206,339 <u>179,381</u> | 423,724 <u>184,881</u> |
| Total | \$ <u>120,000</u> | <u>2,604,283</u> | <u>7,142,857</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; and to return money to the fund from which it was originally provided once a project is completed.

All Borough transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

3-F. Compensated Absences

Employees may receive cash payments for unused compensated absences only upon termination or for hours in excess of 720 at the end of any calendar year.

3-G. Operating Leases

The Borough leases the Ketchikan International Airport from the State of Alaska at the rate of one dollar per year under a 42-year lease agreement that expires May 31, 2027. Under the terms of this lease, the Borough is required to operate the airport for the use and benefit of the public and to perform all maintenance and repairs to the landing field. The lease further provides that the cost of repairs to a State of Alaska owned facilities are to be paid by the Borough. Major repairs are to be paid by the State of Alaska. In addition, the lease requires the Borough to maintain an airport enterprise fund and to account for all of the revenues, costs and expenses of operating the airport in this fund. Any excess of specified revenues over specified expenses, both of which are defined in the lease, must be credited to a separate reserve account and can only be used for certain purposes. No excess of specified revenues over specified expense exists in the airport enterprise fund as of June 30, 2014. As the lessor, the Borough subleases and sub-rents property described above. The leases that are in place as of June 30, 2014 have expiration dates through 2018. One long term land lease extends through 2027. The Borough also collects rents from the cooler building, hangers, land, seaplane dock, floatplane pullout, aircraft tie-downs, regulator building, ARFF/maintenance building, aircraft parking, and Murphy's Pullout. The Borough collects these rents on a month-to-month basis. At June 30, 2014, the majority of the Terminal Building tenants were renting on a month-to-month basis. Current airport terminal leases generate annual revenues of \$651,381 on 170,867 square feet. Land leases generate annual revenues of \$63,016 on 209,350 square feet.

3-H. Long-Term Debt

The Borough has numerous bond issues outstanding. A summary of the governmental activities follows:

Borough General Obligation Bonds, 2005B Series - General obligation bonds, Series 2005, denominations of \$5,000, dated May 4, 2005, total issue \$15,130,000. The bond proceeds were used to construct school facilities, refund the 1995 general obligation bonds, and advance refund \$5,250,000 of the 1999 general obligation bonds. Interest rates range from 3.00% to 5.25%. The bonds mature May 1, 2020. \$3,080,000 of this series was refunded May 24, 2012 with refunding bonds 2012 Series II leaving a remaining balance as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-----------------|------------------|
| 2015 | \$ 1,025,000 | 165,937 | 1,190,937 |
| 2016 | 520,000 | 114,688 | 634,688 |
| 2017 | 540,000 | 88,688 | 628,688 |
| 2018 | 575,000 | 61,687 | 636,687 |
| 2019 | <u>600,000</u> | <u>31,500</u> | <u>631,500</u> |
| Total | <u>\$ 3,260,000</u> | <u>462,500</u> | <u>3,722,500</u> |

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Borough General Obligation Bonds, 2006A Series - General obligation bonds, Series 2006, denominations of \$5,000, dated February 9, 2006, total issue \$1,100,000. The bond proceeds were used for school health and safety projects. Interest rates are 4%. The bonds mature February 1, 2016. Annual debt service requirements as of June 30, 2014 follow:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-----------------|----------------|
| 2015 | \$ 125,000 | 10,200 | 135,200 |
| 2016 | <u>130,000</u> | <u>5,200</u> | <u>135,200</u> |
| Total | \$ <u>255,000</u> | <u>15,400</u> | <u>270,400</u> |

Borough General Obligation Bonds, 2009A Tax-Exempt Series - General obligation bonds, Series 2009A, denominations of \$5,000 or integral multiples thereof, dated December 18, 2009, total issue \$3,075,000. The bond proceeds were used to construct a community aquatic center of which 17.848% will be considered a school facility. Interest rates range from 2.00% to 4.00%. The bonds mature February 1, 2016. Annual debt service requirements as of June 30, 2014 follow:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-----------------|------------------|
| 2015 | \$ 550,000 | 39,250 | 589,250 |
| 2016 | <u>575,000</u> | <u>17,250</u> | <u>592,250</u> |
| Total | \$ <u>1,125,000</u> | <u>56,500</u> | <u>1,181,500</u> |

Borough General Obligation Bonds, 2009B&C Taxable Series - General obligation bonds, Series 2009B&C, denominations of \$5,000 or integral multiples thereof, dated December 18, 2009, \$16,681,000 taxable Build America Bond (2009B) and \$3,744,000 taxable Recovery Zone Development Bond (2009C), total issue \$20,425,000. The bond proceeds are being used to construct a community aquatic center of which 17.848% will be considered a school facility. Interest rates range from 1.53% to 6.118%. The bonds mature February 1, 2039. Annual debt service requirements as of June 30, 2014 are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Interest Subsidy</u> | <u>Net Interest</u> | <u>Total</u> |
|--------------------|----------------------|-------------------|-------------------------|---------------------|-------------------|
| 2015 | \$ - | 1,185,519 | (437,837) | 747,682 | 747,682 |
| 2016 | - | 1,185,519 | (437,838) | 747,681 | 747,681 |
| 2017 | 590,000 | 1,185,519 | (437,838) | 747,681 | 1,337,681 |
| 2018 | 610,000 | 1,158,232 | (428,287) | 729,945 | 1,339,945 |
| 2019 | 625,000 | 1,129,104 | (418,092) | 711,012 | 1,336,012 |
| 2020-2024 | 3,445,000 | 5,154,272 | (1,918,524) | 3,235,748 | 6,680,748 |
| 2025-2029 | 4,125,000 | 4,128,244 | (1,420,612) | 2,707,632 | 6,832,632 |
| 2030-2034 | 4,990,000 | 2,787,667 | (1,090,212) | 1,697,455 | 6,687,455 |
| 2035-2039 | <u>6,040,000</u> | <u>1,135,195</u> | <u>(489,529)</u> | <u>645,666</u> | <u>6,685,666</u> |
| Total | \$ <u>20,425,000</u> | <u>19,049,271</u> | <u>(7,078,769)</u> | <u>11,970,502</u> | <u>32,395,502</u> |

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Borough General Obligation Bonds, 2010A Series - General obligation bonds, Series 2010, denominations of \$5,000, dated March 11, 2010, total issue \$5,990,000. The bond proceeds were used to construct school facilities, and advance refund \$5,900,000 of the 2000 general obligation bonds. Interest rates range from 2.00% to 5.00%. Net present value savings on the refunding is \$530,120 over the term. The bonds mature March 1, 2020. Annual debt service requirements as of June 30, 2014 follow:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-----------------|------------------|
| 2015 | \$ 575,000 | 147,050 | 722,050 |
| 2016 | 600,000 | 129,800 | 729,800 |
| 2017 | 620,000 | 105,800 | 725,800 |
| 2018 | 650,000 | 81,000 | 731,000 |
| 2019 | 675,000 | 55,000 | 730,000 |
| 2020 | <u>700,000</u> | <u>28,000</u> | <u>728,000</u> |
| Total | \$ <u>3,820,000</u> | <u>546,650</u> | <u>4,366,650</u> |

Borough General Obligation Bonds, 2010B Four Taxable Series - General obligation bonds, Series 2010B, denominations of \$5,000, dated December 9, 2010, total issue \$3,270,000. The bond proceeds were used for repairs and improvements to the Ketchikan High School roof. Interest rates range from 1.422% to 5.759%. The bonds mature August 1, 2025. Annual debt service requirements as of June 30, 2014 follow:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Interest Subsidy</u> | <u>Net Interest</u> | <u>Total</u> |
|--------------------|---------------------|-----------------|-------------------------|---------------------|------------------|
| 2015 | \$ 210,000 | 124,573 | (56,058) | 68,515 | 278,515 |
| 2016 | 215,000 | 118,976 | (53,539) | 65,437 | 280,437 |
| 2017 | 220,000 | 112,198 | (50,489) | 61,709 | 281,709 |
| 2018 | 220,000 | 104,287 | (46,929) | 57,358 | 277,358 |
| 2019 | 225,000 | 95,209 | (42,844) | 52,365 | 277,365 |
| 2020-2024 | 1,220,000 | 311,185 | (140,033) | 171,152 | 1,391,152 |
| 2025 | <u>540,000</u> | <u>31,188</u> | <u>(14,035)</u> | <u>17,153</u> | <u>557,153</u> |
| Total | \$ <u>2,850,000</u> | <u>897,616</u> | <u>(403,927)</u> | <u>493,689</u> | <u>3,343,689</u> |

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Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Certificate of Participation 2010A-1 - White Cliff Tax-Exempt – Debt issued December 21, 2010, in the amount of \$1,065,000. The debt was used to purchase the White Cliff Building, which is the new home of Ketchikan Gateway Borough’s administrative offices. Interest rates range from 3.00% to 4.00%. The debt will be paid off July 1, 2018. Annual debt service requirements as of June 30, 2014 follow:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-----------------|----------------|
| 2015 | \$ 140,000 | 22,400 | 162,400 |
| 2016 | 145,000 | 18,200 | 163,200 |
| 2017 | 150,000 | 12,400 | 162,400 |
| 2018 | <u>160,000</u> | <u>6,400</u> | <u>166,400</u> |
| Total | \$ <u>595,000</u> | <u>59,400</u> | <u>654,400</u> |

Certificate of Participation 2010A-2- White Cliff Taxable – Debt issued December 21, 2010, in the amount of \$3,700,000. The debt was used to purchase the White Cliff Building, which is the new home of Ketchikan Gateway Borough’s administrative offices. Interest rates range from 5.781% to 6.863%. The debt will be paid off July 1, 2035. Annual debt service requirements as of June 30, 2014 follow:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Interest Subsidy</u> | <u>Net Interest</u> | <u>Total</u> |
|--------------------|---------------------|------------------|-------------------------|---------------------|------------------|
| 2015 | \$ - | 240,244 | (108,110) | 132,134 | 132,134 |
| 2016 | - | 240,244 | (108,109) | 132,135 | 132,135 |
| 2017 | - | 240,244 | (108,109) | 132,135 | 132,135 |
| 2018 | - | 240,244 | (108,110) | 132,134 | 132,134 |
| 2019 | 165,000 | 240,244 | (108,110) | 132,134 | 297,134 |
| 2020-2024 | 900,000 | 1,052,358 | (473,561) | 578,797 | 1,478,797 |
| 2025-2029 | 1,070,000 | 760,315 | (342,142) | 418,173 | 1,488,173 |
| 2030-2034 | 1,280,000 | 367,513 | (156,734) | 210,779 | 1,490,779 |
| 2035-2036 | <u>285,000</u> | <u>19,560</u> | <u>(8,802)</u> | <u>10,758</u> | <u>295,758</u> |
| Total | \$ <u>3,700,000</u> | <u>3,400,966</u> | <u>(1,521,787)</u> | <u>1,879,179</u> | <u>5,579,179</u> |

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Borough General Obligation Bonds, 2011 III Series - General obligation bonds, Series 2011, denominations of \$5,000, dated November 30, 2011, total issue \$4,900,000. The bond proceeds were used to advance refund \$5,900,000 of the 2003 general obligation bonds. Interest rates range from 2.00% to 5.00%. Net present value savings on the refunding is \$375,553 over the term. The bonds mature September 1, 2022. Annual debt service requirements as of June 30, 2014 follow:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|------------------|------------------|
| 2015 | \$ 415,000 | 205,325 | 620,325 |
| 2016 | 435,000 | 186,250 | 621,250 |
| 2017 | 450,000 | 166,300 | 616,300 |
| 2018 | 475,000 | 143,175 | 618,175 |
| 2019 | 500,000 | 118,800 | 618,800 |
| 2020-2023 | <u>2,230,000</u> | <u>226,650</u> | <u>2,456,650</u> |
| Total | \$ <u>4,505,000</u> | <u>1,046,500</u> | <u>5,551,500</u> |

Borough General Obligation Bonds, 2012 II Series - General obligation bonds, Series 2012, denominations of \$5,000, dated May 24, 2012, total issue \$3,080,000. The bond proceeds were used to advance refund \$3,090,000 of the 2005 general obligation bonds. Interest rates range from 2.00% to 5.00%. Net present value savings on the refunding is \$187,620 over the term. The bonds mature September 1, 2019. Annual debt service requirements as of June 30, 2014 follow:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-----------------|------------------|
| 2015 | \$ - | 135,450 | 135,450 |
| 2016 | 565,000 | 124,150 | 689,150 |
| 2017 | 585,000 | 101,150 | 686,150 |
| 2018 | 605,000 | 77,350 | 682,350 |
| 2019 | 640,000 | 49,250 | 689,250 |
| 2020 | <u>665,000</u> | <u>16,625</u> | <u>681,625</u> |
| Total | \$ <u>3,060,000</u> | <u>503,975</u> | <u>3,563,975</u> |

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Borough General Obligation Bonds, 2013 One Series - General obligation bonds, Series 2013, denominations of \$5,000, dated March 12, 2013, total issue \$4,875,000. The bond proceeds will be used for school district facility upgrades. Interest rates range from 2% - 5%. The bonds mature February 1, 2023. Annual debt service requirements as of June 30, 2014 follow:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-----------------|------------------|
| 2015 | \$ 425,000 | 185,150 | 610,150 |
| 2016 | 440,000 | 168,150 | 608,150 |
| 2017 | 460,000 | 150,550 | 610,550 |
| 2018 | 475,000 | 132,150 | 607,150 |
| 2019 | 495,000 | 113,150 | 608,150 |
| 2020-2023 | <u>2,210,000</u> | <u>225,400</u> | <u>2,435,400</u> |
| Total | \$ <u>4,505,000</u> | <u>974,550</u> | <u>5,479,550</u> |

Defeased Bonds – In fiscal year 2012, Ketchikan Gateway Borough partially defeased its general obligation 2005B series bonds. At June 30, 2014, \$3,090,000 of bonds outstanding is considered defeased, and the trust account assets and the liability for the defeased bonds are not included in the Borough’s financial statements.

Borough Capital Lease: In June 2004, the Borough entered into a capital lease with E-One, Inc. for two (2) E-One Polar Bear Tankers for the North Tongass Fire Department. The Borough took possession of the tankers in July 2004. The lease calls for ten (10) annual payments in arrears with interest computed at 4.95%. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The lease balance was paid in full at June 30, 2014.

The assets acquired through capital leases are as follows:

| | <u>Governmental Activities</u> |
|-------------------------------|------------------------------------|
| Asset: | |
| Equipment | \$ 399,134 |
| Less accumulated depreciation | <u>(198,738)</u> |
| Total net book value | \$ <u>200,396</u> |

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Changes in Long-term Debt - Changes in the Borough's long-term obligations consisted of the following for the year ended June 30, 2014:

| Governmental Activities | Outstanding 7/1/2013 | Additions | Reductions | Outstanding 6/30/2014 | Amounts Due in One Year |
|---------------------------------------|-----------------------------|-----------------------|-------------------------|--------------------------|----------------------------|
| GO Bonds - 2005B | \$ 4,235,000 | - | 975,000 | 3,260,000 | 1,025,000 |
| GO Bonds - 2006A | 375,000 | - | 120,000 | 255,000 | 125,000 |
| GO Bonds - 2009A | 1,660,000 | - | 535,000 | 1,125,000 | 550,000 |
| GO Bonds - 2009B & C | 20,425,000 | - | - | 20,425,000 | - |
| GO Bonds - 2010A One | 4,385,000 | - | 565,000 | 3,820,000 | 575,000 |
| GO Bonds - 2010B Four | 3,060,000 | - | 210,000 | 2,850,000 | 210,000 |
| GO Bonds - 2011 III | 4,900,000 | - | 395,000 | 4,505,000 | 415,000 |
| GO Bonds - 2012 II | 3,060,000 | - | - | 3,060,000 | - |
| GO Bonds - 2013 One | 4,875,000 | - | 370,000 | 4,505,000 | 425,000 |
| Certificates of Participation | | | | | |
| C of P 2010A-1 | 735,000 | - | 140,000 | 595,000 | 140,000 |
| C of P 2010A-2 | 3,700,000 | - | - | 3,700,000 | - |
| E-One Lease - (Fire Equipment) | 48,741 | - | 48,741 | - | - |
| Compensated absences | <u>671,250</u> | <u>607,491</u> | <u>590,246</u> | <u>688,495</u> | <u>617,722</u> |
| Total Governmental Activities | \$ <u>52,129,991</u> | <u>607,491</u> | <u>3,948,987</u> | <u>48,788,495</u> | <u>4,082,722</u> |
| Business-Type Activities | | | | | |
| Compensated absences | <u>243,814</u> | <u>167,791</u> | <u>189,991</u> | <u>221,614</u> | <u>156,313</u> |
| Total Business-Type Activities | \$ <u>243,814</u> | <u>167,791</u> | <u>189,991</u> | <u>221,614</u> | <u>156,313</u> |

The general obligation bonds and certificates of participation for governmental activities are being retired by the general obligation bond debt service and certificate of participation funds.

The compensated absences liability is being liquidated from the fund from which the employees' salaries are paid. These funds include the General Fund, Land Trust Fund, Commercial Passenger Vessel Fund, Economic Development Assistance Program Fund, South Tongass Service Area, North Tongass Fire & EMS Service Area, and the Airport Enterprise Fund.

3-I. Pensions

Defined Benefit Pension Plan

Ketchikan Gateway Borough participates in the Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

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

Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed legislation which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers.

That same year, the State of Alaska passed additional legislation which statutorily capped the employer contribution, established a state funded “on-behalf” contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

Employer and Other Contribution Rates

There are three contribution rates associated with the pension and healthcare contributions and related liabilities:

Contractual Rate: This is the required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate includes all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap. There are no constraints or restrictions on the actuarial cost method or other assumptions used in this valuation, other than those established and agreed to by the ARM Board.

Current legislation provides that the State of Alaska will contribute the difference between the ARM Board adopted rate and the contractual (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditures within the financial statements.

GASB 43 Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For FY14, the rate uses an 8.00% pension discount rate and a 5.41% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of differences in the actuarial valuation methodology and assumptions.

Contribution rates for the year ended June 30, 2014 were determined as part of the June 30, 2011 actuarial valuation and are as follows:

| | Contractual Rate | ARM Board Adopted Rate | GASB 43 Rate |
|--------------------------------|---------------------|------------------------------|-----------------|
| Pension | 10.64% | 18.38% | 27.94% |
| Postemployment healthcare | 11.36% | 17.30% | 52.55% |
| Total contribution rate | 22.00% | 35.68% | 80.49% |

Annual Pension and Postemployment Healthcare Cost

Ketchikan Gateway Borough is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.68% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, this contribution is considered an on-behalf payment and is recorded as revenue and expense/expenditures in these financial statements. However, because Ketchikan Gateway Borough is not statutorily obligated for these payments, the State's contributions, in the amounts of \$801,854, \$797,259, and \$621,415 for 2014, 2013, and 2012, respectively, have been excluded from pension and OPEB cost as shown below.

| Year Ended June 30, | Required Pension Contribution | Required OPEB Contribution | Total Required Contribution | Borough Contributions |
|------------------------|-------------------------------------|----------------------------------|-----------------------------------|--------------------------|
| 2014 | \$ 515,894 | \$ 550,885 | \$ 1,066,779 | \$ 1,066,779 |
| 2013 | 465,110 | 593,161 | 1,058,271 | 1,058,271 |
| 2012 | 456,842 | 556,315 | 1,013,157 | 1,013,157 |

Defined Contribution Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. The Plan is administered by the State of Alaska, Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan.

Employee Contribution Rates

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Employer Contribution Rates

For the year ended June 30, 2014, Ketchikan Gateway Borough was required to contribute the following amounts based on covered salary:

| | Other Tier IV | Police/Fire Tier IV |
|--|---------------|------------------------|
| Individual account | 5.00% | 5.00% |
| Retiree medical plan | 0.48% | 0.48% |
| Occupational death and disability benefits | 0.20% | 1.14% |
| | 5.68% | 6.62% |

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of ***all employees of all employers*** in the plan”. As of July 1, 2013, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,897 per year for each full-time employee, and \$1.22 per hour for part-time employees.

Finally, the total employer contribution must equal 22% of covered payroll. After subtracting the defined contribution (DC) rates and the HRA contribution, any residual amount of the 22% will be deposited into the defined benefit (DB) plan. Known as the DBUL payment, this amount is intended to mitigate against the declining payroll base that resulted from the creation of the DC plan.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. Ketchikan Gateway Borough and employee contributions to PERS including the HRA contribution for the year ended June 30, 2014 were \$181,023 and \$154,444, respectively.

The Masters, Mates and Pilots Plan

The Masters, Mates and Pilots (MMP) union negotiated a new contract with the Borough and as of July 1, 2004, the MMP is covered under the Public Employee’s Retirement System (PERS). MMP employees will make the same contributions to PERS as other Borough employees.

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 the collective bargaining process. The Borough exercises no fiduciary responsibility over the IBEW 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 members who were employed in Borough positions were \$3.00 for the period of July 1, 2009 through June 30, 2014 per non-premium hour worked. The Borough’s total IBEW payroll for the year ended June 30, 2014 for covered employees totaled \$742,885. The total amount contributed to the IBEW plan in FY 2014 was \$108,190. The Borough’s obligation under the IBEW retirement plan is limited to the amount paid to the Alaska Electrical Trust Fund.

3-J. Net Investment in Capital Assets

The “Net Investment in Capital Assets” on the government-wide statement of net assets as of June 30, 2014 is as follows:

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> |
|----------------------------------|------------------------------------|---|
| Net investment in capital assets | | |
| Cost of capital assets | \$ 210,060,681 | \$ 45,657,253 |
| Less accumulated depreciation | <u>(44,522,119)</u> | <u>(16,525,779)</u> |
| Book value | 165,538,562 | 29,131,474 |
| Less capital related debt | (50,101,501) | - |
| Plus deferred loss on refunding | 555,408 | - |
| Plus unspent bond proceeds | <u>5,454,427</u> | <u>-</u> |
| Net investment in capital assets | \$ <u>121,446,896</u> | \$ <u>29,131,474</u> |

Restricted net position for governmental activities consists of the following at June 30, 2014:

| | <u>Governmental Activities</u> |
|------------------------------------|------------------------------------|
| Net Position | |
| Restricted: | |
| Commercial passenger vessel impact | \$ 3,899,318 |
| Dock improvements | 14,759 |
| Library operations | 63,747 |
| Public safety and water | 119,514 |
| Recreation | 2,771,072 |
| Road maintenance | <u>280,579</u> |
| Total Restricted | \$ <u>7,148,989</u> |

Note 4 - Other Notes

4-A. Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The Borough has purchased insurance through commercial carriers to cover these risks. Insurance coverage includes general liability, property and casualty coverage, Worker's Compensation at statutory amounts, and marine coverage for the Borough's vessels.

The Ketchikan Gateway Borough and Ketchikan Gateway Borough School District (component unit) established a partially self-funded health plan to cover its employees' health care coverage (including dental and vision) effective September 1, 1996. It purchases stop loss insurance at \$150,000 per covered individual and in an aggregate amount based on employee coverage. It also purchases life and accidental death and dismemberment insurance for eligible employees.

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Both the component unit and Borough participate in the internal service fund established to record transactions involving the partially self-funded health plan. The Borough and the Component Unit contribute to the Borough's internal service fund and the payments from the fund are used to pay administration and employee health care claims.

The Ketchikan Gateway Borough provides an accounting of the internal service fund balances for the Borough and Component Unit on a quarterly basis. Meritain's plan is based on actuarially determined monthly fixed costs and actual claims up to the stop loss of \$150,000 per person. The difference between the liability recorded and actual incurred but unrecorded claims may be material.

Ketchikan Gateway Borough booked a liability for claims for services provided to Borough and School District employees prior to June 30, 2014, but not billed until after fiscal year end. The amount booked for the Borough was \$60,200 and \$265,577 was booked for the Ketchikan Gateway Borough School District.

The liability for claims that was booked was based on actual claims for services provided prior to fiscal year-end and was provided by Meritain.

Effective FY2004, the International Brotherhood of Electrical Workers (IBEW) elected to have their membership enroll in the Alaska Electrical Health & Welfare Fund (AEH&WF). The Borough contributes to the IBEW plan based on the membership of the union. Currently the Borough contributes \$1,595 per month per member. The portion paid on behalf of IBEW employees is reported at the Fund level as "premiums."

There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the Borough's insurance coverage during the past three years.

A schedule of the changes in the claims liability for the years ended June 30, 2013 and June 30, 2014 follows:

| | Ketchikan Gateway Borough | Borough School District | Total |
|-----------------------------------|---------------------------------|-------------------------------|--------------------|
| Claims payable at June 30, 2012 | \$ 160,973 | 215,274 | 376,247 |
| Premiums expense | 308,494 | - | 308,494 |
| Claims expense | 1,617,774 | 3,216,383 | 4,834,157 |
| Claims and premiums paid | <u>(1,982,118)</u> | <u>(3,181,020)</u> | <u>(5,163,138)</u> |
| Claims payable at June 30, 20113. | 105,123 | 250,637 | 355,760 |
| Premiums expense | 308,887 | - | 308,887 |
| Claims expense | 1,369,951 | 4,291,942 | 5,661,893 |
| Claims and premiums paid | <u>(1,723,761)</u> | <u>(4,277,002)</u> | <u>(6,000,763)</u> |
| Claims payable at June 30, 2014 | \$ <u>60,200</u> | <u>265,577</u> | <u>325,777</u> |

Ketchikan Gateway Borough, Alaska
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

4-B. Contingent Liabilities

Unasserted Claim - The Borough is involved in a construction project dispute regarding the Gateway Aquatic center roof. The costs to repair have been estimated at \$456,500. The Borough is looking to the contractor to bear that cost. The specific responsibility has not yet been determined.

Grants - The Borough 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. Based on prior experience, the Borough believes such disallowances, if any, will be immaterial.

Note 5 – New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that the GASB Statement 68 will result in the biggest reporting change. Actual impacts have not yet been determined:

GASB 68 – Accounting and Financial Reporting for Pensions – Effective for year-end June 30, 2015 – This statement changes the reporting and disclosure requirements for governments that participate in pension plans. This statement modifies the participating employer side reporting in connection with the Plan reporting at GASB 67.

GASB 69 – Government Combinations and Disposals of Government Operations –Effective for year-end June 30, 2015 – This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – Effective for year-end June 30, 2015 – This statement is a companion to GASB Statement 68 and clarifies treatment of contribution made by a contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

Ketchikan Gateway Borough, Alaska

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2014

| | Nonmajor Special Revenue Funds | Nonmajor Debt Service Funds | Total Nonmajor Governmental Funds |
|--|---|--|--|
| Assets | | | |
| Cash and investments | \$ 3,157,880 | - | 3,157,880 |
| Prepaid items | 75,034 | - | 75,034 |
| Restricted cash and investments | 4,038,584 | - | 4,038,584 |
| Receivables: | | | |
| Accounts | 101,873 | - | 101,873 |
| Intergovernmental | 819 | 50,163 | 50,982 |
| Property taxes | 3,089 | - | 3,089 |
| Sales taxes | <u>470,073</u> | <u>-</u> | <u>470,073</u> |
| Total Assets | \$ <u>7,847,352</u> | <u>50,163</u> | <u>7,897,515</u> |
| Liabilities, Deferred Inflows and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 289,561 | - | 289,561 |
| Interfund payable | 2,517 | 50,163 | 52,680 |
| Interfund advances payable | 1,056,655 | - | 1,056,655 |
| Unearned revenue | <u>62,378</u> | <u>-</u> | <u>62,378</u> |
| Total Liabilities | 1,411,111 | 50,163 | 1,461,274 |
| Deferred Inflows | | | |
| Property tax revenues | <u>1,617</u> | <u>-</u> | <u>1,617</u> |
| Total Liabilities and Deferred Inflows | <u>1,412,728</u> | <u>50,163</u> | <u>1,462,891</u> |
| Fund Balances | | | |
| Nonspendable | 75,034 | - | 75,034 |
| Restricted | 7,148,989 | - | 7,148,989 |
| Unassigned (deficit) | <u>(789,399)</u> | <u>-</u> | <u>(789,399)</u> |
| Total Fund Balances | <u>6,434,624</u> | <u>-</u> | <u>6,434,624</u> |
| Total Liabilities, Deferred Inflows and Fund Balances | \$ <u>7,847,352</u> | <u>50,163</u> | <u>7,897,515</u> |

Ketchikan Gateway Borough, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

| | Nonmajor Special Revenue Funds | Nonmajor Debt Service Funds | Total Nonmajor Governmental Funds |
|--|---|--|--|
| Revenues | | | |
| Taxes | \$ 3,203,919 | - | 3,203,919 |
| Intergovernmental | 288,334 | - | 288,334 |
| Charges for services | 320,453 | - | 320,453 |
| Water fees | 217,149 | - | 217,149 |
| Commercial passenger vessel tax | 2,240,210 | - | 2,240,210 |
| Interest subsidy | - | 606,982 | 606,982 |
| Investment earnings | 2,199 | - | 2,199 |
| Miscellaneous | 372,702 | - | 372,702 |
| Total Revenues | <u>6,644,966</u> | <u>606,982</u> | <u>7,251,948</u> |
| Expenditures | | | |
| Current | | | |
| Library services | 422,570 | - | 422,570 |
| Fire and EMS | 1,163,729 | - | 1,163,729 |
| Water treatment and distribution | 318,826 | - | 318,826 |
| Public services | 1,699,052 | - | 1,699,052 |
| Capital Outlay | 261,769 | - | 261,769 |
| Debt Service | | | |
| Principal retirement | - | 3,358,741 | 3,358,741 |
| Interest and fiscal charges | - | 2,562,522 | 2,562,522 |
| Total Expenditures | <u>3,865,946</u> | <u>5,921,263</u> | <u>9,787,209</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 2,779,020 | (5,314,281) | (2,535,261) |
| Other Financing Sources (Uses) | | | |
| Transfers in | 423,724 | 5,314,281 | 5,738,005 |
| Transfers out | (2,604,283) | - | (2,604,283) |
| Total Other Financing Sources (Uses) | <u>(2,180,559)</u> | <u>5,314,281</u> | <u>3,133,722</u> |
| Net Change in Fund Balances | 598,461 | - | 598,461 |
| Fund Balances Beginning of Year | <u>5,836,163</u> | - | <u>5,836,163</u> |
| Fund Balances End of Year | \$ <u>6,434,624</u> | <u>-</u> | <u>6,434,624</u> |

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Balance Sheet

| | Airport PFC | Commercial Passenger Vessel | Forest Park Service Area | Gold Nugget Service Area | Gold Nugget Special Assessment Area | Homestead Service Area | Loring Service Area | Mud Bight Service Area |
|--|------------------------|--|---|---|--|---------------------------------------|------------------------------------|---|
| Assets | | | | | | | | |
| Cash and investments | \$ - | - | 129,898 | 48,467 | - | 41,512 | 80,588 | 49,834 |
| Restricted cash and investments | - | 4,038,584 | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - | - | - |
| Receivables: | | | | | | | | |
| Accounts | 67,512 | - | 205 | 629 | - | - | - | 3,545 |
| Intergovernmental | - | - | - | - | - | - | 25 | - |
| Property taxes | - | - | - | - | - | - | - | - |
| Sales taxes | - | - | - | - | - | - | - | - |
| Total Assets | \$ 67,512 | 4,038,584 | 130,103 | 49,096 | - | 41,512 | 80,613 | 53,379 |
| Liabilities, Deferred Inflows, and Fund Balances | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ - | 139,266 | 462 | - | - | 83 | 3,476 | - |
| Interfund payable | - | - | - | - | 2,517 | - | - | - |
| Interfund advances payable | 524,936 | - | - | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - | 62,378 | - |
| Total Liabilities | 524,936 | 139,266 | 462 | - | 2,517 | 83 | 65,854 | - |
| Deferred Inflows | | | | | | | | |
| Property tax revenues | - | - | - | - | - | - | - | - |
| Total Liabilities and Deferred Inflows | 524,936 | 139,266 | 462 | - | 2,517 | 83 | 65,854 | - |
| Fund Balances (Deficits) | | | | | | | | |
| Nonspendable | | - | - | - | - | - | - | - |
| Restricted | | 3,899,318 | 129,641 | 49,096 | - | 41,429 | 14,759 | 53,379 |
| Unassigned (deficit) | (457,424) | - | - | - | (2,517) | - | - | - |
| Total Fund Balances (Deficits) | (457,424) | 3,899,318 | 129,641 | 49,096 | (2,517) | 41,429 | 14,759 | 53,379 |
| Total Liabilities, Deferred Inflows and Fund Balances | \$ 67,512 | 4,038,584 | 130,103 | 49,096 | - | 41,512 | 80,613 | 53,379 |

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Balance Sheet, continued

| | Nichols View Service Area | Non- areawide Library | North Tongass Fire and EMS | Recreation Sales Tax | South Tongass Service Area | Waterfall Service Area | Total Nonmajor Special Revenue Funds |
|--|------------------------------------|-----------------------------|-------------------------------------|-------------------------|-------------------------------------|------------------------------|--|
| Assets | | | | | | | |
| Cash and investments | \$ 7,034 | 61,814 | 260,256 | 2,329,239 | 125,178 | 24,060 | 3,157,880 |
| Restricted cash and investments | - | - | - | - | - | - | 4,038,584 |
| Prepaid items | - | - | 75,034 | - | - | - | 75,034 |
| Receivables: | | | | | | | |
| Accounts | - | - | 5,997 | - | 10,816 | 13,169 | 101,873 |
| Intergovernmental | - | 794 | - | - | - | - | 819 |
| Property taxes | - | 1,501 | 753 | - | 835 | - | 3,089 |
| Sales taxes | - | - | - | 470,073 | - | - | 470,073 |
| Total Assets | \$ 7,034 | 64,109 | 342,040 | 2,799,312 | 136,829 | 37,229 | 7,847,352 |
| Liabilities, Deferred Inflows, and Fund Balances | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ - | - | 97,974 | 28,240 | 17,310 | 2,750 | 289,561 |
| Interfund payable | - | - | - | - | - | - | 2,517 |
| Interfund advances payable | - | - | 463,740 | - | - | 67,979 | 1,056,655 |
| Unearned revenue | - | - | - | - | - | - | 62,378 |
| Total Liabilities | - | - | 561,714 | 28,240 | 17,310 | 70,729 | 1,411,111 |
| Deferred Inflows | | | | | | | |
| Property tax revenues | - | 362 | 1,250 | - | 5 | - | 1,617 |
| Total Liabilities and Deferred Inflows | - | 362 | 562,964 | 28,240 | 17,315 | 70,729 | 1,412,728 |
| Fund Balances (Deficits) | | | | | | | |
| Nonspendable | - | - | 75,034 | - | - | - | 75,034 |
| Restricted | 7,034 | 63,747 | - | 2,771,072 | 119,514 | - | 7,148,989 |
| Unassigned (deficit) | - | - | (295,958) | - | - | (33,500) | (789,399) |
| Total Fund Balances (Deficits) | 7,034 | 63,747 | (220,924) | 2,771,072 | 119,514 | (33,500) | 6,434,624 |
| Total Liabilities, Deferred Inflows and Fund Balances | \$ 7,034 | 64,109 | 342,040 | 2,799,312 | 136,829 | 37,229 | 7,847,352 |

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 For the Year Ended June 30, 2014

| | Airport PFC | Commercial Passenger Vessel | Forest Park Service Area | Gold Nugget Service Area | Gold Nugget Special Assessment Area | Homestead Service Area | Loring Service Area | Mud Bight Service Area |
|--|------------------------|--|---|---|--|---------------------------------------|------------------------------------|---|
| Revenues | | | | | | | | |
| Taxes | \$ - | - | 58,297 | - | - | - | 2,147 | - |
| Intergovernmental | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | 23,435 | - | 23,061 | - | 13,121 |
| Water fees | - | - | - | - | - | - | - | - |
| Commercial passenger vessel tax | - | 2,240,210 | - | - | - | - | - | - |
| Investment earnings (loss) | - | 2,277 | 32 | 9 | - | 14 | 15 | 10 |
| Miscellaneous | 362,088 | - | - | - | - | - | - | - |
| Total Revenues | <u>362,088</u> | <u>2,242,487</u> | <u>58,329</u> | <u>23,444</u> | <u>-</u> | <u>23,075</u> | <u>2,162</u> | <u>13,131</u> |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| Library services | - | - | - | - | - | - | - | - |
| Fire and EMS | - | - | - | - | - | - | - | - |
| Water treatment and distribution | - | - | - | - | - | - | - | - |
| Public services | - | 1,376,784 | 84,563 | 14,726 | - | 33,733 | 5,131 | 14,721 |
| Capital Outlay | <u>-</u> | <u>9,473</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>-</u> | <u>1,386,257</u> | <u>84,563</u> | <u>14,726</u> | <u>-</u> | <u>33,733</u> | <u>5,131</u> | <u>14,721</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 362,088 | 856,230 | (26,234) | 8,718 | - | (10,658) | (2,969) | (1,590) |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers in | - | - | - | - | - | 2,805 | - | - |
| Transfers out | <u>-</u> | <u>(877,021)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(877,021)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,805</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances (Deficits) | 362,088 | (20,791) | (26,234) | 8,718 | - | (7,853) | (2,969) | (1,590) |
| Fund Balances (Deficits) Beginning of Year | <u>(819,512)</u> | <u>3,920,109</u> | <u>155,875</u> | <u>40,378</u> | <u>(2,517)</u> | <u>49,282</u> | <u>17,728</u> | <u>54,969</u> |
| Fund Balances (Deficits) End of Year | <u>\$ (457,424)</u> | <u>3,899,318</u> | <u>129,641</u> | <u>49,096</u> | <u>(2,517)</u> | <u>41,429</u> | <u>14,759</u> | <u>53,379</u> |

Ketchikan Gateway Borough, Alaska
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), continued

| | Nichols View Service Area | Nonareawide Library | North Tongass Fire and EMS | Recreation Sales Tax | South Tongass Service Area | Waterfall Service Area | Total Nonmajor Special Revenue Funds |
|--|------------------------------------|------------------------|-------------------------------------|-------------------------|-------------------------------------|------------------------------|--|
| Revenues | | | | | | | |
| Taxes | \$ - | 394,865 | 582,485 | 1,717,608 | 448,517 | - | 3,203,919 |
| Intergovernmental | - | - | 26,641 | 244,297 | 17,396 | - | 288,334 |
| Charges for services | - | - | 166,484 | - | 61,740 | 32,612 | 320,453 |
| Water fees | - | - | - | - | 217,149 | - | 217,149 |
| Commercial passenger vessel tax | - | - | - | - | - | - | 2,240,210 |
| Investment earnings (loss) | 1 | 21 | (683) | 464 | 36 | 3 | 2,199 |
| Miscellaneous | - | - | - | - | 10,614 | - | 372,702 |
| Total Revenues | <u>1</u> | <u>394,886</u> | <u>774,927</u> | <u>1,962,369</u> | <u>755,452</u> | <u>32,615</u> | <u>6,644,966</u> |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| Library services | - | 422,570 | - | - | - | - | 422,570 |
| Fire and EMS | - | - | 611,600 | - | 552,129 | - | 1,163,729 |
| Water treatment and distribution | - | - | - | - | 318,826 | - | 318,826 |
| Public services | 500 | - | - | 157,686 | - | 11,208 | 1,699,052 |
| Capital Outlay | <u>-</u> | <u>-</u> | <u>59,452</u> | <u>37,491</u> | <u>79,753</u> | <u>75,600</u> | <u>261,769</u> |
| Total Expenditures | <u>500</u> | <u>422,570</u> | <u>671,052</u> | <u>195,177</u> | <u>950,708</u> | <u>86,808</u> | <u>3,865,946</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (499) | (27,684) | 103,875 | 1,767,192 | (195,256) | (54,193) | 2,779,020 |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers in | - | 16,741 | 92,214 | 175,081 | 136,883 | - | 423,724 |
| Transfers out | - | - | (51,155) | (1,676,107) | - | - | (2,604,283) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>16,741</u> | <u>41,059</u> | <u>(1,501,026)</u> | <u>136,883</u> | <u>-</u> | <u>(2,180,559)</u> |
| Net Change in Fund Balances (Deficits) | (499) | (10,943) | 144,934 | 266,166 | (58,373) | (54,193) | 598,461 |
| Fund Balances (Deficits) Beginning of Year | <u>7,533</u> | <u>74,690</u> | <u>(365,858)</u> | <u>2,504,906</u> | <u>177,887</u> | <u>20,693</u> | <u>5,836,163</u> |
| Fund Balances (Deficits) End of Year | <u>\$ 7,034</u> | <u>63,747</u> | <u>(220,924)</u> | <u>2,771,072</u> | <u>119,514</u> | <u>(33,500)</u> | <u>6,434,624</u> |



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DEBT SERVICE FUNDS

Debt Service Funds – These funds are used to account for transfers in from other funds and for principal and interest payments made on the Borough’s General Obligation Debt and a Capital Lease.

Ketchikan Gateway Borough, Alaska
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

| | 2005B G.O. Bond Redemption Fund | 2006A G.O. Bond Redemption Fund | 2009-4 G.O. Bond Redemption Fund | 2009-4 G.O. Bond Redemption Fund |
|--|--|--|---|---|
| Revenues | | | | |
| Intergovernmental - interest subsidy | \$ - | - | - | 453,192 |
| Expenditures | | | | |
| Debt Service | | | | |
| Principal retirement | 975,000 | 120,000 | 535,000 | - |
| Interest and fiscal charges | 214,688 | 15,000 | 55,300 | 1,185,519 |
| Total Expenditures | <u>1,189,688</u> | <u>135,000</u> | <u>590,300</u> | <u>1,185,519</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (1,189,688) | (135,000) | (590,300) | (732,327) |
| Other Financing Sources | | | | |
| Transfers in | 1,189,688 | 135,000 | 590,300 | 732,327 |
| Net Change in Fund Balances | - | - | - | - |
| Fund Balances Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances End of Year | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Ketchikan Gateway Borough, Alaska

Nonmajor Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued

| | 2010A One Certificate of Participation Fund | 2010B One Certificate of Participation Fund | 2010B 2 Four Bond Redemption Fund | 2010 One Bond Redemption Fund |
|--|--|--|--|--|
| Revenues | | | | |
| Intergovernmental - interest subsidy | \$ - | 100,326 | 53,464 | - |
| Expenditures | | | | |
| Debt Service | | | | |
| Principal retirement | 140,000 | - | 210,000 | 565,000 |
| Interest and fiscal charges | 26,600 | 240,244 | 129,087 | 164,000 |
| Total Expenditures | 166,600 | 240,244 | 339,087 | 729,000 |
| Excess (Deficiency) of Revenues Over Expenditures | (166,600) | (139,918) | (285,623) | (729,000) |
| Other Financing Sources | | | | |
| Transfers in | 166,600 | 139,918 | 285,623 | 729,000 |
| Net Change in Fund Balances | - | - | - | - |
| Fund Balances Beginning of Year | - | - | - | - |
| Fund Balances End of Year | \$ - | - | - | - |

Ketchikan Gateway Borough, Alaska
Nonmajor Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued

| | 2011 III Bond Redemption Fund | 2012 Two G.O. Bond Redemption Fund | 2013 One G.O. Bond Redemption Fund | E-One Capital Lease Fund | Total Nonmajor Debt Service Funds |
|--|--|---|---|---|--|
| Revenues | | | | | |
| Intergovernmental - interest subsidy | \$ - | - | - | - | 606,982 |
| Expenditures | | | | | |
| Debt Service | | | | | |
| Principal retirement | 395,000 | - | 370,000 | 48,741 | 3,358,741 |
| Interest and fiscal charges | 223,600 | 135,450 | 170,620 | 2,414 | 2,562,522 |
| Total Expenditures | <u>618,600</u> | <u>135,450</u> | <u>540,620</u> | <u>51,155</u> | <u>5,921,263</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (618,600) | (135,450) | (540,620) | (51,155) | (5,314,281) |
| Other Financing Sources | | | | | |
| Transfers in | 618,600 | 135,450 | 540,620 | 51,155 | 5,314,281 |
| Net Change in Fund Balances | - | - | - | - | - |
| Fund Balances Beginning of Year | - | - | - | - | - |
| Fund Balances End of Year | \$ <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

GENERAL FUND and MAJOR SPECIAL REVENUE FUNDS

General Fund – This 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 Borough for any purpose provided it is expended or transferred according to the general laws of the State of Alaska.

Land Trust Fund – This fund is used to account for revenues from land sales, loans to other Borough funds, and related expenditures.

School Bond/Capital Improvements Fund – This fund is used to account for the receipt of revenues received from the State of Alaska for the School Debt Reimbursement Program and the ½ - cent sales tax that was approved to fund school projects. These funds are used to pay for school bond debt, school building insurance, and school capital projects that would qualify for bonding.

Economic Development Assistance Program Fund – This fund is used to account for economic development assistance type expenditures as deemed appropriate by the Borough’s Code of Ordinances.

State & Federal Grants Fund – This fund is used to account for the expenditures and receipts of all State and Federal grant programs. State and Federal grant expenditures are governed by the requirements of the individual grant agreements.

Ketchikan Gateway Borough, Alaska
General Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|-----------------------------|--------------------------|
| Assets | | |
| Cash and investments | \$ 3,926,830 | 5,029,119 |
| Receivables: | | |
| Accounts | 88,386 | 99,178 |
| Intergovernmental | 1,202,185 | 1,018,180 |
| Property taxes | 166,934 | 159,470 |
| Sales taxes | 4,612,100 | 4,326,154 |
| Interfund receivable | <u>2,778,285</u> | <u>723,670</u> |
| Total Assets | \$ <u>12,774,720</u> | <u>11,355,771</u> |
| Liabilities, Deferred Inflows and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 379,884 | 287,663 |
| Accrued salaries and benefits | 5,774 | 6,440 |
| Unearned revenues | 51,058 | 52,642 |
| Intergovernmental payable | 3,291,303 | 2,919,558 |
| Due to component unit | 994,659 | 1,569,633 |
| Deposits payable | <u>111,545</u> | <u>83,844</u> |
| Total Liabilities | 4,834,223 | 4,919,780 |
| Deferred Inflows | | |
| Property tax revenues | <u>149,829</u> | <u>159,470</u> |
| Total Liabilities and Deferred Inflows | <u>4,984,052</u> | <u>5,079,250</u> |
| Fund Balance | | |
| Unassigned | <u>7,790,668</u> | <u>6,276,521</u> |
| Total Liabilities, Deferred Inflows and Fund Balance | \$ <u>12,774,720</u> | <u>11,355,771</u> |



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Ketchikan Gateway Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | Variance | 2013 |
|---|----------------------------|-------------------------|-------------------|----------------------------|-------------------|
| | Original Budget | Final Budget | Actual | On Final Budget | Actual |
| Revenues | | | | | |
| Taxes: | | | | | |
| Real and personal property | \$ 6,593,984 | 6,593,984 | 6,610,828 | 16,844 | 6,198,989 |
| Automobile and boat | 60,000 | 60,000 | 61,287 | 1,287 | 65,530 |
| Sales | 5,347,500 | 5,347,500 | 5,190,437 | (157,063) | 5,220,005 |
| Penalties and interest | 40,000 | 40,000 | 21,126 | (18,874) | 90,776 |
| Total taxes | <u>12,041,484</u> | <u>12,041,484</u> | <u>11,883,678</u> | <u>(157,806)</u> | <u>11,575,300</u> |
| Licenses and permits | | | | | |
| Zoning fees | - | - | 90 | 90 | 835 |
| Intergovernmental: | | | | | |
| State fisheries tax | 620,000 | 620,000 | 724,747 | 104,747 | 684,559 |
| State revenue sharing | 630,811 | 630,811 | 633,457 | 2,646 | 897,081 |
| PERS relief | 522,372 | 522,372 | 550,619 | 28,247 | 537,940 |
| Alaska State Housing Authority - PILT | 36,000 | 36,000 | 29,466 | (6,534) | 17,642 |
| Federal payment in lieu of taxes | 800,000 | 800,000 | 1,102,193 | 302,193 | 1,017,546 |
| State operating grant - transit system | 900,000 | 994,530 | 1,184,046 | 189,516 | 971,367 |
| State license refunds | 2,500 | 2,500 | - | (2,500) | - |
| National forest receipts | - | - | 1,045,870 | 1,045,870 | 167 |
| Total intergovernmental | <u>3,511,683</u> | <u>3,606,213</u> | <u>5,270,398</u> | <u>1,664,185</u> | <u>4,126,302</u> |
| Charges for services: | | | | | |
| Animal control | 50,000 | 50,000 | 36,866 | (13,134) | 46,357 |
| Bus system revenue | 250,000 | 250,000 | 222,236 | (27,764) | 242,111 |
| Parks and recreation | 700,000 | 700,000 | 753,563 | 53,563 | 732,284 |
| Other revenues | 655,500 | 655,500 | 700,286 | 44,786 | 710,532 |
| Total charges for services | <u>1,655,500</u> | <u>1,655,500</u> | <u>1,712,951</u> | <u>57,451</u> | <u>1,731,284</u> |
| Investment earnings | 20,000 | 20,000 | 1,206 | (18,794) | 1,540 |
| Total Revenues | <u>17,228,667</u> | <u>17,323,197</u> | <u>18,868,323</u> | <u>1,545,126</u> | <u>17,435,261</u> |
| Other Financing Sources | | | | | |
| Transfers In: | | | | | |
| Commercial Passenger Vessel Fund | 491,301 | 491,301 | 491,301 | - | 359,633 |
| Economic Development Assistance | | | | | |
| Program Fund | 120,000 | 120,000 | 120,000 | - | 240,000 |
| Land Trust Fund | 174,036 | 174,036 | 174,036 | - | 190,000 |
| Recreation Sales Tax Fund | 353,480 | 353,480 | 353,480 | - | 319,872 |
| School Bond Capital Improvements Fund | 160,000 | 160,000 | 81,154 | (78,846) | 84,372 |
| Total Other Financing Sources | <u>1,298,817</u> | <u>1,298,817</u> | <u>1,219,971</u> | <u>(78,846)</u> | <u>1,193,877</u> |
| Total Revenues and Other Financing Sources | <u>18,527,484</u> | <u>18,622,014</u> | <u>20,088,294</u> | <u>1,466,280</u> | <u>18,629,138</u> |

Ketchikan Gateway Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual, continued

| | 2014 | | | 2013 | |
|--|----------------------------|-------------------------|---------------------|---|-------------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Expenditures | | | | | |
| Current: | | | | | |
| General government: | | | | | |
| Mayor and assembly | \$ 175,105 | 177,985 | 139,080 | 38,905 | 142,291 |
| Manager | 948,955 | 948,955 | 883,727 | 65,228 | 870,054 |
| Clerk | 414,555 | 414,755 | 401,301 | 13,454 | 376,192 |
| Law | 403,090 | 403,090 | 365,259 | 37,831 | 386,407 |
| Finance | 1,282,996 | 1,282,996 | 1,310,627 | (27,631) | 1,286,982 |
| Assessment | 750,092 | 750,092 | 711,123 | 38,969 | 670,201 |
| Automation | 465,997 | 465,997 | 401,405 | 64,592 | 504,822 |
| Total general government | 4,440,790 | 4,443,870 | 4,212,522 | 231,348 | 4,236,949 |
| Less recovery of expenditures from other funds | (628,652) | (628,652) | (628,273) | (379) | (623,679) |
| Net general government | 3,812,138 | 3,815,218 | 3,584,249 | 230,969 | 3,613,270 |
| Public services: | | | | | |
| Animal protection | 504,064 | 504,064 | 479,994 | 24,070 | 447,157 |
| Planning | 626,167 | 636,167 | 665,586 | (29,419) | 604,045 |
| Community education grants | - | - | - | - | 276 |
| Total public services | 1,130,231 | 1,140,231 | 1,145,580 | (5,349) | 1,051,478 |
| Parks and recreation | 2,417,902 | 2,417,902 | 2,306,465 | 111,437 | 2,303,059 |
| Public works | 1,256,758 | 1,286,595 | 1,030,382 | 256,213 | 1,182,394 |
| Transit - bus system | 1,919,220 | 2,013,270 | 1,994,798 | 18,472 | 1,862,205 |
| Nondepartmental | 263,786 | 265,467 | 260,433 | 5,034 | 227,909 |
| Education | 8,050,000 | 8,050,000 | 8,050,000 | - | 8,239,518 |
| Capital Outlay | 271,835 | 271,835 | 142,335 | 129,500 | 134,604 |
| Total Expenditures | 19,121,870 | 19,260,518 | 18,514,242 | 746,276 | 18,614,437 |
| Other Financing Uses | | | | | |
| Transfers Out: | | | | | |
| Airport Fund | 5,500 | 5,500 | 5,500 | - | 5,500 |
| Homestead Service Area Fund | 2,805 | 2,805 | 2,805 | - | 2,888 |
| Fire and EMS | 51,600 | 51,600 | 51,600 | - | 51,600 |
| School Bond CIP | - | - | - | - | 539,000 |
| Total Other Financing Uses | 59,905 | 59,905 | 59,905 | - | 598,988 |
| Total Expenditures and Other Financing Uses | 19,181,775 | 19,320,423 | 18,574,147 | 746,276 | 19,213,425 |
| Net Change in Fund Balance | \$ (654,291) | (698,409) | 1,514,147 | 2,212,556 | (584,287) |
| Fund Balance Beginning of Year | | | 6,276,521 | | 6,860,808 |
| Fund Balance End of Year | | | \$ 7,790,668 | | 6,276,521 |

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|------------------|
| Assets | | |
| Cash and investments: | | |
| Unrestricted | \$ 1,646,197 | 1,374,265 |
| Restricted | 407,596 | 407,481 |
| Receivables: | | |
| Accounts | 1,101 | 4,240 |
| Interfund advances | <u>1,097,733</u> | <u>1,189,386</u> |
| Total Assets | <u>\$ 3,152,627</u> | <u>2,975,372</u> |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 4,842 | 10,280 |
| Deposits | <u>11,841</u> | <u>4,181</u> |
| Total Liabilities | <u>16,683</u> | <u>14,461</u> |
| Fund Balance | | |
| Nonspendable-noncurrent portion of notes and advances | 917,304 | 1,019,960 |
| Committed for Borough-owned land management | <u>2,218,640</u> | <u>1,940,951</u> |
| Total Fund Balance | <u>3,135,944</u> | <u>2,960,911</u> |
| Total Liabilities and Fund Balance | <u>\$ 3,152,627</u> | <u>2,975,372</u> |

Ketchikan Gateway Borough, Alaska
Land Trust Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|--|----------------------------|-------------------------|---------------|---|---------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Charges for services | \$ 414,792 | 414,792 | 426,778 | 11,986 | 395,443 |
| Intergovernmental | 3,597 | 3,597 | - | (3,597) | 7,141 |
| Investment earnings | - | - | 46,479 | 46,479 | 51,959 |
| Proceeds from sale of property | 250,000 | 250,000 | 473,320 | 223,320 | - |
| Miscellaneous | - | - | 16,514 | 16,514 | 13,070 |
| Total Revenues | 668,389 | 668,389 | 963,091 | 294,702 | 467,613 |
| Expenditures | | | | | |
| Current | | | | | |
| Public services | 406,156 | 406,156 | 307,504 | 98,652 | 273,378 |
| Capital Outlay | 300,000 | 300,000 | - | 300,000 | 440,733 |
| Total Expenditures | 706,156 | 706,156 | 307,504 | 398,652 | 714,111 |
| Excess (Deficiency) of Revenues Over Expenditures | (37,767) | (37,767) | 655,587 | 693,354 | (246,498) |
| Other Financing Uses | | | | | |
| Transfers out | (443,195) | (443,195) | (480,554) | (37,359) | (492,488) |
| Net Change in Fund Balance | \$ (480,962) | (480,962) | 175,033 | 655,995 | (738,986) |
| Fund Balance Beginning of Year | | | 2,960,911 | | 3,699,897 |
| Fund Balance End of Year | | | \$ 3,135,944 | | 2,960,911 |

Ketchikan Gateway Borough, Alaska
School Bond Capital Improvements Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|----------------------------|-------------------------|
| Assets | | |
| Cash and investments | \$ 3,939,111 | 3,969,591 |
| Receivables: | | |
| Intergovernmental | 27,574 | 14,856 |
| Sales taxes | <u>470,073</u> | <u>475,045</u> |
| Total Assets | \$ <u>4,436,758</u> | <u>4,459,492</u> |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 4,950 | 1,044 |
| Due to component unit | <u>-</u> | <u>89,058</u> |
| Total Liabilities | <u>4,950</u> | <u>90,102</u> |
| Fund Balance | | |
| Committed for education | <u>4,431,808</u> | <u>4,369,390</u> |
| Total Liabilities and Fund Balance | \$ <u>4,436,758</u> | <u>4,459,492</u> |

Ketchikan Gateway Borough, Alaska
School Bond Capital Improvements Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|---|----------------------------|-------------------------|---------------------|---|--------------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Taxes | \$ 1,767,400 | 1,767,400 | 1,711,478 | (55,922) | 1,650,132 |
| Intergovernmental | 2,502,295 | 2,502,295 | 2,513,044 | 10,749 | 3,353,421 |
| Penalties and interest | 10,000 | 10,000 | 6,130 | (3,870) | 81,275 |
| Investment earnings | 5,000 | 5,000 | 849 | (4,151) | 212 |
| Total Revenues | <u>4,284,695</u> | <u>4,284,695</u> | <u>4,231,501</u> | <u>(53,194)</u> | <u>5,085,040</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public services | 1,500 | 30,172 | 5,414 | 24,758 | 3,545 |
| Capital Outlay | <u>360,000</u> | <u>360,000</u> | <u>285,554</u> | <u>74,446</u> | <u>89,058</u> |
| Total Expenditures | <u>361,500</u> | <u>390,172</u> | <u>290,968</u> | <u>99,204</u> | <u>92,603</u> |
| Excess of Revenues Over Expenditures | 3,923,195 | 3,894,523 | 3,940,533 | 46,010 | 4,992,437 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | - | - | 964,000 |
| Transfers out | <u>(4,111,698)</u> | <u>(4,111,698)</u> | <u>(3,878,115)</u> | <u>233,583</u> | <u>(3,362,129)</u> |
| Total Other Financing Sources (Uses) | <u>(4,111,698)</u> | <u>(4,111,698)</u> | <u>(3,878,115)</u> | <u>233,583</u> | <u>(2,398,129)</u> |
| Net Change in Fund Balance | \$ <u>(188,503)</u> | <u>(217,175)</u> | 62,418 | <u>279,593</u> | 2,594,308 |
| Fund Balance Beginning of Year | | | <u>4,369,390</u> | | <u>1,775,082</u> |
| Fund Balance End of Year | | | \$ <u>4,431,808</u> | | <u>4,369,390</u> |

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|------------------|
| Assets | | |
| Cash and investments | \$ 5,440,678 | 5,973,317 |
| Receivables: | | |
| Accounts | 4,864 | 1,443 |
| Interfund advances | <u>1,063,413</u> | <u>1,537,501</u> |
| Total Assets | \$ <u>6,508,955</u> | <u>7,512,261</u> |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 82,606 | 47,878 |
| Deposits | <u>1,000</u> | <u>8,660</u> |
| Total Liabilities | <u>83,606</u> | <u>56,538</u> |
| Fund Balance | | |
| Nonspendable: | | |
| Nonspendable noncurrent advances | 1,063,413 | 1,537,501 |
| Assigned for economic development | <u>5,361,936</u> | <u>5,918,222</u> |
| Total Fund Balance | <u>6,425,349</u> | <u>7,455,723</u> |
| Total Liabilities and Fund Balance | \$ <u>6,508,955</u> | <u>7,512,261</u> |

Ketchikan Gateway Borough, Alaska
Economic Development Assistance Program Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|--|---------------------|--------------------|------------------|--------------------------------|------------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Intergovernmental | \$ 7,239 | 7,239 | - | (7,239) | - |
| Charges for services | - | - | 151 | 151 | - |
| Investment earnings | - | - | 1,480 | 1,480 | 387 |
| Total Revenues | <u>7,239</u> | <u>7,239</u> | <u>1,631</u> | <u>(5,608)</u> | <u>387</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public services | <u>433,949</u> | <u>1,071,949</u> | <u>912,005</u> | <u>159,944</u> | <u>384,501</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (426,710) | (1,064,710) | (910,374) | 154,336 | (384,114) |
| Other Financing Uses | | | | | |
| Transfers out | <u>(120,000)</u> | <u>(120,000)</u> | <u>(120,000)</u> | <u>-</u> | <u>(293,000)</u> |
| Net Change in Fund Balance | \$ <u>(546,710)</u> | <u>(1,184,710)</u> | (1,030,374) | <u>154,336</u> | (677,114) |
| Fund Balance Beginning of Year | | | <u>7,455,723</u> | | <u>8,132,837</u> |
| Fund Balance End of Year | | \$ | <u>6,425,349</u> | | <u>7,455,723</u> |

Ketchikan Gateway Borough, Alaska
State & Federal Grants Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|----------------|
| Assets | | |
| Intergovernmental receivable | \$ 2,591,120 | 269,697 |
| Total Assets | <u>\$ 2,591,120</u> | <u>269,697</u> |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 217,307 | 88,391 |
| Interfund payable | 2,373,813 | 157,020 |
| Unearned revenue | <u>-</u> | <u>24,286</u> |
| Total Liabilities | <u>2,591,120</u> | <u>269,697</u> |
| Fund Balance | <u>-</u> | <u>-</u> |
| Total Liabilities and Fund Balance | <u>\$ 2,591,120</u> | <u>269,697</u> |

Ketchikan Gateway Borough, Alaska
State and Federal Grants Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Years Ended June 30, 2014 and 2013

| | 2014 | 2013 |
|---------------------------------------|---------------------|-----------------|
| Revenues | | |
| Intergovernmental | \$ <u>1,716,032</u> | <u>455,068</u> |
| Expenditures | | |
| Current | | |
| Public services | 641,155 | 410,081 |
| Capital Outlay | <u>1,074,877</u> | <u>44,987</u> |
| Total Expenditures | <u>1,716,032</u> | <u>455,068</u> |
| Net Change in Fund Balance | - | - |
| Fund Balance Beginning of Year | <u>-</u> | <u>-</u> |
| Fund Balance End of Year | \$ <u><u>-</u></u> | <u><u>-</u></u> |

NONMAJOR SPECIAL REVENUE FUNDS

Airport Passenger Facilities Charges (PFC) – This fund is used to account for PFC revenues received from varying airlines. These funds are used to pay for the principal and interest payments of the Airport revenue bonds.

Commercial Passenger Vessel Fund (CPV) – This fund is used to account for CPV revenues received from the State of Alaska. These funds will be used to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to enhance the safety and efficiency of interstate and foreign commerce.

Forest Park Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Gold Nugget Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Gold Nugget Special Assessment Fund – This fund is used to account for revenues assessed on property owners to pay for road improvements within the Gold Nugget Service Area.

Homestead Service Area Fund – This fund is used to account for revenues assessed on property owners to pay for road maintenance within the Homestead Service Area.

Loring Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Mud Bight Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Nichols View Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Non-Areawide Library Fund – This fund is used to account for the collection of property and motor vehicle taxes, which are used to pay the allocated cost for the City of Ketchikan Library operations.

North Tongass Fire & EMS Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Recreation Sales Tax Fund – This fund is used to account for the receipt of twenty percent (20%) of all Borough sales tax revenues. These revenues may only be expended for bonafide recreation costs in the following proportion: eighty percent (80%) for recreation capital improvement projects, and twenty percent (20%) for maintenance and operation costs of Borough recreation facilities.

South Tongass Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Waterfall Service Area Fund – This fund is used to account for billings, collections of taxes, fees or other charges and to process payments for services provided within this service area.

Ketchikan Gateway Borough, Alaska
Airport PFC Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | 2014 | 2013 |
|---|-------------------------|----------------------|
| Assets | | |
| Accounts receivable | \$ <u>67,512</u> | <u>30,983</u> |
| Total Assets | \$ <u><u>67,512</u></u> | <u><u>30,983</u></u> |
| Liabilities | | |
| Interfund advances payable | \$ <u>524,936</u> | <u>850,495</u> |
| Fund Balance | | |
| Unassigned (deficit) | <u>(457,424)</u> | <u>(819,512)</u> |
| Total Liabilities and Fund Balance | \$ <u><u>67,512</u></u> | <u><u>30,983</u></u> |

Ketchikan Gateway Borough, Alaska

Airport PFC Special Revenue Fund

Schedule of Revenues, Expenditures and

Changes in Deficit - Budget and Actual

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|-----------------------------------|----------------------------|-------------------------|---------------------|---|--------------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| PFC revenues | \$ 315,000 | 315,000 | 362,088 | 47,088 | 330,215 |
| Investment earnings | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>21</u> |
| Total Revenues | <u>315,000</u> | <u>315,000</u> | <u>362,088</u> | <u>47,088</u> | <u>330,236</u> |
| Other Financing Uses | | | | | |
| Transfers out | <u>(315,000)</u> | <u>(315,000)</u> | <u>-</u> | <u>315,000</u> | <u>(1,417,979)</u> |
| Net Change in Fund Balance | \$ <u>-</u> | <u>-</u> | 362,088 | <u>362,088</u> | (1,087,743) |
| Deficit Beginning of Year | | | <u>(819,512)</u> | | <u>268,231</u> |
| Deficit End of Year | | | \$ <u>(457,424)</u> | | <u>(819,512)</u> |

Ketchikan Gateway Borough, Alaska
Commercial Passenger Vessel Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|----------------------------|-------------------------|
| Assets | | |
| Restricted cash and investments | \$ <u>4,038,584</u> | <u>4,101,616</u> |
| Total Assets | \$ <u><u>4,038,584</u></u> | <u><u>4,101,616</u></u> |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ <u>139,266</u> | <u>181,507</u> |
| Fund Balance | | |
| Restricted for commercial passenger vessel impact | <u>3,899,318</u> | <u>3,920,109</u> |
| Total Liabilities and Fund Balance | \$ <u><u>4,038,584</u></u> | <u><u>4,101,616</u></u> |

Ketchikan Gateway Borough, Alaska
Commercial Passenger Vessel Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|--|----------------------------|-------------------------|---------------------|---|------------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Intergovernmental | \$ 18,949 | 18,949 | - | (18,949) | - |
| Commercial passenger vessel tax | 2,000,000 | 2,000,000 | 2,240,210 | 240,210 | 1,977,770 |
| Investment earnings | - | - | 2,277 | 2,277 | 2,388 |
| Total Revenues | <u>2,018,949</u> | <u>2,018,949</u> | <u>2,242,487</u> | <u>223,538</u> | <u>1,980,158</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public services | 3,339,674 | 3,494,264 | 1,376,784 | 2,117,480 | 950,567 |
| Capital Outlay | - | 33,296 | 9,473 | 23,823 | 90,187 |
| Total Expenditures | <u>3,339,674</u> | <u>3,527,560</u> | <u>1,386,257</u> | <u>2,141,303</u> | <u>1,040,754</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (1,320,725) | (1,508,611) | 856,230 | 2,364,841 | 939,404 |
| Other Financing Uses | | | | | |
| Transfers out | (379,825) | (877,021) | (877,021) | - | (576,948) |
| Net Change in Fund Balance | \$ <u>(1,700,550)</u> | <u>(2,385,632)</u> | (20,791) | <u>2,364,841</u> | 362,456 |
| Fund Balance Beginning of Year | | | <u>3,920,109</u> | | <u>3,557,653</u> |
| Fund Balance End of Year | | | \$ <u>3,899,318</u> | | <u>3,920,109</u> |

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|----------------|
| Assets | | |
| Cash and investments | \$ 129,898 | 156,134 |
| Receivables: | | |
| Accounts | 205 | 78 |
| Intergovernmental | <u>-</u> | <u>125</u> |
| Total Assets | \$ <u>130,103</u> | <u>156,337</u> |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ <u>462</u> | <u>462</u> |
| Fund Balance | | |
| Restricted for road maintenance | <u>129,641</u> | <u>155,875</u> |
| Total Liabilities and Fund Balance | \$ <u>130,103</u> | <u>156,337</u> |

Ketchikan Gateway Borough, Alaska
Forest Park Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|---------------------------------------|--------------------|-----------------|-------------------|--------------------------------|----------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Taxes | \$ 57,867 | 57,867 | 58,297 | 430 | 58,379 |
| Investment earnings | <u>-</u> | <u>-</u> | <u>32</u> | <u>32</u> | <u>26</u> |
| Total Revenues | <u>57,867</u> | <u>57,867</u> | <u>58,329</u> | <u>462</u> | <u>58,405</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public services | <u>73,140</u> | <u>109,140</u> | <u>84,563</u> | <u>24,577</u> | <u>45,375</u> |
| Net Change in Fund Balance | \$ <u>(15,273)</u> | <u>(51,273)</u> | (26,234) | <u>25,039</u> | 13,030 |
| Fund Balance Beginning of Year | | | <u>155,875</u> | | <u>142,845</u> |
| Fund Balance End of Year | | | \$ <u>129,641</u> | | <u>155,875</u> |

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | 2014 | 2013 |
|---------------------------------|-------------|-------------|
| Assets | | |
| Cash and investments | \$ 48,467 | 39,888 |
| Accounts receivable | 629 | 490 |
| Total Assets | \$ 49,096 | 40,378 |
| Fund Balance | | |
| Restricted for road maintenance | \$ 49,096 | 40,378 |

Ketchikan Gateway Borough, Alaska
Gold Nugget Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|---------------------------------------|--------------------|-----------------|------------------|--------------------------------|---------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Charges for services | \$ 22,000 | 22,000 | 23,435 | 1,435 | 23,240 |
| Investment earnings | - | - | 9 | 9 | 6 |
| Total Revenues | <u>22,000</u> | <u>22,000</u> | <u>23,444</u> | <u>1,444</u> | <u>23,246</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public services | <u>18,020</u> | <u>18,020</u> | <u>14,726</u> | <u>3,294</u> | <u>10,552</u> |
| Net Change in Fund Balance | \$ <u>3,980</u> | <u>3,980</u> | 8,718 | <u>4,738</u> | 12,694 |
| Fund Balance Beginning of Year | | | <u>40,378</u> | | <u>27,684</u> |
| Fund Balance End of Year | | | \$ <u>49,096</u> | | <u>40,378</u> |

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|--------------------|-----------------|
| Assets | | |
| Accounts receivable | \$ <u>-</u> | <u>-</u> |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Interfund payable | \$ <u>2,517</u> | <u>2,517</u> |
| Fund Balance | | |
| Unassigned (deficit) | <u>(2,517)</u> | <u>(2,517)</u> |
| Total Liabilities and Fund Balance | \$ <u>-</u> | <u>-</u> |

Ketchikan Gateway Borough, Alaska
Gold Nugget Special Assessment Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|---|--------------------|-----------------|-------------------|--------------------------------|----------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Charges for services | \$ - | - | - | - | - |
| Net Change in Fund Balance | \$ <u>-</u> | <u>-</u> | - | <u>-</u> | - |
| Fund Balance (Deficit) Beginning of Year | | | <u>(2,517)</u> | | <u>(2,517)</u> |
| Fund Balance (Deficit) End of Year | | | \$ <u>(2,517)</u> | | <u>(2,517)</u> |

Ketchikan Gateway Borough, Alaska
Homestead Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | 2014 | 2013 |
|---|-------------------------|----------------------|
| Assets | | |
| Cash and investments | \$ <u>41,512</u> | <u>49,364</u> |
| Total Assets | \$ <u>41,512</u> | <u>49,364</u> |
| Liabilities and Fund Balances | | |
| Liabilities | | |
| Accounts payable | \$ <u>83</u> | <u>82</u> |
| Fund Balance | | |
| Restricted for road maintenance | <u>41,429</u> | <u>49,282</u> |
| Total Liabilities and Fund Balance | \$ <u>41,512</u> | <u>49,364</u> |

Ketchikan Gateway Borough, Alaska
Homestead Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|--|--------------------|-----------------|----------|--------------------------------|--------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Charges for services | \$ 22,884 | 22,884 | 23,061 | 177 | 23,630 |
| Investment earnings | - | - | 14 | 14 | 5 |
| Total Revenues | 22,884 | 22,884 | 23,075 | 191 | 23,635 |
| Expenditures | | | | | |
| Current | | | | | |
| Public services | 16,748 | 34,748 | 33,733 | 1,015 | 13,360 |
| Excess (Deficiency) of Revenues Over Expenditures | 6,136 | (11,864) | (10,658) | 1,206 | 10,275 |
| Other Financing Sources | | | | | |
| Transfers in | 2,805 | 2,805 | 2,805 | - | 2,888 |
| Net Change in Fund Balance | \$ <u>8,941</u> | <u>(9,059)</u> | (7,853) | <u>1,206</u> | 13,163 |
| Fund Balance Beginning of Year | | | 49,282 | | 36,119 |
| Fund Balance End of Year | | \$ | 41,429 | | 49,282 |

Ketchikan Gateway Borough, Alaska
Loring Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|------------------|---------------|
| Assets | | |
| Cash and investments | \$ 80,588 | 80,081 |
| Intergovernmental receivable | <u>25</u> | <u>25</u> |
| Total Assets | <u>\$ 80,613</u> | <u>80,106</u> |
| Liabilities | | |
| Accounts payable | \$ 3,476 | - |
| Unearned revenue | <u>62,378</u> | <u>62,378</u> |
| Total Liabilities | <u>65,854</u> | <u>62,378</u> |
| Fund Balance | | |
| Restricted for dock improvements | <u>14,759</u> | <u>17,728</u> |
| Total Liabilities and Fund Balance | <u>\$ 80,613</u> | <u>80,106</u> |

Ketchikan Gateway Borough, Alaska
Loring Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|---------------------------------------|----------------------------|-------------------------|------------------|---|---------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Taxes | \$ 2,036 | 2,036 | 2,147 | 111 | 2,322 |
| Intergovernmental | - | - | - | - | 8,486 |
| Investment earnings | - | - | 15 | 15 | 12 |
| Total Revenues | <u>2,036</u> | <u>2,036</u> | <u>2,162</u> | <u>126</u> | <u>10,820</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public services | 3,604 | 3,604 | 5,131 | (1,527) | 1,604 |
| Capital Outlay | - | - | - | - | 5,405 |
| Total Expenditures | <u>3,604</u> | <u>3,604</u> | <u>5,131</u> | <u>(1,527)</u> | <u>7,009</u> |
| Net Change in Fund Balance | \$ <u>(1,568)</u> | <u>(1,568)</u> | (2,969) | <u>(1,401)</u> | 3,811 |
| Fund Balance Beginning of Year | | | <u>17,728</u> | | <u>13,917</u> |
| Fund Balance End of Year | | | \$ <u>14,759</u> | | <u>17,728</u> |

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---------------------------------|------------------|---------------|
| Assets | | |
| Cash and investments | \$ 49,834 | 51,427 |
| Accounts receivable | <u>3,545</u> | <u>3,542</u> |
| Total Assets | \$ <u>53,379</u> | <u>54,969</u> |
| Fund Balance | | |
| Restricted for road maintenance | \$ <u>53,379</u> | <u>54,969</u> |

Ketchikan Gateway Borough, Alaska
Mud Bight Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|---------------------------------------|--------------------|-----------------|---------|--------------------------------|--------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Charges for services | \$ 12,590 | 12,590 | 13,121 | 531 | 12,929 |
| Investment earnings | - | - | 10 | 10 | 8 |
| Total Revenues | 12,590 | 12,590 | 13,131 | 541 | 12,937 |
| Expenditures | | | | | |
| Current | | | | | |
| Public services | 48,335 | 48,335 | 14,721 | 33,614 | 12,375 |
| Net Change in Fund Balance | \$ <u>(35,745)</u> | <u>(35,745)</u> | (1,590) | <u>34,155</u> | 562 |
| Fund Balance Beginning of Year | | | 54,969 | | 54,407 |
| Fund Balance End of Year | | \$ | 53,379 | | 54,969 |

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---------------------------------|-----------------|--------------|
| Assets | | |
| Cash and investments | \$ <u>7,034</u> | <u>7,533</u> |
| Fund Balance | | |
| Restricted for road maintenance | \$ <u>7,034</u> | <u>7,533</u> |

Ketchikan Gateway Borough, Alaska
Nichols View Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|---------------------------------------|----------------------------|-------------------------|-----------------|---|---------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Investment earnings | \$ - | - | 1 | 1 | 1 |
| Expenditures | | | | | |
| Current | | | | | |
| Public services | 500 | 500 | 500 | - | 500 |
| Net Change in Fund Balance | \$ <u>(500)</u> | <u>(500)</u> | (499) | <u>1</u> | (499) |
| Fund Balance Beginning of Year | | | <u>7,533</u> | | <u>8,032</u> |
| Fund Balance End of Year | | | \$ <u>7,034</u> | | <u>7,533</u> |

Ketchikan Gateway Borough, Alaska
Nonareawide Library Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|------------------|---------------|
| Assets | | |
| Cash and investments | \$ 61,814 | 72,032 |
| Receivables: | | |
| Intergovernmental | 794 | 782 |
| Property taxes | <u>1,501</u> | <u>3,091</u> |
| Total Assets | \$ <u>64,109</u> | <u>75,905</u> |
| Deferred Inflows and Fund Balance | | |
| Deferred Inflows | | |
| Property tax revenue | \$ <u>362</u> | <u>1,215</u> |
| Fund Balance | | |
| Restricted for library operations | <u>63,747</u> | <u>74,690</u> |
| Total Deferred Inflows and Fund Balance | \$ <u>64,109</u> | <u>75,905</u> |

Ketchikan Gateway Borough, Alaska
Nonareawide Library Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|--|--------------------|-----------------|----------------|--------------------------------|----------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Taxes | \$ 395,862 | 395,862 | 394,865 | (997) | 385,922 |
| Investment earnings | - | - | 21 | 21 | 35 |
| Total Revenues | <u>395,862</u> | <u>395,862</u> | <u>394,886</u> | <u>(976)</u> | <u>385,957</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Library services | 422,546 | 422,546 | 422,570 | (24) | 410,326 |
| Excess (Deficiency) of Revenues Over Expenditures | (26,684) | (26,684) | (27,684) | (1,000) | (24,369) |
| Other Financing Sources | | | | | |
| Transfers in | 16,741 | 16,741 | 16,741 | - | 16,413 |
| Net Change in Fund Balance | \$ (9,943) | (9,943) | (10,943) | (1,000) | (7,956) |
| Fund Balance Beginning of Year | | | 74,690 | | 82,646 |
| Fund Balance End of Year | | | \$ 63,747 | | 74,690 |

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|------------------|
| Assets | | |
| Cash and investments | \$ 260,256 | 129,534 |
| Prepaid items | 75,034 | - |
| Receivables: | | |
| Accounts | 5,997 | 27,863 |
| Intergovernmental | - | 1,062 |
| Property taxes | <u>753</u> | <u>5,464</u> |
| Total Assets | <u>\$ 342,040</u> | <u>163,923</u> |
| Liabilities, Deferred Inflows and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 97,974 | 6,798 |
| Interfund advances payable | <u>463,740</u> | <u>522,406</u> |
| Total Liabilities | 561,714 | 529,204 |
| Deferred Inflows | | |
| Property tax revenue | <u>1,250</u> | <u>577</u> |
| Total Liabilities and Deferred Inflows | <u>562,964</u> | <u>529,781</u> |
| Fund Balance | | |
| Nonspendable | 75,034 | - |
| Unassigned (deficit) | <u>(295,958)</u> | <u>(365,858)</u> |
| Total Fund Balance (Deficit) | <u>(220,924)</u> | <u>(365,858)</u> |
| Total Liabilities, Deferred Inflows and Fund Balance | <u>\$ 342,040</u> | <u>163,923</u> |

Ketchikan Gateway Borough, Alaska
North Tongass Fire and EMS Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|--|----------------------------|-------------------------|---------------------|---|------------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Taxes | \$ 580,766 | 580,766 | 582,485 | 1,719 | 567,610 |
| Intergovernmental | 29,663 | 29,663 | 26,641 | (3,022) | 22,516 |
| Service area fees | 123,900 | 123,900 | 115,774 | (8,126) | 127,541 |
| Investment earnings (loss) | - | - | (683) | (683) | 59 |
| EMS revenues | 60,000 | 60,000 | 50,710 | (9,290) | 90,781 |
| Miscellaneous revenues | - | - | - | - | 644 |
| Total Revenues | <u>794,329</u> | <u>794,329</u> | <u>774,927</u> | <u>(19,402)</u> | <u>809,151</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Fire and EMS | 779,421 | 779,421 | 611,600 | 167,821 | 605,191 |
| Capital Outlay | - | 34,188 | 59,452 | (25,264) | - |
| Total Expenditures | <u>779,421</u> | <u>813,609</u> | <u>671,052</u> | <u>142,557</u> | <u>605,191</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 14,908 | (19,280) | 103,875 | 123,155 | 203,960 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 92,214 | 92,214 | 92,214 | - | 27,766 |
| Transfers out | (51,155) | (51,155) | (51,155) | - | (51,155) |
| Total Other Financing Sources (Uses) | <u>41,059</u> | <u>41,059</u> | <u>41,059</u> | <u>-</u> | <u>(23,389)</u> |
| Net Change in Fund Balance | \$ <u>55,967</u> | <u>21,779</u> | 144,934 | <u>123,155</u> | 180,571 |
| Fund Balance (Deficit) Beginning of Year | | | <u>(365,858)</u> | | <u>(546,429)</u> |
| Fund Balance (Deficit) End of Year | | | \$ <u>(220,924)</u> | | <u>(365,858)</u> |

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|------------------|
| Assets | | |
| Cash and investments | \$ 2,329,239 | 2,035,556 |
| Sales tax receivable | <u>470,073</u> | <u>475,045</u> |
| Total Assets | <u>\$ 2,799,312</u> | <u>2,510,601</u> |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ <u>28,240</u> | <u>5,695</u> |
| Fund Balance | | |
| Restricted for recreation | <u>2,771,072</u> | <u>2,504,906</u> |
| Total Liabilities and Fund Balance | <u>\$ 2,799,312</u> | <u>2,510,601</u> |

Ketchikan Gateway Borough, Alaska
Recreation Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|---|--------------------|---------------------|--------------------|--------------------------------|--------------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Taxes | \$ 1,767,400 | 1,767,400 | 1,711,478 | (55,922) | 1,721,166 |
| Intergovernmental | 238,420 | 238,420 | 244,297 | 5,877 | 247,720 |
| Penalties and interest | 10,000 | 10,000 | 6,130 | (3,870) | 10,241 |
| Investment earnings | 5,000 | 5,000 | 464 | (4,536) | 495 |
| Total Revenues | <u>2,020,820</u> | <u>2,020,820</u> | <u>1,962,369</u> | <u>(58,451)</u> | <u>1,979,622</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public services | 120,000 | 270,000 | 157,686 | 112,314 | 77,530 |
| Capital Outlay | <u>455,000</u> | <u>305,000</u> | <u>37,491</u> | <u>267,509</u> | <u>252,986</u> |
| Total Expenditures | <u>575,000</u> | <u>575,000</u> | <u>195,177</u> | <u>379,823</u> | <u>330,516</u> |
| Excess of Revenues Over Expenditures | 1,445,820 | 1,445,820 | 1,767,192 | 321,372 | 1,649,106 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 175,081 | 175,081 | 175,081 | - | 175,154 |
| Transfers out | <u>(1,691,462)</u> | <u>(1,691,462)</u> | <u>(1,676,107)</u> | <u>15,355</u> | <u>(2,083,453)</u> |
| Total Other Financing Sources (Uses) | <u>(1,516,381)</u> | <u>(1,516,381)</u> | <u>(1,501,026)</u> | <u>15,355</u> | <u>(1,908,299)</u> |
| Net Change in Fund Balance | \$ <u>(70,561)</u> | <u>(70,561)</u> | 266,166 | <u>336,727</u> | (259,193) |
| Fund Balance Beginning of Year | | | <u>2,504,906</u> | | <u>2,764,099</u> |
| Fund Balance End of Year | | \$ <u>2,771,072</u> | | | <u>2,504,906</u> |

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|----------------|
| Assets | | |
| Cash and investments | \$ 125,178 | 161,903 |
| Receivables: | | |
| Accounts | 10,816 | 21,582 |
| Intergovernmental | - | 3,778 |
| Property taxes | <u>835</u> | <u>1,140</u> |
| Total Assets | <u>\$ 136,829</u> | <u>188,403</u> |
| Liabilities, Deferred Inflows and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ <u>17,310</u> | <u>10,511</u> |
| Deferred Inflows | | |
| Property tax revenues | <u>5</u> | <u>5</u> |
| Total Liabilities and Deferred Inflows | 17,315 | 10,516 |
| Fund Balance | | |
| Restricted for public safety and water | <u>119,514</u> | <u>177,887</u> |
| Total Liabilities, Deferred Inflows and Fund Balance | <u>\$ 136,829</u> | <u>188,403</u> |

Ketchikan Gateway Borough, Alaska
South Tongass Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|--|----------------------------|-------------------------|-------------------|---|----------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Taxes | \$ 448,342 | 448,342 | 448,517 | 175 | 439,663 |
| Intergovernmental | 21,718 | 21,718 | 17,396 | (4,322) | 15,824 |
| Water fees | 190,000 | 190,000 | 217,149 | 27,149 | 193,081 |
| Investment earnings | - | - | 36 | 36 | 58 |
| EMS revenue | 85,000 | 85,000 | 61,740 | (23,260) | 29,044 |
| Miscellaneous | - | - | 10,614 | 10,614 | 6,868 |
| Total Revenues | <u>745,060</u> | <u>745,060</u> | <u>755,452</u> | <u>10,392</u> | <u>684,538</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Fire and EMS | 577,753 | 607,753 | 552,129 | 55,624 | 450,317 |
| Water treatment and distribution | 302,240 | 332,240 | 318,826 | 13,414 | 249,401 |
| Capital Outlay | <u>78,000</u> | <u>78,000</u> | <u>79,753</u> | <u>(1,753)</u> | <u>-</u> |
| Total Expenditures | <u>957,993</u> | <u>1,017,993</u> | <u>950,708</u> | <u>67,285</u> | <u>699,718</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (212,933) | (272,933) | (195,256) | 77,677 | (15,180) |
| Other Financing Sources | | | | | |
| Transfers in | <u>136,883</u> | <u>136,883</u> | <u>136,883</u> | <u>-</u> | <u>36,772</u> |
| Net Change in Fund Balance | \$ <u>(76,050)</u> | <u>(136,050)</u> | (58,373) | <u>77,677</u> | 21,592 |
| Fund Balance Beginning of Year | | | <u>177,887</u> | | <u>156,295</u> |
| Fund Balance End of Year | | | \$ <u>119,514</u> | | <u>177,887</u> |

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|------------------|---------------|
| Assets | | |
| Cash and investments | \$ 24,060 | 10,759 |
| Accounts receivable | <u>13,169</u> | <u>9,984</u> |
| Total Assets | <u>\$ 37,229</u> | <u>20,743</u> |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 2,750 | 50 |
| Interfund advances payable | <u>67,979</u> | <u>-</u> |
| Total Liabilities | <u>70,729</u> | <u>50</u> |
| Fund Balance | | |
| Restricted for road maintenance | | 20,693 |
| Unassigned (deficit) | <u>(33,500)</u> | <u>-</u> |
| Total Fund Balance | <u>(33,500)</u> | <u>20,693</u> |
| Total Liabilities and Fund Balance | <u>\$ 37,229</u> | <u>20,743</u> |

Ketchikan Gateway Borough, Alaska
Waterfall Service Area Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

| | 2014 | | | 2013 | |
|---|----------------------------|-------------------------|--------------------|---|---------------|
| | Original Budget | Final Budget | Actual | Variance On Final Budget | Actual |
| Revenues | | | | | |
| Charges for services | \$ 22,080 | 22,080 | 32,612 | 10,532 | 26,125 |
| Investment earnings | - | - | 3 | 3 | 1 |
| Total Revenues | <u>22,080</u> | <u>22,080</u> | <u>32,615</u> | <u>10,535</u> | <u>26,126</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public services | 27,136 | 29,498 | 11,208 | 18,290 | 15,867 |
| Capital Outlay | - | 75,000 | 75,600 | (600) | - |
| Total Expenditures | <u>27,136</u> | <u>104,498</u> | <u>86,808</u> | <u>17,690</u> | <u>15,867</u> |
| Net Change in Fund Balance | \$ <u>(5,056)</u> | <u>(82,418)</u> | (54,193) | <u>28,225</u> | 10,259 |
| Fund Balance Beginning of Year | | | <u>20,693</u> | | <u>10,434</u> |
| Fund Balance (Deficit) End of Year | | | \$ <u>(33,500)</u> | | <u>20,693</u> |



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CAPITAL PROJECTS FUND

Capital Projects Fund – This fund is used to account for the acquisition and construction of major school and other capital facilities other than those financed by proprietary funds.

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Balance Sheet
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|------------------|
| Assets | | |
| Cash and investments | \$ 865,590 | 84,507 |
| Restricted cash and investments | <u>5,454,427</u> | <u>7,494,518</u> |
| Total Assets | <u>\$ 6,320,017</u> | <u>7,579,025</u> |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 3,565 | 3,969 |
| Due to component unit | 394,067 | 511,259 |
| Deposits | 2,000 | 2,000 |
| Interfund payable | <u>156,911</u> | <u>156,911</u> |
| Total Liabilities | <u>556,543</u> | <u>674,139</u> |
| Fund Balance | | |
| Restricted for capital projects | <u>5,763,474</u> | <u>6,904,886</u> |
| Total Liabilities and Fund Balance | <u>\$ 6,320,017</u> | <u>7,579,025</u> |

Ketchikan Gateway Borough, Alaska
Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Years Ended June 30, 2014 and 2013

| | 2014 | 2013 |
|--|---------------------|------------------|
| Revenues | | |
| Investment earnings | \$ 2,021 | 2,236 |
| Miscellaneous | - | 10,199 |
| Total Revenues | <u>2,021</u> | <u>12,435</u> |
| Expenditures | | |
| Current | | |
| Public services | 19,733 | 73,896 |
| Capital Outlay | | |
| Aquatic center | - | 702,211 |
| Educational facilities | 1,123,700 | 496,988 |
| Bond issuance costs | - | 37,962 |
| Total Expenditures | <u>1,143,433</u> | <u>1,311,057</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (1,141,412) | (1,298,622) |
| Other Financing Sources | | |
| Issuance of debt | - | 4,875,000 |
| Bond premium | - | 653,805 |
| Total Other Financing Sources | <u>-</u> | <u>5,528,805</u> |
| Net Change in Fund Balance | (1,141,412) | 4,230,183 |
| Fund Balance Beginning of Year | <u>6,904,886</u> | <u>2,674,703</u> |
| Fund Balance End of Year | <u>\$ 5,763,474</u> | <u>6,904,886</u> |



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ENTERPRISE FUNDS

Airport Fund – This fund is used to account for the operations of the Ketchikan International Airport.

Wastewater Fund – This fund is used to account for the operations of the Borough's sewer systems.

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Net Position
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|----------------------|-------------------|
| Assets | | |
| Current Assets | | |
| Cash and investments | \$ - | 252,069 |
| Prepaid items | 75,948 | 146 |
| Receivables: | | |
| Accounts | 265,334 | 327,986 |
| Intergovernmental | <u>71,052</u> | <u>37,807</u> |
| Total Current Assets | <u>412,334</u> | <u>618,008</u> |
| Noncurrent Assets | | |
| Capital Assets | | |
| Non-depreciable | 2,656,499 | 907,889 |
| Depreciable, net | <u>16,688,134</u> | <u>17,427,685</u> |
| Total Noncurrent Assets | <u>19,344,633</u> | <u>18,335,574</u> |
| Total Assets | <u>\$ 19,756,967</u> | <u>18,953,582</u> |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 98,008 | 70,244 |
| Interfund advances payable | 28,452 | 27,614 |
| Compensated absences payable | <u>156,313</u> | <u>192,425</u> |
| Total Current Liabilities | <u>282,773</u> | <u>290,283</u> |
| Long-Term Liabilities, Net of Current Portion | | |
| Compensated absences payable | 65,301 | 51,389 |
| Interfund advances payable | 155,782 | 184,233 |
| Interfund payable | <u>538,477</u> | <u>687,006</u> |
| Total Long-Term Liabilities | <u>759,560</u> | <u>922,628</u> |
| Total Liabilities | <u>1,042,333</u> | <u>1,212,911</u> |
| Net Position | | |
| Net investment in capital assets | 19,344,633 | 18,335,574 |
| Restricted for bond reserve | - | - |
| Unrestricted (deficit) | <u>(629,999)</u> | <u>(594,903)</u> |
| Total Net Position | <u>\$ 18,714,634</u> | <u>17,740,671</u> |

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2014 and 2013

| | 2014 | 2013 |
|---|-----------------------------|--------------------------|
| Operating Revenues | | |
| Charges for services | \$ 4,401,938 | 3,878,788 |
| Operating Expenses | | |
| Personnel services | 3,130,485 | 3,054,141 |
| Supplies and services | 1,427,860 | 1,522,999 |
| Insurance | 253,555 | 213,885 |
| Depreciation | 975,268 | 935,772 |
| Total Operating Expenses | <u>5,787,168</u> | <u>5,726,797</u> |
| Operating Loss | (1,385,230) | (1,848,009) |
| Non-Operating Revenues (Expenses) | | |
| Interest and fiscal charges | (6,048) | (84,840) |
| Gain on disposal of capital assets | 4,255 | 260 |
| Operating grants | <u>310,303</u> | <u>2,951,405</u> |
| Total Non-Operating Revenues (Expenses) | <u>308,510</u> | <u>2,866,825</u> |
| Income (Loss) Before Capital Contributions and Transfers | (1,076,720) | 1,018,816 |
| Capital contributions | 1,865,802 | 409,960 |
| Assets acquired through foreclosure | - | 900,900 |
| Transfers in | <u>184,881</u> | <u>1,652,342</u> |
| Change in Net Position | 973,963 | 3,982,018 |
| Net Position Beginning of Year | <u>17,740,671</u> | <u>13,758,653</u> |
| Net Position End of Year | \$ <u><u>18,714,634</u></u> | <u><u>17,740,671</u></u> |

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|--------------------|-----------------------|
| Increase (Decrease) in Cash and Cash Equivalents | | |
| Cash Flows from Operating Activities | | |
| Cash received from customers | \$ 4,431,345 | 4,174,296 |
| Cash payments to employees for services | (3,152,685) | (3,049,330) |
| Cash payments for goods and services | <u>(1,729,453)</u> | <u>(1,747,253)</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>(450,793)</u> | <u>(622,287)</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Interfund payable | (148,529) | (2,411,733) |
| Operating grants | 310,303 | 2,951,405 |
| Transfers in | <u>184,881</u> | <u>1,652,342</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>346,655</u> | <u>2,192,014</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Sale of capital assets | 4,255 | 260 |
| Capital grant | 1,865,802 | 409,960 |
| Principal paid on revenue bonds | - | (1,550,000) |
| Interest paid on debt service | (6,048) | (84,840) |
| Interfund advance payable | (27,613) | (26,801) |
| Payments for capital acquisitions | <u>(1,984,327)</u> | <u>(451,237)</u> |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>(147,931)</u> | <u>(1,702,658)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (252,069) | (132,931) |
| Cash and Cash Equivalents Beginning of Year | <u>252,069</u> | <u>385,000</u> |
| Cash and Cash Equivalents End of Year | \$ <u><u>-</u></u> | <u><u>252,069</u></u> |
| Supplemental disclosure of noncash items - assets acquired through foreclosure | \$ <u><u>-</u></u> | <u><u>900,900</u></u> |

(continued)

Ketchikan Gateway Borough, Alaska
Airport Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2014 and 2013

(continued)

| | <u>2014</u> | <u>2013</u> |
|--|----------------------------|-------------------------|
| Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities | | |
| Operating (Loss) | \$ (1,385,230) | (1,848,009) |
| Adjustments: | | |
| Depreciation | 975,268 | 935,772 |
| (Increase) Decrease in Assets: | | |
| Accounts receivable | 62,652 | 333,315 |
| Intergovernmental receivable | (33,245) | (37,807) |
| Prepaid items | (75,802) | 4,725 |
| Increase (Decrease) in Liabilities: | | |
| Accounts payable | 27,764 | (15,094) |
| Compensated absences payable | <u>(22,200)</u> | <u>4,811</u> |
| Net Cash Provided by (Used in) Operating Activities | \$ <u><u>(450,793)</u></u> | <u><u>(622,287)</u></u> |

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Net Position
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|-----------------------------|--------------------------|
| Assets | | |
| Current Assets | | |
| Cash and investments | \$ 718,366 | 798,271 |
| Accounts receivable | <u>33,039</u> | <u>36,978</u> |
| Total Current Assets | <u>751,405</u> | <u>835,249</u> |
| Noncurrent Assets | | |
| Capital Assets | | |
| Depreciable, net | <u>9,786,841</u> | <u>10,122,708</u> |
| Total Assets | \$ <u>10,538,246</u> | <u>10,957,957</u> |
| Current Liabilities | | |
| Accounts payable | \$ 38,620 | 99,994 |
| Interfund advances payable | <u>77,217</u> | <u>73,352</u> |
| Total Current Liabilities | 115,837 | 173,346 |
| Long-Term Liabilities | | |
| Interfund advances payable (net of current portion) | <u>304,564</u> | <u>381,781</u> |
| Total Liabilities | <u>420,401</u> | <u>555,127</u> |
| Net Position | | |
| Net investment in capital assets | 9,786,841 | 10,122,708 |
| Unrestricted | <u>331,004</u> | <u>280,122</u> |
| Total Net Position | \$ <u><u>10,117,845</u></u> | <u><u>10,402,830</u></u> |

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2014 and 2013

| | 2014 | 2013 |
|--|---------------|-------------|
| Operating Revenues | | |
| Charges for services | \$ 596,426 | 555,396 |
| Operating Expenses | | |
| Personnel services | 171,955 | 116,442 |
| Supplies and services | 390,945 | 383,336 |
| Insurance | 5,724 | 5,314 |
| Depreciation | 357,067 | 365,930 |
| Total Operating Expenses | 925,691 | 871,022 |
| Less recovery of expenses from other funds | (1,596) | (1,596) |
| Net Operating Expenses | 924,095 | 869,426 |
| Operating Loss | (327,669) | (314,030) |
| Non-Operating Revenues (Expenses) | | |
| Interest and fiscal charges | (23,931) | (27,603) |
| Gain on disposal of capital assets | 66,450 | - |
| Investment earnings | 165 | 125 |
| Total Non-Operating Revenues (Expenses) | 42,684 | (27,478) |
| Change in Net Position | (284,985) | (341,508) |
| Net Position Beginning of Year | 10,402,830 | 10,744,338 |
| Net Position End of Year | \$ 10,117,845 | 10,402,830 |

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|------------------|
| Increase (Decrease) in Cash and Cash Equivalents | | |
| Cash Flows from Operating Activities | | |
| Cash received from customers | \$ 600,365 | 552,137 |
| Cash payments to employees for services | (171,955) | (116,442) |
| Cash payments for goods and services | <u>(456,447)</u> | <u>(331,689)</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>(28,037)</u> | <u>104,006</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Sale of capital assets | 66,450 | - |
| Interest paid on debt service | (23,931) | (27,603) |
| Interfund advance payable | (73,352) | (69,680) |
| Payments for capital acquisitions | <u>(21,200)</u> | <u>-</u> |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>(52,033)</u> | <u>(97,283)</u> |
| Cash Flows from Investing Activities | | |
| Investment earnings (loss) | <u>165</u> | <u>125</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (79,905) | 6,848 |
| Cash and Cash Equivalents Beginning of Year | <u>798,271</u> | <u>791,423</u> |
| Cash and Cash Equivalents End of Year | <u>\$ 718,366</u> | <u>798,271</u> |

(continued)

Ketchikan Gateway Borough, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows
For the Years Ended June 30, 2014 and 2013

(Continued)

| | <u>2014</u> | <u>2013</u> |
|--|---------------------------|-----------------------|
| Reconciliation of Operating (Loss) to Net Cash Provided by (Used in) Operating Activities | | |
| Operating (Loss) | \$ (327,669) | (314,030) |
| Adjustments: | | |
| Depreciation | 357,067 | 365,930 |
| (Increase) Decrease in Assets: | | |
| Accounts receivable | 3,939 | (3,259) |
| Increase (Decrease) in Liabilities: | | |
| Accounts payable | <u>(61,374)</u> | <u>55,365</u> |
| Net Cash Provided by (Used in) Operating Activities | \$ <u><u>(28,037)</u></u> | <u><u>104,006</u></u> |



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INTERNAL SERVICE FUNDS

Meritain School District Insurance – This fund is used to account for health insurance premiums paid on behalf of and by School District employees and for health insurance claims paid for School District employees.

Meritain Borough Insurance – This fund is used to account for health insurance premiums paid on behalf of Borough employees and for health insurance claims paid for Borough employees.

Ketchikan Gateway Borough, Alaska
Internal Service Funds
Combining Statement of Net Position
June 30, 2014

| | <u>Meritain School District</u> | <u>Meritain Borough</u> | <u>Total Internal Service Funds</u> |
|----------------------------------|-------------------------------------|-----------------------------|---|
| Current Assets | | | |
| Cash and investments | \$ - | 222,665 | 222,665 |
| Total Current Assets | <u>\$ -</u> | <u>222,665</u> | <u>222,665</u> |
| Current Liabilities | | | |
| Interfund payable | \$ 194,881 | - | 194,881 |
| Claims payable | <u>265,577</u> | <u>60,200</u> | <u>325,777</u> |
| Total Current Liabilities | <u>460,458</u> | <u>60,200</u> | <u>520,658</u> |
| Net Position | | | |
| Unrestricted (deficit) | \$ <u>(460,458)</u> | <u>162,465</u> | <u>(297,993)</u> |

Ketchikan Gateway Borough, Alaska
Internal Service Funds
Combining Statement of Revenues,
Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2014

| | <u>Meritain School District</u> | <u>Meritain Borough</u> | <u>Total Internal Service Funds</u> |
|--|-------------------------------------|-----------------------------|---|
| Operating Revenues | | | |
| Insurance premiums | \$ 4,937,191 | 2,424,082 | 7,361,273 |
| Operating Expenses | | | |
| Administration | 653,033 | 272,491 | 925,524 |
| Premiums | - | 308,887 | 308,887 |
| Claims | 4,291,942 | 1,369,951 | 5,661,893 |
| Total Operating Expenses | <u>4,944,975</u> | <u>1,951,329</u> | <u>6,896,304</u> |
| Operating Income (loss) | (7,784) | 472,753 | 464,969 |
| Non-Operating Revenues | | | |
| Investment earnings | <u>20</u> | <u>-</u> | <u>20</u> |
| Change in Net Position | (7,764) | 472,753 | 464,989 |
| Net Position (Deficits) Beginning of Year | <u>(452,694)</u> | <u>(310,288)</u> | <u>(762,982)</u> |
| Net Position (Deficits) End of Year | \$ <u>(460,458)</u> | <u>162,465</u> | <u>(297,993)</u> |

Ketchikan Gateway Borough, Alaska
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2014

| | <u>Meritain School District</u> | <u>Meritain Borough</u> | <u>Total Internal Service Funds</u> |
|---|-------------------------------------|-----------------------------|---|
| Increase (Decrease) in Cash and Cash Equivalents | | | |
| Cash Flows from Operating Activities | | | |
| Cash received from customers | \$ 4,937,191 | 2,424,082 | 7,361,273 |
| Cash payments for goods and services | (653,033) | (581,378) | (1,234,411) |
| Cash payments for claims | <u>(4,277,002)</u> | <u>(1,414,874)</u> | <u>(5,691,876)</u> |
| Net Cash Provided by Operating Activities | <u>7,156</u> | <u>427,830</u> | <u>434,986</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Interfund payable | <u>(7,176)</u> | <u>(205,165)</u> | <u>(212,341)</u> |
| Cash Flows from Investing Activities | | | |
| Investment earnings | <u>20</u> | <u>-</u> | <u>20</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | - | 222,665 | 222,665 |
| Cash and Cash Equivalents Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash and Cash Equivalents End of Year | \$ <u><u>-</u></u> | <u><u>222,665</u></u> | <u><u>222,665</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | | | |
| Operating Income (Loss) | \$ <u>(7,784)</u> | <u>472,753</u> | <u>464,969</u> |
| Increase (Decrease) in Liabilities: | | | |
| Claims payable | <u>14,940</u> | <u>(44,923)</u> | <u>(29,983)</u> |
| Net Cash Provided by Operating Activities | \$ <u><u>7,156</u></u> | <u><u>427,830</u></u> | <u><u>434,986</u></u> |



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Ketchikan Gateway Borough, Alaska
Meritain School District Insurance Internal Service Fund
Comparative Statement of Net Position
June 30, 2014 and 2013

| | 2014 | 2013 |
|----------------------------------|----------------------------|-------------------------|
| Current Assets | \$ <u> -</u> | <u> -</u> |
| Current Liabilities | | |
| Interfund payable | \$ 194,881 | 202,057 |
| Claims payable | <u>265,577</u> | <u>250,637</u> |
| Total Current Liabilities | <u>460,458</u> | <u>452,694</u> |
| Net Position | | |
| Unrestricted (deficit) | \$ <u><u>(460,458)</u></u> | <u><u>(452,694)</u></u> |

Ketchikan Gateway Borough, Alaska
Meritain School District Insurance Internal Service Fund
Comparative Statement of Revenues,
Expenses and Changes in Fund Deficit
For the Years Ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|--------------|-------------|
| Operating Revenues | | |
| Insurance premiums | \$ 4,937,191 | 4,295,465 |
| Operating Expenses | | |
| Administration | 653,033 | 601,950 |
| Claims | 4,291,942 | 3,216,383 |
| Total Operating Expenses | 4,944,975 | 3,818,333 |
| Operating Income (Loss) | (7,784) | 477,132 |
| Non-Operating Revenues | | |
| Investment earnings | 20 | - |
| Change in Net Position | (7,764) | 477,132 |
| Net Position (Deficit) Beginning of Year | (452,694) | (929,826) |
| Net Position (Deficit) End of Year | \$ (460,458) | (452,694) |

Ketchikan Gateway Borough, Alaska
Meritain Borough Insurance Internal Service Fund
Comparative Statement of Net Position
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|----------------------------------|--------------------------|-------------------------|
| Assets | | |
| Cash and investments | \$ <u>222,665</u> | <u>-</u> |
| Current Liabilities | | |
| Interfund payable | \$ - | 205,165 |
| Claims payable | <u>60,200</u> | <u>105,123</u> |
| Total Current Liabilities | <u>60,200</u> | <u>310,288</u> |
| Net Position | | |
| Unrestricted (deficit) | \$ <u><u>162,465</u></u> | <u><u>(310,288)</u></u> |

Ketchikan Gateway Borough, Alaska
Meritain Borough Insurance Internal Service Fund
Comparative Statement of Revenues,
Expenses and Changes in Net Position (Deficit)
For the Years Ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|------------------|
| Operating Revenues | | |
| Insurance premiums | \$ 2,424,082 | 2,194,433 |
| Operating Expenses | | |
| Administration | 272,491 | 266,665 |
| Premiums | 308,887 | 308,494 |
| Claims | 1,369,951 | 1,617,774 |
| Total Operating Expenses | <u>1,951,329</u> | <u>2,192,933</u> |
| Change in Net Position | 472,753 | 1,500 |
| Net Position (Deficit) Beginning of Year | <u>(310,288)</u> | <u>(311,788)</u> |
| Net Position (Deficit) End of Year | \$ <u>162,465</u> | <u>(310,288)</u> |



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STATISTICAL SECTION

(Un-Audited)



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STATISTICAL SECTION

This section contains various tables showing historical and other financial information considered to be informative in understanding the finances of the Borough.

The following tables are included in this section:

Revenues and Expenditures/Expenses

| | |
|--|---------|
| Government-wide Statement of Net Position..... | Table 1 |
| Changes in Net Position..... | Table 2 |
| Fund Balances, Governmental Funds..... | Table 3 |
| Changes in Governmental Fund Balances..... | Table 4 |

Tax Data

| | |
|--|---------|
| Assessed Value and Actual Value of Taxable Property..... | Table 5 |
| Principal Property Tax Payers..... | Table 6 |
| Property Tax Levies and Collections..... | Table 7 |
| Taxable Sales by Category..... | Table 8 |

Long-term Debt

| | |
|--|----------|
| Current Year Debt Service by Type..... | Table 9 |
| Ratios of General Bonded Debt Outstanding..... | Table 10 |
| Direct and Overlapping Governmental Activities Debt..... | Table 11 |
| Revenue Bond Coverage – Ketchikan International Airport..... | Table 12 |

Other Data

| | |
|--|----------|
| Demographic Statistics..... | Table 13 |
| Principal Employers Current Year and Nine Years Ago..... | Table 14 |
| Miscellaneous Statistics..... | Table 15 |

KETCHIKAN GATEWAY BOROUGH

Government-wide Statement of Net Position

June 30, 2014

| | Fiscal Year | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Governmental Activities | | | | | |
| Net investment in capital assets | \$ 121,446,896 | \$ 119,848,381 | \$ 121,020,663 | \$ 117,038,168 | \$ 116,791,016 |
| Restricted | 7,148,989 | 13,928,936 | 9,800,504 | 9,326,387 | 6,749,034 |
| Unrestricted | <u>19,954,904</u> | <u>11,945,485</u> | <u>14,338,149</u> | <u>18,194,923</u> | <u>24,295,274</u> |
| Total governmental activities net position | <u>148,550,789</u> | <u>145,722,802</u> | <u>145,159,316</u> | <u>144,559,478</u> | <u>147,835,324</u> |
| Business-type Activities | | | | | |
| Net investment in capital assets | 29,131,474 | 28,458,282 | 26,857,847 | 17,458,210 | 17,703,199 |
| Restricted | | - | 385,000 | 385,000 | 385,000 |
| Unrestricted (deficit) | <u>(287,748)</u> | <u>(413,071)</u> | <u>(2,838,539)</u> | <u>(3,141,624)</u> | <u>(3,311,312)</u> |
| Total business-type activities net position | <u>28,843,726</u> | <u>28,045,211</u> | <u>24,404,308</u> | <u>14,701,586</u> | <u>14,776,887</u> |
| Primary Government | | | | | |
| Net investment in capital assets | 150,578,370 | 148,306,663 | 147,878,510 | 134,496,378 | 134,494,215 |
| Restricted | 7,148,989 | 13,928,936 | 10,185,504 | 9,711,387 | 7,134,034 |
| Unrestricted | <u>19,667,156</u> | <u>11,532,414</u> | <u>11,499,610</u> | <u>15,053,299</u> | <u>20,983,962</u> |
| Total primary government net position | <u>177,394,515</u> | <u>\$ 173,768,013</u> | <u>\$ 169,563,624</u> | <u>\$ 159,261,064</u> | <u>\$ 162,612,211</u> |
| Governmental Activities | | | | | |
| Fiscal Year | | | | | |
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| Net investment in capital assets | \$ 113,763,548 | \$ 103,567,159 | \$ 104,167,175 | \$ 95,476,768 | \$ 93,606,967 |
| Restricted | 6,194,066 | 4,801,620 | 4,326,398 | 18,489,064 | 24,779,426 |
| Unrestricted | <u>21,669,692</u> | <u>23,817,829</u> | <u>16,086,982</u> | <u>8,335,910</u> | <u>850,340</u> |
| Total governmental activities net position | <u>141,627,306</u> | <u>132,186,608</u> | <u>124,580,555</u> | <u>122,301,742</u> | <u>119,236,733</u> |
| Business-type Activities | | | | | |
| Net investment in capital assets | 17,756,821 | 18,438,737 | 18,878,941 | 19,348,852 | 18,865,448 |
| Restricted | 385,000 | 385,000 | - | - | - |
| Unrestricted (deficit) | <u>(3,185,352)</u> | <u>(2,920,876)</u> | <u>(2,469,759)</u> | <u>(2,813,429)</u> | <u>(2,028,243)</u> |
| Total business-type activities net position | <u>14,956,469</u> | <u>15,902,861</u> | <u>16,409,182</u> | <u>16,535,423</u> | <u>16,837,205</u> |
| Primary Government | | | | | |
| Net investment in capital assets | 131,520,369 | 122,005,896 | 123,046,116 | 114,825,620 | 112,472,415 |
| Restricted | 6,579,066 | 5,186,620 | 4,326,398 | 18,489,064 | 24,779,426 |
| Unrestricted | <u>18,484,340</u> | <u>20,896,953</u> | <u>13,617,223</u> | <u>5,522,481</u> | <u>(1,177,903)</u> |
| Total primary government net position | <u>\$ 156,583,775</u> | <u>\$ 148,089,469</u> | <u>\$ 140,989,737</u> | <u>\$ 138,837,165</u> | <u>\$ 136,073,938</u> |

*note: The Borough has implemented the provisions of GASB statements 63 and 65 in FY13. Prior years have not been restated to reflect this change.; however all terminology has been updated to reflect this revision.



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KETCHIKAN GATEWAY BOROUGH

Changes in Net Position
June 30, 2014

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|------------------------|---------------------|---------------------|---------------------|---------------------|
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 3,514,098 | 4,623,576 | 4,239,516 | 3,502,989 | 3,198,263 |
| Fire and EMS | 1,376,751 | 1,252,822 | 1,305,555 | 1,289,444 | 1,249,053 |
| Water treatment and distribution | 318,826 | 249,401 | 226,424 | 207,102 | 228,725 |
| Library services | 422,570 | 410,326 | 380,266 | 372,794 | 371,886 |
| Parks and recreation | 3,338,139 | 2,601,546 | 2,374,277 | 2,066,242 | 2,004,219 |
| Public works | 1,001,996 | 1,209,701 | 1,043,521 | 1,093,054 | 1,391,689 |
| Public services | 5,342,481 | 3,875,327 | 5,086,592 | 3,595,580 | 4,162,195 |
| Transit | 2,164,006 | 2,071,438 | 1,960,671 | 1,640,624 | 1,427,218 |
| Automation | - | - | - | - | - |
| Education | 15,357,268 | 14,465,416 | 14,300,313 | 15,091,534 | 16,017,284 |
| Nondepartmental | - | - | - | - | - |
| Interest | 2,310,634 | 2,394,406 | 2,504,748 | 2,453,966 | 1,540,248 |
| Total governmental activities expenses | <u>35,146,769</u> | <u>33,153,959</u> | <u>33,421,883</u> | <u>31,313,329</u> | <u>31,590,780</u> |
| Business-type activities: | | | | | |
| Airport | 5,679,424 | 5,810,984 | 5,262,004 | 4,835,323 | 4,625,758 |
| Wastewater | 881,576 | 897,029 | 1,176,513 | 1,010,836 | 912,252 |
| Total business-type activities expenses | <u>6,561,000</u> | <u>6,708,013</u> | <u>6,438,517</u> | <u>5,846,159</u> | <u>5,538,010</u> |
| Total primary government expenses | <u>\$ 41,707,769</u> | <u>39,861,972</u> | <u>39,860,400</u> | <u>37,159,488</u> | <u>37,128,790</u> |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| Fire and EMS | 238,838 | 254,234 | 317,569 | 242,335 | 236,534 |
| Water treatment and distribution | 217,149 | 193,081 | 176,394 | 177,610 | 165,463 |
| Parks and recreation | 753,563 | 732,284 | 565,998 | 538,013 | 410,238 |
| Public services | 1,256,400 | 1,239,091 | 911,068 | 862,291 | 684,279 |
| Transit | 222,236 | 242,111 | 217,131 | 184,624 | 179,729 |
| Education | 4,937,191 | 4,295,465 | 3,769,524 | 3,535,740 | 3,153,995 |
| Capital grants | 4,503,237 | 3,529,066 | 5,154,055 | 6,426,775 | 8,369,771 |
| Operating grants | 4,072,710 | 3,738,574 | 2,431,499 | 904,866 | 705,498 |
| Nondepartmental | - | - | - | - | - |
| Total governmental activities program revenues | <u>16,201,324</u> | <u>14,223,906</u> | <u>13,543,238</u> | <u>12,872,254</u> | <u>13,905,507</u> |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Airport | 4,401,938 | 3,878,788 | 3,973,769 | 3,633,607 | 3,283,332 |
| Wastewater | 596,426 | 555,396 | 760,358 | 702,530 | 576,803 |
| Operating grants | 73,994 | 2,710,000 | 42,959 | 79,122 | 128,193 |
| Capital grants | 1,865,802 | 1,310,860 | 10,016,959 | 556,653 | 638,665 |
| Total business-type activities program revenues | <u>6,938,160</u> | <u>8,455,044</u> | <u>14,794,045</u> | <u>4,971,912</u> | <u>4,626,993</u> |
| Total primary government program revenues | <u>\$ 23,139,484</u> | <u>22,678,950</u> | <u>28,337,283</u> | <u>17,844,166</u> | <u>18,532,500</u> |
| Net (Expense) Revenue | | | | | |
| Governmental activities | (18,945,445) | (18,930,053) | (19,878,645) | (18,441,075) | (17,685,273) |
| Business-type activities | 377,160 | 1,747,031 | 8,355,528 | (874,247) | (911,017) |
| Total primary government net expense | <u>\$ (18,568,285)</u> | <u>(17,183,022)</u> | <u>(11,523,117)</u> | <u>(19,315,322)</u> | <u>(18,596,290)</u> |
| General Revenues and Other Changes In Net Position | | | | | |
| Governmental activities: | | | | | |
| Property taxes | 8,169,731 | 7,890,521 | 8,746,139 | 9,015,302 | 9,491,422 |
| Sales taxes | 8,625,653 | 8,682,819 | 8,316,512 | 8,105,296 | 7,974,171 |
| Transient occupancy taxes | - | - | - | - | - |
| Payment in lieu of taxes | 1,131,659 | 1,035,188 | 1,054,735 | 1,020,959 | 1,036,032 |
| Grants and entitlements not restricted | 3,598,414 | 3,559,577 | 3,353,441 | 3,451,680 | 3,677,791 |
| Transfers | (184,881) | (1,652,342) | (439,935) | (632,983) | (625,258) |
| Investment earnings | 54,254 | 59,449 | (114,092) | 650,810 | 361,309 |
| Property sales (loss on reacquisitions) | - | - | - | (7,313,222) | 1,650,939 |
| Bond issuance costs | - | - | - | - | - |
| Miscellaneous | 378,601 | 354,128 | 351,236 | 867,387 | 326,885 |
| Write off delinquent note | - | - | (789,553) | - | - |
| Settlement | - | - | - | - | - |
| Total governmental activities general revenues and other changes in net position | <u>21,773,431</u> | <u>19,929,340</u> | <u>20,478,483</u> | <u>15,165,229</u> | <u>23,893,291</u> |
| Business-type activities: | | | | | |
| Unrestricted grant/investment earnings | 236,474 | 241,530 | 907,259 | 165,963 | 106,177 |
| Transfers | 184,881 | 1,652,342 | 439,935 | 632,983 | 625,258 |
| Total business-type activities general revenues and other changes in net position | <u>421,355</u> | <u>1,893,872</u> | <u>1,347,194</u> | <u>798,946</u> | <u>731,435</u> |
| Total primary government general revenues and other changes in net position | <u>22,194,786</u> | <u>21,823,212</u> | <u>21,825,677</u> | <u>15,964,175</u> | <u>24,624,726</u> |
| Changes in Net Position | | | | | |
| Governmental activities | 2,827,986 | 999,287 | 599,838 | (3,275,846) | 6,208,018 |
| Business-type activities | 798,515 | 3,640,903 | 9,702,722 | (75,301) | (179,582) |
| Total primary government, change in net position | <u>\$ 3,626,501</u> | <u>4,640,190</u> | <u>10,302,560</u> | <u>(3,351,147)</u> | <u>6,028,436</u> |

*note The Borough has implemented the provisions of GASB statements 63 and 65 in FY13. Prior years have not been restated to reflect this change.; however all terminology has been updated to reflect this revision.

KETCHIKAN GATEWAY BOROUGH

Changes in Net Position, Continued
June 30, 2014

| Fiscal Year | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|------------------------|---------------------|---------------------|---------------------|---------------------|
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 3,098,135 | 3,105,409 | 3,306,674 | 2,834,490 | 3,313,736 |
| Fire and EMS | 1,207,673 | 1,219,557 | - | - | - |
| Water treatment and distribution | 246,479 | - | - | - | - |
| Library services | 420,190 | 420,100 | 420,565 | 396,468 | 411,855 |
| Parks and recreation | 1,658,671 | 1,883,894 | - | - | - |
| Public works | 1,388,867 | 1,248,572 | - | - | - |
| Public services | 5,415,283 | 1,908,428 | 8,308,680 | 7,824,163 | 10,420,289 |
| Transit | 1,149,142 | 1,075,033 | - | - | - |
| Automation | - | - | 364,331 | 355,000 | 291,603 |
| Education | 14,401,413 | 13,522,531 | 13,321,747 | 9,595,422 | 9,003,657 |
| Nondepartmental | - | - | - | 3,063,471 | 2,264,466 |
| Interest | 1,299,122 | 1,405,115 | 1,613,241 | 1,541,048 | 1,301,846 |
| Total governmental activities expenses | <u>30,284,975</u> | <u>25,788,639</u> | <u>27,335,238</u> | <u>25,610,062</u> | <u>27,007,452</u> |
| Business-type activities: | | | | | |
| Airport | 4,758,390 | 4,312,540 | 4,599,434 | 4,189,888 | 4,223,926 |
| Wastewater | 1,095,332 | 890,038 | 1,073,625 | 882,954 | 854,648 |
| Total business-type activities expenses | <u>5,853,722</u> | <u>5,202,578</u> | <u>5,673,059</u> | <u>5,072,842</u> | <u>5,078,574</u> |
| Total primary government expenses | <u>\$ 36,138,697</u> | <u>30,991,217</u> | <u>33,008,297</u> | <u>30,682,904</u> | <u>32,086,026</u> |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| Fire and EMS | 234,659 | 360,311 | - | - | - |
| Water treatment and distribution | 132,884 | - | - | - | - |
| Parks and recreation | 446,557 | 458,064 | - | - | - |
| Public services | 668,042 | 405,626 | 1,314,590 | 1,530,858 | 1,526,806 |
| Transit | 160,764 | 140,721 | - | - | - |
| Education | 2,849,699 | 3,020,959 | - | - | - |
| Capital grants | 10,990,255 | 4,059,938 | 2,981,744 | 2,885,920 | 2,102,498 |
| Operating grants | 555,861 | 498,425 | 2,007,935 | 2,442,331 | 972,586 |
| Nondepartmental | - | - | 2,936,900 | 2,534,223 | 2,044,431 |
| Total governmental activities program revenues | <u>16,038,721</u> | <u>8,944,044</u> | <u>9,241,169</u> | <u>9,393,332</u> | <u>6,646,321</u> |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Airport | 3,424,190 | 3,759,832 | 3,387,681 | 3,742,327 | 2,997,565 |
| Wastewater | 583,196 | 613,663 | 592,620 | 733,104 | 496,629 |
| Operating grants | 72,412 | 152,035 | 62,188 | - | - |
| Capital grants | 28,392 | 8,685 | 640,921 | - | 528,410 |
| Total business-type activities program revenues | <u>4,108,190</u> | <u>4,534,215</u> | <u>4,683,410</u> | <u>4,475,431</u> | <u>4,022,604</u> |
| Total primary government program revenues | <u>\$ 20,146,911</u> | <u>13,478,259</u> | <u>13,924,579</u> | <u>13,868,763</u> | <u>10,668,925</u> |
| Net (Expense) Revenue | | | | | |
| Governmental activities | (14,246,254) | (16,844,595) | (18,094,069) | (16,216,730) | (20,361,131) |
| Business-type activities | (1,745,532) | (668,363) | (989,649) | (597,411) | (1,055,970) |
| Total primary government net expense | <u>\$ (15,991,786)</u> | <u>(17,512,958)</u> | <u>(19,083,718)</u> | <u>(16,814,141)</u> | <u>(21,417,101)</u> |
| General Revenues and Other Changes In Net Position | | | | | |
| Governmental activities: | | | | | |
| Property taxes | 10,233,372 | 11,133,400 | 10,350,075 | 10,170,210 | 8,222,959 |
| Sales taxes | 8,430,433 | 6,843,335 | 6,333,019 | 6,267,181 | 7,412,729 |
| Transient occupancy taxes | - | - | - | - | 70,452 |
| Payment in lieu of taxes | 1,366,194 | 579,736 | 581,662 | 11,031 | 4,323 |
| Grants and entitlements not restricted | 3,815,114 | 3,615,710 | 319,748 | - | 932,418 |
| Transfers | (374,452) | (222,905) | (841,611) | (289,502) | (556,000) |
| Investment earnings | 275,681 | 1,511,764 | 1,552,003 | 845,592 | 760,004 |
| Property sales (loss on reacquisitions) | (909,920) | 599,456 | 699,150 | 1,886,734 | 874,850 |
| Bond issuance costs | - | - | - | 14,927 | 33,834 |
| Miscellaneous | 850,530 | 390,152 | 408,748 | 375,565 | 431,666 |
| Write off delinquent note | - | - | - | - | - |
| Settlement | - | - | 970,088 | - | - |
| Total governmental activities general revenues and other changes in net position | <u>23,686,952</u> | <u>24,450,648</u> | <u>20,372,882</u> | <u>19,281,738</u> | <u>18,187,235</u> |
| Business-type activities: | | | | | |
| Unrestricted grant/investment earnings | 424,688 | 96,969 | 21,797 | 6,127 | 18,062 |
| Transfers | 374,452 | 222,905 | 841,611 | 289,502 | 556,000 |
| Total business-type activities general revenues and other changes in net position | <u>799,140</u> | <u>319,874</u> | <u>863,408</u> | <u>295,629</u> | <u>574,062</u> |
| Total primary government general revenues and other changes in net position | <u>\$ 24,486,092</u> | <u>24,770,522</u> | <u>21,236,290</u> | <u>19,577,367</u> | <u>18,761,297</u> |
| Changes in Net Position | | | | | |
| Governmental activities | 9,440,698 | 7,606,053 | 2,278,813 | 3,065,008 | (2,173,896) |
| Business-type activities | (946,392) | (348,489) | (126,241) | (301,782) | (481,908) |
| Total primary government, change in net position | <u>\$ 8,494,306</u> | <u>7,257,564</u> | <u>2,152,572</u> | <u>2,763,226</u> | <u>(2,655,804)</u> |

KETCHIKAN GATEWAY BOROUGH

Fund Balances, Governmental Funds

June 30, 2014

| | Fiscal Year | | | | |
|-------------------------------------|---------------|---------------|------------|------------|------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| General Fund | | | | | |
| Committed | \$ - | - | - | 123,675 | 30,420 |
| Unassigned | 7,790,668 | 6,276,521 | 6,860,808 | 6,550,394 | 5,991,166 |
| Total general fund | 7,790,668 | 6,276,521 | 6,860,808 | 6,674,069 | 6,021,586 |
| All other governmental funds | | | | | |
| Reserved | - | - | - | - | 10,780,900 |
| Capital projects funds | - | - | - | - | 23,845,433 |
| Unreserved, report in: | | | | | |
| Special revenue funds | - | - | - | - | 15,676,744 |
| Nonspendable | 2,055,751 | 2,557,461 | 4,288,124 | 4,538,151 | - |
| Restricted | 12,912,463 | 13,928,936 | 9,800,504 | 29,263,760 | - |
| Committed | 6,650,448 | 6,310,341 | 4,285,593 | 1,683,538 | - |
| Assigned | 5,361,936 | 5,918,222 | 5,034,099 | 6,554,142 | - |
| Unassigned | (789,399) | (1,187,887) | (548,946) | (603,953) | - |
| Total all other governmental funds | 26,191,199 | 27,527,073 | 22,859,374 | 41,435,638 | 50,303,077 |
| Total Governmental Funds | \$ 33,981,867 | \$ 33,803,594 | 29,720,182 | 48,109,707 | 56,324,663 |

| | Fiscal Year | | | | |
|-------------------------------------|---------------|-------------|---------------|-------------|------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| General Fund | | | | | |
| Reserved | \$ 110,576 | 65,191 | 28,245 | 192,230 | 504,119 |
| Unreserved | 5,525,115 | 2,809,698 | 1,429,143 | 1,725,796 | 2,376,078 |
| Total general fund | 5,635,691 | 2,874,889 | 1,457,388 | 1,918,026 | 2,880,197 |
| All other governmental funds | | | | | |
| Reserved | 10,223,588 | 16,511,974 | 16,723,780 | 18,385,389 | 13,013,202 |
| Capital projects funds | 1,697,272 | (4,415,280) | (8,167,617) | (4,852,950) | 3,548,290 |
| Unreserved, report in: | | | | | |
| Special revenue funds | 11,341,183 | 4,779,458 | 2,885,986 | 4,022,884 | 7,663,768 |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total all other governmental funds | 23,262,043 | 16,876,152 | 11,442,149 | 17,555,323 | 24,225,260 |
| Total Governmental Funds | \$ 28,897,734 | 19,751,041 | \$ 12,899,537 | 19,473,349 | 27,105,457 |

KETCHIKAN GATEWAY BOROUGH

Changes in Governmental Fund Balances
June 30, 2014

| | Fiscal Year | | | | | | | | | |
|--|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|--------------------|--------------------|---------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 16,805,205 | 16,492,010 | 17,052,595 | 17,182,814 | 17,471,661 | 18,673,487 | 17,935,890 | 16,576,094 | 16,437,391 | 15,706,140 |
| Intergovernmental | 9,787,808 | 8,236,478 | 9,372,872 | 8,420,951 | 11,475,300 | 14,401,276 | 6,509,226 | 5,833,389 | 5,339,281 | 4,085,451 |
| Licenses and permits | 90 | 835 | 11,543 | 14,168 | 11,108 | 20,333 | 26,800 | 34,060 | 35,140 | 38,815 |
| Water fees | 217,149 | 193,081 | 176,394 | 177,610 | 165,463 | - | - | - | - | - |
| Charges for services | 2,460,333 | 2,460,017 | 1,984,455 | 1,736,329 | 1,496,472 | 1,621,604 | 1,337,715 | 1,280,530 | 1,495,718 | 1,414,366 |
| Commercial vessel passenger tax | 2,240,210 | 1,977,770 | 1,947,248 | 2,095,324 | 2,313,793 | 2,326,147 | 2,244,585 | - | - | - |
| Interest Subsidy | 606,982 | 600,911 | 615,002 | 547,193 | - | - | - | - | - | - |
| Investment earnings | 54,234 | 59,449 | (114,090) | 710,139 | 354,644 | 272,695 | 612,485 | 1,473,267 | 845,592 | 760,004 |
| Proceeds from sale of property | 473,320 | - | 1,632,855 | 69,000 | 3,555,179 | - | 1,248,605 | 856,220 | 2,692,193 | 874,850 |
| Miscellaneous | 389,216 | 360,996 | 367,004 | 330,620 | 330,086 | 317,622 | 390,359 | 408,748 | 375,565 | 431,664 |
| Total Revenues | 33,034,547 | 30,381,547 | 33,045,878 | 31,284,148 | 37,173,706 | 37,633,164 | 30,305,665 | 26,462,308 | 27,220,880 | 23,311,290 |
| Expenditures | | | | | | | | | | |
| General government | 3,584,249 | 3,613,270 | 3,523,762 | 3,222,852 | 2,718,432 | 2,512,572 | 2,882,789 | 2,704,745 | 2,627,499 | 2,290,158 |
| Library services | 422,570 | 410,326 | 380,266 | 372,794 | 371,886 | 420,190 | 420,100 | 420,565 | 396,468 | 411,855 |
| Fire and EMS | 1,163,729 | 1,055,508 | 1,070,550 | 1,058,292 | 1,020,905 | 992,333 | 978,225 | - | - | - |
| Water treatment and distribution | 318,826 | 249,401 | 226,424 | 209,885 | 229,160 | 246,731 | - | - | - | - |
| Public services | 4,730,443 | 3,324,609 | 4,615,631 | 3,218,115 | 3,896,096 | 5,144,229 | 1,720,168 | 6,129,496 | 6,970,230 | 9,871,936 |
| Parks and recreation | 2,306,465 | 2,303,059 | 2,135,115 | 1,786,992 | 1,778,070 | 1,421,501 | 1,656,144 | - | - | - |
| Public works | 1,030,382 | 1,182,394 | 1,018,329 | 1,066,171 | 1,325,648 | 1,305,296 | 1,203,440 | - | - | - |
| Transit | 1,994,798 | 1,862,205 | 1,805,799 | 1,542,359 | 1,285,049 | 1,023,517 | 1,022,749 | - | - | - |
| Automation | - | - | - | - | - | - | - | 339,083 | 324,728 | 265,761 |
| Education | 8,050,000 | 8,239,518 | 8,650,000 | 9,411,000 | 9,617,935 | 9,068,223 | 8,123,054 | 8,895,922 | 8,227,112 | 7,635,347 |
| Nondepartmental | 260,433 | 227,909 | 215,849 | 378,305 | 376,593 | 539,397 | 219,754 | 492,028 | 365,323 | 362,582 |
| Capital Outlay | 2,888,235 | 2,257,159 | 21,037,970 | 19,492,677 | 6,484,687 | 2,683,114 | 4,307,042 | 10,386,898 | 12,981,780 | 11,930,424 |
| Debt Service: | | | | | | | | | | |
| Principal retirement | 3,358,741 | 2,936,443 | 2,994,753 | 2,567,666 | 2,331,677 | 2,363,282 | 2,376,476 | 2,289,756 | 2,102,457 | 1,641,555 |
| Interest and fiscal charges | 2,562,522 | 2,474,835 | 2,536,190 | 2,612,426 | 1,092,438 | 1,319,134 | 1,421,315 | 1,506,104 | 1,548,431 | 1,264,999 |
| Bond issuance costs | - | 37,962 | 75,066 | 149,870 | 250,738 | - | - | - | - | 450,000 |
| Total Expenditures | 32,671,393 | 30,174,598 | 50,285,704 | 47,089,404 | 32,779,314 | 29,039,519 | 26,331,256 | 33,164,597 | 35,544,028 | 36,124,617 |
| Excess (Deficiency) of Revenues Over Expenditures | 363,154 | 206,949 | (17,239,826) | (15,805,256) | 4,394,392 | 8,593,645 | 3,974,409 | (6,702,289) | (8,323,148) | (12,813,327) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| General obligation bonds issued | - | 4,875,000 | 8,070,000 | 8,165,000 | 29,490,000 | - | - | - | 1,100,000 | 15,580,000 |
| Premium on bonds | - | 653,805 | 1,287,659 | 58,283 | 372,207 | - | - | - | 14,927 | 483,834 |
| Settlement | - | - | - | - | - | 50,000 | 3,100,000 | 970,088 | - | - |
| Transfers in | 6,957,976 | 7,223,798 | 7,156,872 | 6,969,046 | 4,566,059 | 4,358,323 | 5,347,217 | 7,660,149 | 4,244,391 | 5,724,276 |
| Other financing proceeds | - | - | - | - | - | 877,500 | - | - | - | - |
| Capital leases | - | - | - | - | - | - | - | - | - | 395,966 |
| Bond issuance costs | - | - | - | - | - | - | - | - | (7,607) | (31,000) |
| Transfers out | (7,142,857) | (8,876,140) | (7,596,807) | (7,602,029) | (5,191,317) | (4,732,775) | (5,570,122) | (8,501,760) | (4,660,671) | (6,280,274) |
| Payment to refunding bond escrow agent | - | - | (9,277,870) | - | (6,204,412) | - | - | - | - | (7,680,000) |
| Total Other Financing Sources (Uses) | (184,881) | 3,876,463 | (360,146) | 7,590,300 | 23,032,537 | 553,048 | 2,877,095 | 128,477 | 691,040 | 8,192,802 |
| Special item - write off delinquent note | - | - | (789,553) | - | - | - | - | - | - | - |
| Net Change in Fund Balances | \$ 178,273 | 4,083,412 | (18,389,525) | (8,214,956) | 27,426,929 | 9,146,693 | 6,851,504 | (6,573,812) | (7,632,108) | (4,620,525) |
| Debt Service as a | | | | | | | | | | |
| Percentage of noncapital expenditures | 19.88% | 19.38% | 18.91% | 18.77% | 13.02% | 13.97% | 17.24% | 16.66% | 16.18% | 13.87% |

KETCHIKAN GATEWAY BOROUGH

Assessed Value and Actual Value of Taxable Property
 Changes in Assessment
 June 30, 2014

| Fiscal Year | Residential | Commercial | Industrial | Personal Property | Tax-Exempt | Sr. & Vet Tax-Exempt * | Optional Tax-Exempt* | Total Assessed Value | Total Direct Tax Rate |
|-------------|----------------|-------------|-------------|-------------------|-------------|------------------------|----------------------|----------------------|-----------------------|
| 2005 | \$ 652,612,550 | 199,733,125 | 79,399,825 | 53,895,900 | 68,936,400 | - | - | 916,705,000 | 7.00 |
| 2006 | 675,854,500 | 205,767,650 | 80,779,650 | 59,666,800 | 74,052,800 | - | - | 948,015,800 | 7.50 |
| 2007 | 743,010,500 | 210,993,500 | 81,475,600 | 58,550,200 | 75,182,200 | - | - | 1,018,847,600 | 7.50 |
| 2008 | 837,303,700 | 234,295,600 | 90,715,200 | 68,550,700 | 79,737,000 | - | - | 1,151,128,200 | 7.20 |
| 2009 | 937,034,800 | 251,345,100 | 100,424,800 | 68,115,000 | 85,908,700 | - | - | 1,271,011,000 | 6.80 |
| 2010 | 951,009,500 | 278,712,800 | 100,810,500 | 67,594,600 | 90,099,200 | - | - | 1,308,028,200 | 6.00 |
| 2011 | 953,717,800 | 287,116,300 | 103,282,600 | - | 95,518,600 | - | - | 1,248,598,100 | 5.80 |
| 2012 | 1,003,522,700 | 302,021,300 | 141,685,600 | - | 103,105,400 | 36,449,100 | 38,151,600 | 1,269,523,500 | 5.50 |
| 2013 | 1,008,067,300 | 326,126,776 | 215,007,624 | - | 58,646,400 | 110,012,900 | 65,866,600 | 1,314,675,800 | 5.00 |
| 2014 | 1,116,092,800 | 439,325,100 | 288,117,100 | - | 194,717,156 | 208,527,500 | 91,902,044 | 1,348,388,300 | 5.00 |

Source: Ketchikan Gateway Borough Assessment and Finance Department.

Note: FY2010 Business Personal Property Tax was repealed.

* Exemptions for 2012 forward are reported as follows.

Sr. & Vet Tax-Exempt - Total value of Senior Citizens and Disabled Veterans Exemptions.

Other Mandatory Tax-Exempt - Total value of all other exemptions granted under AS 29.45.030.

Optional Tax-Exempt - Total value of all exemptions granted under AS 29.45.050. This includes the optional portion of NRHA housing, Community Purpose and the Ketchikan

KETCHIKAN GATEWAY BOROUGH

Principal Property Tax Payers Current Year and Ten Years Ago
June 30, 2014

| Taxpayer | 2014 | | | 2005 | | |
|-------------------------------------|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Cape Fox Corporation | \$ 16,049,400 | 1 | 1.22% | \$ 10,123,000 | 1 | 1.08% |
| Trident Seafoods | 15,974,200 | 2 | 1.22% | 6,276,100 | 6 | 0.67% |
| Ketchikan Dock Company | 14,137,800 | 3 | 1.08% | - | - | 0.00% |
| Tongass Trading | 11,705,500 | 4 | 0.89% | 8,108,600.0 | 2 | 0.87% |
| Harbor Enterprises | 11,113,300 | 5 | 0.85% | 6,202,700 | 7 | 0.66% |
| Boyer Towing | 9,169,200 | 6 | 0.70% | 5,466,200 | 10 | 0.58% |
| Dock Street Building | 8,714,700 | 7 | 0.66% | - | - | 0.00% |
| The Landing LLC | 8,342,300 | 8 | 0.63% | 6,601,400 | 5 | 0.71% |
| ESPS Inc. | 8,069,100 | 9 | 0.61% | 5,563,200 | 9 | 0.59% |
| Alaska General Seafood | 7,715,700 | 10 | 0.59% | - | - | 0.00% |
| Carr-Gottstein Foods | - | - | 0.00% | 6,770,600 | 3 | 0.72% |
| Wal-Mart | - | - | 0.00% | 6,874,800 | 4 | 0.74% |
| Southeast Stevedoring | - | - | - | 5,595,500 | 8 | 0.60% |
| | - | - | - | - | - | 0.00% |
| Total Principal Property Tax Payers | \$ 110,991,200 | | 8.44% | \$ 67,582,100 | | 7.23% |
| Total Assessment | \$ 1,314,675,800 | | 100.00% | \$ 935,122,200 | | 100.00% |

Source: Ketchikan Gateway Borough Assessment Department.

KETCHIKAN GATEWAY BOROUGH*Property Tax Levies and Collections, Last Ten Fiscal Years*

June 30, 2014

| <u>Fiscal Year</u> | <u>Taxes Levied for the Fiscal Year</u> | <u>Collected within the Fiscal Year of the Levy</u> | | <u>Collections in Subsequent Years</u> | <u>Total Collections to Date</u> | |
|--------------------|---|---|-------------------------------|--|----------------------------------|-------------------------------|
| | | <u>Amount</u> | <u>Percentage of Levy</u> | | <u>Amount</u> | <u>Percentage of Levy</u> |
| 2005 | \$ 7,013,272 | 5,827,184 | 83% | 1,184,206 | 7,011,390 | 100% |
| 2006 | 7,400,485 | 5,767,904 | 78% | 1,630,785 | 7,398,689 | 100% |
| 2007 | 7,641,357 | 7,213,060 | 94% | 426,226 | 7,639,286 | 100% |
| 2008 | 8,288,123 | 7,437,374 | 90% | 792,431 | 8,229,805 | 99% |
| 2009 | 8,642,875 | 7,911,034 | 92% | 361,104 | 8,272,138 | 96% |
| 2010 | 7,848,169 | 7,120,983 | 91% | 350,114 | 7,471,097 | 95% |
| 2011 | 7,241,869 | 7,201,114 | 99% | 3,501 | 7,204,615 | 99% |
| 2012 | 6,982,379 | 6,872,731 | 98% | 20,822 | 6,893,553 | 99% |
| 2013 | 6,573,379 | 6,511,100 | 99% | - | 6,511,100 | 99% |
| 2014 | 6,741,942 | 6,674,436 | 99% | 52,487 | 6,726,923 | 100% |

KETCHIKAN GATEWAY BOROUGH

Taxable Sales by Category, Fiscal Years
June 30, 2014

| Borough & City | Fiscal Year | | | | |
|-------------------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Contractors | \$ 7,014,417 | 6,934,972 | 6,617,394 | 6,141,701 | 6,251,223 |
| Finance, insurance, banks | 1,961,381 | 2,178,110 | 1,852,493 | 2,192,021 | 2,183,286 |
| Hotels, motels, lodges | 14,249,033 | 13,585,323 | 13,186,969 | 12,603,094 | 12,888,607 |
| Manufacturing | 6,762,202 | 6,895,841 | 6,522,871 | 6,140,406 | 5,926,608 |
| Real estate | 25,636,228 | 26,642,797 | 25,749,712 | 24,485,430 | 24,840,277 |
| Retail trade | 62,305,233 | 62,405,340 | 62,157,151 | 61,376,056 | 61,939,877 |
| Retail trade - food | 49,865,829 | 49,084,609 | 48,643,775 | 46,657,847 | 46,474,680 |
| Retail trade, bars & catering | 19,726,322 | 20,205,401 | 19,529,853 | 18,350,884 | 17,928,618 |
| Retail, automotive | 14,906,533 | 14,811,657 | 14,955,723 | 14,139,519 | 13,897,325 |
| Retail, specialty | 14,277,823 | 15,284,879 | 15,365,461 | 14,635,547 | 15,022,750 |
| Retail, var, jewelry, curios | 28,704,086 | 29,027,152 | 27,931,301 | 28,413,986 | 31,046,295 |
| Services, entertainment | 4,551,766 | 4,256,518 | 3,997,157 | 3,922,744 | 4,113,145 |
| Service, general | 11,029,056 | 10,192,747 | 9,441,544 | 8,943,572 | 9,111,881 |
| Services, professional | 3,626,408 | 3,590,993 | 3,483,385 | 3,477,776 | 3,614,729 |
| Trans, comm, utilities | <u>73,692,208</u> | <u>73,659,093</u> | <u>72,233,703</u> | <u>66,144,540</u> | <u>61,645,321</u> |
| | <u>\$ 338,308,525</u> | <u>338,755,432</u> | <u>331,668,492</u> | <u>317,625,123</u> | <u>316,884,622</u> |

| | Fiscal Year | | | | |
|-------------------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| Contractors | 7,215,832 | 6,553,234 | 6,386,800 | 6,501,297 | 5,787,020 |
| Finance, insurance, banks | 2,417,371 | 2,332,930 | 2,365,356 | 2,342,761 | 2,240,771 |
| Hotels, motels, lodges | 14,303,080 | 15,059,772 | 13,472,358 | 13,116,794 | 12,650,991 |
| Manufacturing | 6,103,646 | 6,189,634 | 5,613,112 | 5,779,607 | 5,804,269 |
| Real estate | 23,075,357 | 22,218,581 | 21,286,943 | 19,516,251 | 18,684,763 |
| Retail trade | 69,582,975 | 68,505,073 | 63,957,201 | 63,411,482 | 62,477,212 |
| Retail trade - food | 45,444,444 | 46,370,309 | 43,281,242 | 42,245,987 | 38,276,614 |
| Retail trade, bars & catering | 18,371,267 | 18,359,258 | 18,443,036 | 17,883,117 | 16,863,302 |
| Retail, automotive | 15,037,370 | 16,289,550 | 14,182,345 | 12,385,868 | 12,300,535 |
| Retail, specialty | 13,523,937 | 13,548,960 | 13,026,683 | 13,561,731 | 13,619,922 |
| Retail, var, jewelry, curios | 32,481,607 | 34,955,545 | 33,396,090 | 37,045,418 | 37,509,054 |
| Services, entertainment | 4,182,048 | 4,794,739 | 4,791,109 | 4,577,495 | 4,838,814 |
| Service, general | 9,331,525 | 8,893,378 | 8,378,435 | 8,476,623 | 7,461,442 |
| Services, professional | 3,598,073 | 4,094,957 | 3,955,050 | 4,415,091 | 4,038,188 |
| Trans, comm, utilities | <u>69,174,913</u> | <u>74,459,549</u> | <u>62,874,860</u> | <u>59,840,318</u> | <u>52,314,588</u> |
| | <u>\$ 333,843,445</u> | <u>342,625,469</u> | <u>315,410,620</u> | <u>311,099,840</u> | <u>294,867,485</u> |

Source: Ketchikan Gateway Borough Finance Department.

KETCHIKAN GATEWAY BOROUGH

Current Year Debt Service by Type, Last Ten Fiscal Years
June 30, 2014

| Fiscal Year | School G.O. Bond Debt | | | Revenues - School Bond - | | | Capital Improvement Fund | Per Capita Cost | | Recreation Special Revenue Fund G.O. Bonds | | | Rec CIP Fund | | | |
|-------------|-----------------------|-----------|-----------|---------------------------------|----------|--------------------|--------------------------|---|------------|--|-----------|-----------|--------------|---|----------------|------------------------------|
| | Principal | Interest | Total | State School Debt Reimbursement | Misc. | 1/2 cent Sales Tax | Total Revenues | Surplus Funded through the School Bond CIP Fund | Population | Per Capita Cost | Principal | Interest | Total | Total Revenues - 1/2 cent Sales Tax, Penalties, Interest, Misc. | Other Expenses | Available for Other Projects |
| 2005 | 980,000 | 1,147,323 | 2,127,323 | 1,479,265 | 32,603 | 1,212,106 | 2,723,974 | 596,651 | 13,111 | (46) | 630,000 | 98,074 | 728,074 | 1,277,280 | - | 549,206 |
| 2006 | 1,385,000 | 1,427,599 | 2,812,599 | 2,021,962 | 29,140 | 1,575,687 | 3,626,789 | 814,190 | 13,176 | (62) | - | - | - | 1,604,107 | - | 1,604,107 |
| 2007 | 2,255,000 | 1,497,735 | 3,752,735 | 2,061,057 | 114,789 | 1,603,399 | 3,779,245 | 26,510 | 13,089 | (2) | - | - | - | 1,563,234 | - | 1,563,234 |
| 2008 | 2,340,000 | 1,366,236 | 3,706,236 | 2,059,731 | 114,974 | 1,708,684 | 3,883,389 | 177,153 | 12,993 | (14) | - | - | - | 1,708,684 | - | 1,708,684 |
| 2009 | 2,325,000 | 1,287,761 | 3,612,761 | 2,059,056 | 13,379 | 1,682,200 | 3,754,635 | 141,874 | 12,984 | (11) | - | - | - | 1,682,200 | - | 1,682,200 |
| 2010 | 1,305,000 | 870,930 | 2,175,930 | 1,946,454 | 12,570 | 1,598,834 | 3,557,858 | 1,381,928 | 13,477 | (103) | - | - | - | 1,598,834 | - | 1,598,834 |
| 2011 | 2,008,500 | 1,444,053 | 3,452,553 | 2,025,976 | 19,593 | 1,614,719 | 3,660,288 | 207,735 | 13,686 | (15) | 276,500 | 1,002,567 | 1,279,067 | 1,614,719 | 290,599 | 45,053 |
| 2012 | 2,311,500 | 1,394,586 | 3,706,086 | 2,176,095 | (12,406) | 1,659,745 | 3,823,434 | 117,348 | 13,750 | (9) | 353,500 | 562,087 | 915,587 | 1,659,745 | - | 744,158 |
| 2013 | 2,394,500 | 1,366,698 | 3,761,198 | 3,353,421 | 81,487 | 1,650,132 | 5,085,040 | 1,323,842 | 13,938 | (95) | 360,500 | 576,507 | 937,007 | 1,650,132 | 330,516 | 382,609 |
| 2014 | 2,795,500 | 1,099,800 | 3,895,300 | 2,513,044 | 6,979 | 1,711,478 | 4,231,501 | 336,201 | 13,856 | (24) | 374,500 | 562,087 | 936,587 | 1,711,478 | 195,177 | 579,714 |

Note: G.O. Bonds only

KETCHIKAN GATEWAY BOROUGH

Ratios of General Bonded Debt Outstanding

June 30, 2014

| Fiscal Year | General Obligation Bonds Governmental Type | Loans and Leases | Certificates of Participation | Total Debt | Personal Income | Total Debt/Personal Income | Percentage of Actual Taxable Value of Property (1) | Per Capita |
|-------------|--|---------------------|----------------------------------|------------|--------------------|----------------------------------|---|------------|
| 2005 | \$ 34,044,749 | 364,411 | - | 34,409,160 | 528,255,301 | 6.5% | 4% | 2,624 |
| 2006 | 33,203,086 | 331,295 | - | 33,534,381 | 544,695,840 | 6.2% | 4% | 2,545 |
| 2007 | 29,630,000 | 296,538 | - | 29,926,538 | 601,099,236 | 5.0% | 3% | 2,286 |
| 2008 | 27,290,000 | 260,062 | - | 27,550,062 | 602,225,550 | 4.6% | 3% | 2,120 |
| 2009 | 24,965,000 | 1,099,280 | - | 26,064,280 | 675,557,520 | 3.9% | 2% | 2,007 |
| 2010 | 46,810,000 | 586,677 | - | 47,396,677 | 701,208,310 | 6.8% | 4% | 3,517 |
| 2011 | 47,925,000 | 294,937 | 4,700,000 | 52,919,937 | 641,490,192 | 8.2% | 5% | 3,867 |
| 2012 | 44,855,000 | 95,184 | 4,570,000 | 49,520,184 | 704,907,500 | 7.0% | 4% | 3,601 |
| 2013 | 46,975,000 | 48,741 | 4,435,000 | 51,458,741 | 598,441,968 | 8.6% | 4% | 3,692 |
| 2014 | 43,805,000 | - | 4,295,000 | 48,100,000 | 712,974,336 | 6.7% | 4% | 3,471 |

1 Assessment data in table 5

KETCHIKAN GATEWAY BOROUGH
Direct and Overlapping Governmental Activities Debt
June 30, 2014

Governmental Unit

Ketchikan Gateway Borough

Total Direct Debt

| | |
|-------------------------------|---------------|
| Outstanding G.O. Bonds | \$ 43,805,000 |
| Certificates of Participation | 4,295,000 |

| | |
|-------------------|-------------------|
| Total Direct Debt | <u>48,100,000</u> |
|-------------------|-------------------|

| | |
|-------------------------------|------------|
| City of Ketchikan Direct Debt | 16,785,427 |
|-------------------------------|------------|

| | |
|-----------------------------------|----------------------|
| Total Direct and Overlapping Debt | <u>\$ 64,885,427</u> |
|-----------------------------------|----------------------|

KETCHIKAN GATEWAY BOROUGH

Revenue Bond Coverage
Ketchikan International Airport
 Last Ten Years
 June 30, 2014

| Fiscal Year | Gross Revenues - (1) | Operating Expenses - (2) | Net Revenue Available for Debt Service | Debt Service Requirements - (3) | | | Coverage |
|-------------|-------------------------|-----------------------------|--|---------------------------------|----------|-----------|----------|
| | | | | Principal | Interest | Total | |
| 2005 | \$ 2,997,565 | 3,219,520 | (221,955) | 185,000 | 188,726 | 373,726 | (0.59) |
| 2006 | 3,756,403 | 3,288,967 | 467,436 | 195,000 | 179,420 | 374,420 | 1.25 |
| 2007 | 3,865,146 | 3,588,605 | 276,541 | 205,000 | 169,776 | 374,776 | 0.74 |
| 2008 | 4,337,157 | 3,593,216 | 743,941 | 220,000 | 159,795 | 379,795 | 1.96 |
| 2009 | 4,022,364 | 4,058,174 | (35,810) | 235,000 | 138,758 | 373,758 | (0.10) |
| 2010 | 3,768,310 | 3,957,424 | (189,114) | 250,000 | 127,483 | 377,483 | (0.50) |
| 2011 | 4,212,118 | 4,240,937 | (28,819) | 260,000 | 115,627 | 375,627 | (0.08) |
| 2012 | 4,570,795 | 4,617,663 | (46,868) | 165,000 | 69,393 | 234,393 | (0.20) |
| 2013 | 7,160,408 | 4,791,025 | 2,369,383 | 955,000 | 84,840 | 1,039,840 | Redeemed |
| 2014 | 4,712,241 | 4,811,900 | (99,659) | - | - | - | - |

- (1) Total revenues (including interest), plus State Operating Grants, plus revenues from Passenger Facility Charges (PFC fund).
- (2) Total operating expenses exclusive of depreciation.
- (3) Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the Airport enterprise fund or debt defeasance transactions.

KETCHIKAN GATEWAY BOROUGH

Demographic Statistics

Last Ten Years

June 30, 2014

| Fiscal Year | Borough Population | Personal Income | Alaska Per Capita Income - (1) | Annual Average Unemployment Rate | Education - (2) | | | | |
|-------------|--------------------|-----------------|--------------------------------|----------------------------------|---------------------------|------------------------------|----------------------|------------------------|-------------------------------|
| | | | | | Borough School Enrollment | Number of Attendance Centers | Number of Classrooms | Number of Teachers FTE | Number of Permanent Employees |
| 2005 | 13,111 | \$ 528,255,301 | \$ 40,291 | 7.60% | 2,372 | 5 | 134 | 155 | 307 |
| 2006 | 13,176 | 544,695,840 | 41,340 | 7.60% | 2,291 | 7 | 145 | 155 | 307 |
| 2007 | 13,089 | 601,099,236 | 45,924 | 5.00% | 2,265 | 7 | 147 | 158 | 310 |
| 2008 | 12,993 | 602,225,550 | 46,350 | 6.20% | 2,166 | 7 | 147 | 158 | 310 |
| 2009 | 12,984 | 675,557,520 | 52,030 | 7.78% | 2,115 | 7 | 147 | 163 | 315 |
| 2010 | 13,477 | 701,208,310 | 52,030 | 7.78% | 2,110 | 7 | 147 | 159 | 311 |
| 2011 | 13,686 | 641,490,192 | 46,872 | 7.20% | 2,100 | 7 | 147 | 159 | 311 |
| 2012 | 13,750 | 704,907,500 | 51,266 | 7.20% | 2,167 | 7 | 147 | 152 | 315 |
| 2013 | 13,938 | 598,441,968 | 42,936 | 4.20% | 2,201 | 7 | 147 | 152 | 315 |
| 2014 | 13,856 | 712,974,336 | 51,456 | 6.80% | 2,266 | 7 | 147 | 154 | 317 |

(1) Census and Capita Income per State of Alaska Department of Labor.

(2) <http://www.eed.state.ak.us/stats/DistrictEnrollment/2013DistrictEnrollment.pdf>

Principal Employers FY 2013 and Ten Years Ago
June 30, 2014

| Calendar Year Employer | 2013 | | | 2004 | | |
|---------------------------------------|---------------|------|--------------------------------------|---------------|------|--------------------------------------|
| | Employees | Rank | Percentage of Total Employment | Employees | Rank | Percentage of Total Employment |
| Private Ownership | 5,397 | 1 | 42.02% | 4,962 | 1 | 42.14% |
| Trade, Transportation and A utilities | 1,701 | 2 | 13.24% | 1,912 | 2 | 16.24% |
| Local Government | 1,130 | 3 | 8.80% | 1,055 | 3 | 8.96% |
| Educational & Health Services | 972 | 4 | 7.57% | 670 | 5 | 5.69% |
| Leisure & Hospitality | 800 | 5 | 6.23% | 711 | 4 | 6.04% |
| State of Alaska | 692 | 6 | 5.39% | 584 | 6 | 4.96% |
| Manufacturing | 596 | 7 | 4.64% | 475 | 7 | 4.03% |
| Financial Activities | 383 | 8 | 2.98% | 268 | 8 | 2.28% |
| Construction | 342 | 9 | 2.66% | 299 | 10 | 2.54% |
| US Federal Government | 246 | 10 | 1.92% | 313 | 9 | 2.66% |
| Professional & Business Services | 199 | 11 | 1.55% | 98 | 14 | 0.83% |
| Other | 181 | 12 | 1.41% | 182 | 11 | 1.55% |
| Natural Resource and Mining | 111 | 13 | 0.86% | 147 | 12 | 1.25% |
| Information | 93 | 14 | 0.72% | 100 | 13 | 0.85% |
| | <u>12,843</u> | | <u>100.00%</u> | <u>11,776</u> | | <u>100.00%</u> |

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

Source: State of Alaska, Department of Labor
<http://labor.alaska.gov/research/qcew/ee04.pdf>

KETCHIKAN GATEWAY BOROUGH

Miscellaneous Statistics
June 30, 2014

| | Date of Incorporation & Code of Ordinances Adopted- 1963 | | | | | | | | | |
|--|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Form of Government - Elected Assembly - Manager | | | | | | | | | |
| | Second-Class Borough | | | | | | | | | |
| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
| <i>Ketchikan Gateway Borough</i> | | | | | | | | | | |
| Borough, square miles | 6,900 | 6,900 | 6,900 | 6,900 | 6,900 | 6,900 | 6,900 | 1,733 | 1,733 | 1,733 |
| Revillagigedo Island, square miles | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 | 1,129 |
| Gravina Island, square miles | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 |
| <i>Animal Protection</i> | | | | | | | | | | |
| Licenses Issued | 808 | 833 | 820 | 828 | 774 | 810 | 775 | 761 | 604 | 685 |
| Animals Impounded | 251 | 441 | 411 | 392 | 362 | 509 | 475 | 424 | 408 | 417 |
| Animals Surrendered | 161 | 192 | 303 | 310 | 296 | 309 | 278 | 315 | 395 | 388 |
| Animals Adopted | 162 | 224 | 209 | 182 | 130 | 121 | 109 | 169 | 158 | 204 |
| Animals Claimed | 117 | 112 | 124 | 136 | 161 | 171 | 184 | 118 | 149 | 156 |
| <i>Employees by function</i> | | | | | | | | | | |
| General Government | 25 | 25 | 24 | 24 | 24 | 24 | 23 | 26 | 25 | 25 |
| Fire and EMS | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 4 | 2 |
| Public services | 10 | 12 | 12 | 12 | 12 | 12 | 11 | 11 | 11 | 10 |
| Parks and Recreation | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Public works | 15 | 15 | 16 | 16 | 16 | 18 | 18 | 19 | 20 | 18 |
| Transit | 9 | 9 | 9 | 9 | 9 | 9 | 10 | 9 | 9 | 8 |
| Automation | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Airport | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 28 | 26 |
| | 107 | 109 | 109 | 109 | 109 | 111 | 110 | 112 | 112 | 104 |
| <i>South Tongass Volunteer Fire Department</i> | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Volunteers | 36 | 36 | 35 | 39 | 43 | 39 | 40 | 38 | 40 | 27 |
| Fire Calls | 32 | 31 | 33 | 67 | 34 | 29 | 8 | 15 | 23 | 12 |
| Emergency Calls/EMS Incidents | 121 | 141 | 113 | 101 | 96 | 125 | 102 | 104 | 69 | 88 |
| Fire Investigations | 6 | 5 | 7 | 6 | 5 | 7 | 4 | 15 | 3 | 2 |
| <i>North Tongass Volunteer Fire Department</i> | | | | | | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Volunteers | 26 | 24 | 20 | 24 | 23 | 26 | 31 | 31 | 30 | 30 |
| Fire Calls | 21 | 40 | 26 | 24 | 25 | 43 | 37 | 28 | 40 | |
| Emergency Calls/EMS Incidents | 207 | 156 | 113 | 126 | 145 | 149 | 95 | 84 | 110 | |
| Fire Investigations | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | |
| <i>Elections</i> | | | | | | | | | | |
| Registered Voters | 9,963 | 9,836 | 10,065 | 10,105 | 10,354 | 10,255 | 10,380 | 10,253 | 10,034 | 10,135 |
| Votes Cast Last Borough Election | 2,233 | 2,407 | 1,554 | 1,849 | 2,127 | 2,189 | 2,456 | 2,528 | 3,138 | 3,982 |
| % Voting Last Borough Election | 22% | 24% | 15% | 18% | 21% | 21% | 24% | 25% | 31% | 39% |
| <i>Sewer & Water Plants</i> | | | | | | | | | | |

KETCHIKAN GATEWAY BOROUGH

Miscellaneous Statistics

June 30, 2014

| | Date of Incorporation & Code of Ordinances Adopted- 1963 | | | | | | | | | |
|--|--|-------------|-------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Form of Government - Elected Assembly - Manager | | | | | | | | | |
| | Second-Class Borough | | | | | | | | | |
| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
| Wastewater Enterprise Fund: | | | | | | | | | | |
| Miles of Sanitary Sewers | 8 | 8 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Average Daily Treatment (Sewer gals) | 180,000 | 180,000 | 100,000 | 100,000 | 100,000 | 100,000 | 47,000 | 47,000 | 47,000 | 47,000 |
| Treatment Capacity (Sewer gals) | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 | 330,000 | 330,000 | 330,000 | 330,000 |
| Sewer Connections | 660 | 580 | 522 | 522 | 522 | 522 | 257 | 257 | 257 | 257 |
| Sludge Pumping Customers | 1313 | 1313 | 1,231 | 1,231 | Not available |
| South Tongass Service Area: | | | | | | | | | | |
| Water, Hydrant, Connections | 480 | 466 | 402 | 402 | 402 | 402 | 327 | 327 | 327 | 327 |
| Average Daily Treatment (Water gals) | 175,000 | 175,000 | 149,533 | 149,533 | 149,533 | 149,533 | 92,580 | 92,580 | 92,580 | 146,933 |
| Treatment Capacity (Water gals) | 288,000 | 288,000 | 288,000 | 288,000 | 288,000 | 288,000 | 288,000 | 288,000 | 288,000 | 288,000 |
| Municipal Parks | | | | | | | | | | |
| Developed Parks | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Developed Acres | 6,564 | 6,564 | 6,564 | 6,564 | 6,564 | 6,564 | 6,564 | 6,564 | 6,564 | 6,564 |
| Swimming Pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 |
| Lighted Ball Fields | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 6 | 6 | 6 |
| Ketchikan International Airport (Calendar YR) | | | | | | | | | | |
| Inbound Passengers | 89,013 | 102,390 | 100,568 | 99,072 | 96,160 | 100,851 | 119,376 | 125,295 | 104,906 | 92,659 |
| Outbound Passengers | 86,718 | 101,947 | 100,054 | 98,262 | 95,050 | 99,650 | 112,746 | 119,451 | 104,966 | 93,424 |
| Airport Ferry | | | | | | | | | | |
| Passengers | 354,728 | 347,939 | 337,255 | 337,996 | 336,422 | 381,961 | 449,790 | 418,291 | 356,774 | 321,958 |
| Vehicles | 85,783 | 79,648 | 79,847 | 76,243 | 83,690 | 105,653 | 127,516 | 106,276 | 84,754 | 71,394 |
| Transit | | | | | | | | | | |
| Passengers | | 458,703 | 406,164 | 346,249 | 307,999 | 265,536 | 226,356 | 153,377 | 133,321 | 150,985 |
| Visitor Industry | | | | | | | | | | |
| Cruise Ship Passengers (calendar year) | 800,000est | 791,108 | 778,899 | 835,325 | 925,517 | 930,459 | 897,834 | 899,638 | 681,096 | |

Data supplied by Ketchikan Gateway Borough Department Directors



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